**What's going to happen to property after the election?**

August 23, 2013,Michael Yardney

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Fast forward a few weeks and the federal election will be over, the result will be known and we’ll be getting on with our lives.

So what will that mean for the property markets? What will happen to the value of our home or investment property?

Fact is, whatever the election result the news is good for our property markets. Let’s look at 10 reasons why:

**1. Australia’s economy is in good shape.**

Whoever wins the election will inherit an economy that’s in pretty good shape. Sure we didn’t make the most of the mini resources boom we experienced over the last few years, but our economy is the envy of most developed nations. We’ve gone two decades without a recession and according to the Reserve Bank there is no likelihood of one in the next few years. In fact the RBA believes that exports will ramp up and sees stronger economic growth returning to Australia.

**2. Our population is growing.**

There has been no discussion about a big Australia vs. a small Australia for some time because our politicians recognise the importance of strong population growth to feed our economy, take up the new jobs being created and replace the retiring baby boomers.

Australia’s population increased by close to 400,000 people last year - that’s like adding another Canberra or Newcastle.

Of course the majority of these people have come to our big four capital cities because that’s where the jobs are, and when you think about it you’ll find that most of them want to live in many of the same suburbs. But we just can’t fit them in!

**3. We are a wealthy nation.**

By many measures we’re very wealthy and this was confirmed in the [Credit Suisse 2012 Global Wealth Report](http://economics.uwo.ca/news/Davies_CreditSuisse_Oct12.pdf) which showed that Australians are now comfortably the richest population in the world with a median wealth per adult of US$194,000.

Interestingly the report states that Australians comprised some 1,571,000 people in the top 1% of the planet’s wealthiest persons.

By the way ... in order to be in the world’s top 1% you need a net wealth of US$710,000, and if you have net assets of over US$71,000, you are in the richest 10% of global wealth holders.

**4. Household finances are in sound shape.**

Rather than spending their money, over the last few years most Australians have been stashing their cash. Many have reduced their credit card debts while others have been saving and yet others have taken advantage of low interest rates to pay down their home mortgage.

There has also been a strong wealth effect for households from rising stock prices on the ASX and the wealth effect of the value of their homes increasing.

Their robust balance sheets will allow many Australians to ramp up borrowings and get into the property market over the next years.

**5. Unemployment is low.**

Sure some jobs have disappeared, but new jobs are being created and even though unemployment may rise a tad over the coming months, levels remain comfortable around 5.7%.

When people feel secure about their jobs their more positive outlook is good for confidence, good for consumption and good for investment.

**6. Australia’s inflation rate is low.**

Our low inflation rate gives the Reserve Bank room to keep interest rates low or contemplate reducing them even further if needed to stimulate our economy.

**7. Interest rates are low and likely to remain so for a while.**

Our low interest rates are allowing home owners to pay off their mortgages quicker and given some who over committed some extra breathing space.

**8. Housing affordability is high.**

Despite the many complaints, a number of measures show that housing affordability is at its highest level in the last two decades.

**9. Consumer confidence is picking up.**

Consumer sentiment (the big missing ingredient over the last few years) has been fragile over the last months. One month our mojo returns and the next we’re despondent. But overall more of us are optimistic than pessimistic according to the latest [Westpac Melbourne Institute measure of confidence](http://melbourneinstitute.com/downloads/media_release/2013/CSI/PressReleaseCSI20130710.pdf).

**10. The bad news around the world is subsiding.**

While the world’s problems haven’t gone away, many of the fears that plagued us over the last few years are subsiding.

• The *US economy* is picking up and didn’t fall off its fiscal cliff like everyone expected.
• *China’s economy* has not collapsed as some scaremongers suggested it would. China recently reported a good set of trade figures, suggesting that the targeted 7.5% growth might yet be achieved. This is great news for Australia, being ideally positioned to capitalise on this once-in-a-generation boom for our mineral exports.

• *Europe* will remain a basket case for years. It seems the Eurozone is through its worst and the European Central Bank appears to have stabilised the situation compared with the crisis 18 months ago.

**Our property markets will continue to rally**

Having bottomed in the middle of last year, house prices are slowly rising – a trend that should continue once the election is over.

Of course there is not one property market and some areas will still languish, but a mixture of low interest rates, strong population growth, job stability, affordability and rising rentals will make more people get involved in property this year.

Some will just renovate or improve their homes. Others will take the next step and upgrade to new or bigger homes. More first home buyers will get a foot on the property ladder pushed by higher rents and lower interest rates.

And investors looking to get set for the next stage of the property cycle will take advantage of the opportunities the property market is offering them.

What are you going to do after the election?