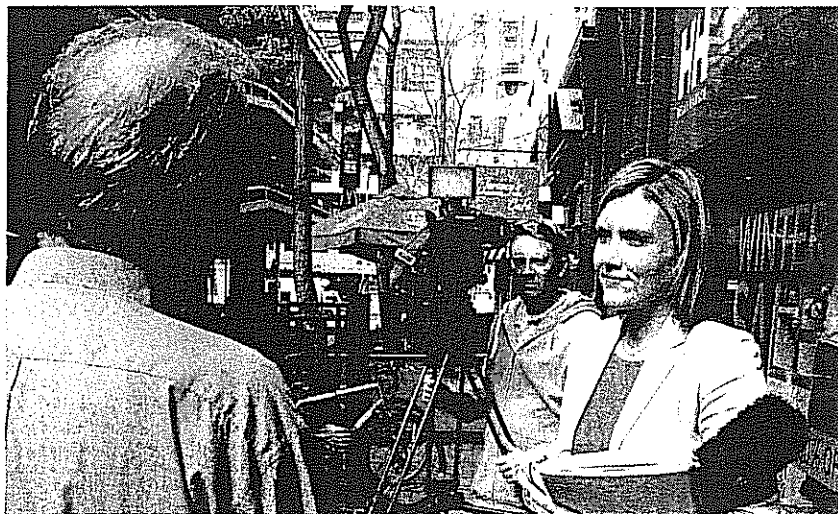


Australian Housing: Undersupply Myth Exposed!

David Collyer



David Collyer being interviewed by Channel 7 news out the front of the Prosper office. Hardware Lane, Melbourne.

“Prosper expects stock on the market to rapidly increase and sales to rapidly decrease from here”

“Australia’s housing undersupply myth has just been exposed. We have overbuilt more than the USA,” Prosper Australia Campaign Manager David Collyer said today.

“Fresh analysis of ABS data by Philip Soos for Prosper Australia and comparison with peer countries demolishes the claim population growth vastly exceeds construction. Such claims are wrong and dangerously misleading for homebuyers.

New persons per new dwelling during the bubble boom phase.

Australia	(1996-2010)	2.32
England	(1996-2007)	1.50
USA	(1996-2006)	2.42

“On average, we have built one new dwelling for every 2.32 new persons in Australia for the last fifteen years, adjusted for discontinuations.

We live 2.5 people per dwelling, so Australia has built more than we need - and has done so for years.

“We believe Australia now has over 125,000 excess dwellings.

“The move to smaller household sizes occurred mostly in the decade prior; we therefore reject that argument in advance. Looking back over the last thirty years to include that change, Australia built one new dwelling per 1.9 new persons (1980-2010).

When residential property prices blow into a bubble, the tragic error often made is in attributing price rises to housing shortages.

“The US experience shows this conviction is shattered as soon as price declines begin. Banks there are now bulldozing empty houses, with no end

in sight to falling prices. The shortages claim was also used in England, Ireland and Spain, all now severely affected by collapsing property prices,” Collyer said.

The ABS released the June 2011 house price figures on Tuesday. They showed only a 0.1 per cent nominal drop or minus 1 per cent adjusted for inflation. From June 2010 to June 2011, prices have fallen 5.3 per cent.

“This may seem a modest change until one compares the US experience where a year from the peak, US prices had only decreased 4 per cent, but then rapidly snowballed.

Also Tuesday, the ABS released home building approval data, a key leading indicator of activity and confidence, showing a sharp, seasonally adjusted fall of 8.1 per cent.

“Prosper expects stock on the market to rapidly increase and sales to rapidly decrease from here. With over 31,000 ‘Stale Stock’ (property on the market and unsold for more than sixty days) currently available in Melbourne postcodes 3000-3207 alone, sharp price falls, builder losses and widespread construction industry labor shedding can be predicted with confidence.

“Melbourne has been the epicentre of price growth and new construction, so we may expect harsh price corrections in its newly-built outer suburbs.

“The real estate industry relies on emotion - how people ‘feel’. But ‘sentiment’ is a poor basis for people to make the largest investment of their lives. The truth emerges only through the rigorous analysis of data.”