Matusik Mindset

We believe that Australia's housing market outlook is going to be very different than what has happened over the past couple of decades.

Let's lay it on the line, shall we?

We believe that anyone digging in their heels to protect past property mentalities is in for a surprise.

Post this property cycle, we believe the Australian real estate market is likely to slow down, possibly significantly; and in certain locations; and for certain property types – values, sales and even rents could fall, possibly substantially.

A 'reset' is coming

We think this 'reset' could last for several years, maybe longer.

Many are already struggling with housing affordability. This trend is set to accelerate due to rising costs; limited wage growth; less full-time work and aging demographics.

But its 'business as usual' for a bit longer

But for the next year or so, we think it will be 'business as usual'.

Politics, both here and abroad, plus the RBA's room to further drop interest rates, is likely to keep things artificially afloat. No political party, regardless of flavour or country, has the fortitude to implement an austerity package.

But sometime in the near future this 'pump priming' will stop. For mine, we have two major problems – very high household debt and we are dangerously dependent on China.

China has escalated its borrowing in an attempt to arrest falling economic growth. Furthermore, the rising Sino-US trade protectionism could bite the Australian economy, and depending how far it escalates, hard.

So maybe we face the cliff sooner rather than later?

Australia largely escaped from the GFC because we had a financial surplus and China, at that time, was growing strongly. This time around, we have very little to fall back on.

A housing compromise is coming

Soon, and maybe sooner than many realise, we believe that many Australians will be forced to compromise on their housing.

And if we are right, affordable compact housing – especially in major urban areas – should better weather the storm. Similarly, in regional locations and outer suburbs, properties with dual (or more) incomes look more promising than the more traditional housing options.

More people are sharing accommodation and a key to getting a better rental yield is to hold property that facilitates sharing and/or attracts a higher paying tenant.

What type of investor are you?

The astute **passive** investor will buy strategically for a rental premium; and not just buy a property in anticipation of generic price growth. They will also buy a property with strong owner-resident resale appeal.

For the more **active**, land banking (at the right price) for future redevelopment or substantial renovation, should also pay dividends. In addition, some may opt to invest into those markets at the bottom of their property cycle – buying effectively below replacement cost – and holding for the long term.

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Our reports, workshops, public presentations and communiques all carry this mindset.

It is important to note that once we get through this reset, Australia's medium to longer term housing and economic outlook improves.

But over the next five to ten years Australia's housing market outlook, we believe, will be very different than that of the recent past.

To keep abreast of what we think and how things are changing, sign up for the **Matusik Missive.**