

Pop! The Real Estate Bubble Has Burst

By David Collyer

The Great Australian Land Bubble burst at 10.30pm AEST on Monday 11 April 2011, according to Prosper Australia campaign manager David Collyer.

“The era of towering prices – of superhuman personal sacrifice by every young couple to fund a mortgage to buy a simple home – has just come to an end,” Collyer said.

“Now comes the grand unwinding, where house prices go into free-fall, owners despair, buyers sit on their hands and our banks call in ‘underwater’ loans where payments are not being made, selling homeowners up for whatever they can recover.

Australian house prices have been receding since April 2010 according to RP Data. The supply of houses has exceeded demand since then.

“Falling values and falling volumes over an extended time are decisive indicators of a new bearish trend,” Collyer said.

“Throughout the Buyers Strike, Prosper has characterized the bust as ‘Imminent’. We now say the inflection point has arrived: Australian prices have passed Top Dead Centre.

“The fatal puncture was delivered in the Housing Finance figures from the ABS on 6 April. They were shocking – the lowest in 32 years – and followed three months of similar dismal commitments. First home buyer commitments showed the largest fall.

Overnight, US commentator Mike ‘Mish’ Shedlock of Mish’s Global Economic Trend Analysis pointed to the bust. Shedlock is not a larger or more important figure than the IMF, the OECD, The Economist or Jeremy Grantham and others who have issued stern warnings of our bubble and impending bust. But the onus of proof has now reversed: the narrative has moved decisively from ‘prove we are in a bubble’, to ‘prove the bubble has not burst’.

“Australians would never trust a home-grown expert, but slavishly follow the work of overseas economic seers. Shedlock pointed out ‘The emperor has no clothes.’ This observation can be made by a small boy and abruptly, decisively change perceptions,” Collyer said.

The Rudd government took a major risk with the First Home Owners Scheme – more correctly described by Steve Keen as the First Home Vendors Boost – and gave the Australian market another leg up even though our peer countries had turned decisively down. This merely delayed and worsened the terrible costs of the return trip.

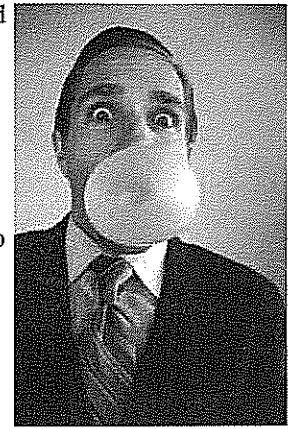
Rudd was determined to see the bubble did not burst on his watch. The FHOG is now discredited; anathema to Gen

Y buyers who observed its effect and learned it simply inflated prices and went into the pockets of sellers.

“This wilful waste of taxpayers’ money merely increased the anger and frustration of first home buyers.

“The federal government has no further tricks in its bag. I can’t think of anything it can do to turn public sentiment around this time.

“Global investors will short sell the Australian banks directly and drive them down. The banks are an excellent proxy for the Australian housing market. Investors know exactly what to do, having already participated in the US, the UK, and the European property crashes,” Collyer concluded.



From online discussions

Comment by Ticked Off

- Work full time - tick
- Never had debt - tick
- Don't have wealthy parents - tick
- Can't afford to repay a \$350,000 loan on one wage - tick
- Sick of seeing 'sold' houses being put up for lease - tick
- Subject to high rents in crappy condition - tick
- Tired of housing being seen as a commodity - tick
- I'm pretty ticked off...

Comment by kate the younger

I wish Mr and Mrs Average, who are already comfortably paying off their home in a middle-ring suburb which they purchased for \$350,000 fifteen years ago, would pay more attention to articles like this. I'm a single mother on \$50,000 and I have NO HOPE EVER of buying a house. And yet, my family seems to think that I'm just not trying hard enough, - or maybe that it's all my fault for not tying down some fella. Or they trot out the hoary old chestnut about “people these days want the renovated house in Malvern straight away, why can't they buy something cheaper to start with, we did it hard when we were young, we had to buy 20km from the city, rah rah rah”

Listen up, those of you who are comfortable. I would be happy to live anywhere in Melbourne that is within commuting distance of my son's highschool and my work. There is NOTHING. Not even a STUDIO APARTMENT I can afford. Please don't tell me you did it tough back in your day. You have no idea.

And yes, I even have a 10% deposit saved - I just can't afford the repayments on my income, and the bank won't lend me enough to purchase a \$400,000 house anyway. (Hey, they won't even lend me enough to purchase a \$250,000 house, of which there is no such thing anymore, anyway).

So what do I do now??