

## 2010 Predictions

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Everyone wants to know will property prices go up, stay the same or go down in 2010. Everyone thinks they are an expert but importantly we need to remember that over the long term (no, that's not 3 years but more like 10 years) both property and shares will have a very similar rate of return. Predicting property prices in the future is not easy and not an exact science due to the large number of influencing factors such as interest rates, unemployment, funding and new infrastructure projects just to name a few.

So rather than explain whether property prices will go up or down, I will tell you what the driving forces are.

Firstly it is supply and demand. If you have more people wanting to live in an area than properties for sale, prices and rents will rise over time.

Secondly it's confidence. People will not commit to mortgages if they are worried about their jobs or ability to pay back the banks.

Thirdly it's interest rates. If rates are low you can afford to borrow. If rates are higher then it makes it harder to borrow what you want and the ability to pay back the loan.

And lastly it investors. Investors hold approx 25% of properties Australia wide so when they have confidence that the time is right to re – enter the market as it creates competition and pushes up prices.

So where to from here? While I don't have a crystal ball reviewing the forces above indicate that the market has started to realign. Finally on behalf of myself and the team at Merrifield Real Estate, we would like to wish our readers a very Merry Christmas and a safe & successful start to 2010.