

# Capital City Property Update - John McGrath

## What Have Property Prices done in your Capital City?

John McGrath is a recognised leader in his industry. A peak performance strategist, John has revolutionised the real estate industry here in Australia. With more property investors entering the real estate market this year, a new report from RP Data has provided a timely reminder of the value of real estate investment over the long term.

While capital growth and yields are both important, capital growth should always be the deciding factor when purchasing a property for investment. According to RP Data, if history is anything to go by then today's investors can expect at least 10 per cent gains in value per annum.

Across Australian capital cities, property prices have almost doubled over the past 10 years at an average annualised rate of 9.4 per cent. This includes houses and apartments. Of course, this growth has not been consistent over every year that's gone by, which lends weight to the theory of long-term investment for greater capital gains.

Over the past decade, the strongest growth in most cities occurred during the boom between 2000 and 2003. Perth was the last to experience the property boom from 2004 to 2006, during which time its thriving mining sector added to already hot property prices. Things slowed down in Perth in 2007 and Sydney remained steady, while other capitals experienced some gains.

The GFC slowed the market in 2008 but prices were again robust in 2009 due to the lowest interest rates in 49 years, an undersupply of housing in a climate of strong population growth and first home buyer incentives which led a bottoms-up recovery.

Now, let's talk specifics.

Which city do you think had the greatest rise in property prices over the past 10 years? Was it Sydney, which went gangbusters in 2000-2003? Or Perth, the heartland of our resources boom, which sent property prices skyward in recent years?

No, it was little Hobart in Tasmania that topped the leader board with an annualised growth rate of 12.8 per cent across all dwelling types. The main reason being that Hobart prices were rising from a very low base. It's our peak performing capital yet today it is still our most affordable city with a median house price of \$330,000 and a median apartment price of \$270,750.

Property prices in our three biggest capitals (by population) Sydney, Melbourne and Brisbane, all began at a higher base 10 years ago. These cities have recorded average annualised rates of growth of 6.3 per cent in Sydney, 9.7 per cent in Melbourne and 11 per cent in Brisbane (houses and apartments).

The critical issue affecting property prices over the next decade is the undersupply of housing across the nation. Our population is growing at a historically high rate and there's no reason for it to slow down, unless our immigration policies change and we allow fewer people into the country. This is unlikely as one of the primary reasons for welcoming migrants into Australia is to provide skilled workers in employment sectors where we are falling short.

At this stage, many state governments are unwilling or unable to free up new land with the necessary infrastructure to support new communities and new housing construction. So the undersupply will continue to grow, and when demand outweighs supply, property prices go up - simple as that. This is great news for investors as they should be able to rely on steady healthy rental yields and steady consistent capital gains from now to 2020.

My advice? Buy good quality investment properties with a long-term view.

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As a speaker in the corporate world, John McGrath has impacted the lives of many business people through his passion, ideas and inspiration. John advises a number of large business groups. He believes success and greatness can be achieved through a systematic approach that can be simply and quickly taught to others. A powerful speaker, John will innovate and drive results at your event. <http://www.platinumspeakers.com.au/speaker508-John-McGrath>

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