

# Fake Property News Once Again Dominates National Headlines

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Bold doomsday property predictions seem to consume so much media attention – rightly so, given that the majority of Australian's net wealth is captured within this single asset class. During COVID-19 restrictions, we've seen media luring readers with clickbait headlines such as:

## Coronavirus Australia: House Prices could fall 30% - Scenario unveiled by NAB

## Harry Dent is back predicting property prices will "fall 50%"

Despite the headlines, the disparity in opinion between most property economists is not that controversial. On further investigation, it is actually quite remarkable that their views are relatively similar. Most credible property economists provide two or more scenarios, the first a base case, and the second, a worst-case scenario.

The majority of property economist such as Louis Christopher (SQM) and Tim Lawless (Corelogic) have issued their predictions on the impact Covid-19 will have on property prices – summarised below:

- The Collective Base Case (which is another way of saying the most probable, factoring all the negative information that we are presently aware of today) predicts that property values will fall between 5%-11% over 18 months followed by some type of recovery.
- The Collective Worst Case - Mostly highlights the risk of a second wave resulting in a further protracted 6-month lockdown, unemployment exceeding 10% and a delay in return to a relative productive normality with a greater number business unable to re-open. The end result deepening the recession and house prices potentially falling between 15-30%, however some economists have been more extreme with their predictions, namely Harry Dent.

Once again it seems that Australia's reputation of being the lucky country might need to be upgraded to the Luckiest Country, should we get through this pandemic relatively unscathed. In saying this, our success has been:

- We are one of the top 5 countries in dealing with the pandemic from a health perspective, worldwide.
- Our emergency government policies in dealing with Covid-19 have been highly regarded internationally as effective and fiscally well measured.
- Despite the above-mentioned gloomy headlines, Sydney property grew by 0.42% and Melbourne fell by 0.29% for the month of April 2020. Let us remind ourselves that this was during a lockdown and auctions were heavily restricted due to social distancing laws.
- Our latest trade figures, was not only in surplus but nearly double than what was expected, at \$10.6b.

At the coal face, Msquared Capital has seen there is plenty of upside that is not being factored into the analysis as yet. We are seeing healthy activity within the market, with plenty of investors taking advantage, jumping on opportunities as they see value for risk.

Despite the doom and gloom we are not seeing prices subside as vendors are choosing not to sell property under duress. We are also finding an uptick in positive activity and willingness for people to transact and invest as lockdown restrictions are being lifted.

In saying this, we are certainly not downplaying the absolute catastrophic impacts of the virus both from the social and economic perspective. The economy is not completely out of the woods yet, with still so much we do not know in relation to both the virus and the depth of economic damage caused by the lockdown which has followed through to negative consumer sentiment.

As a mortgage manager, we continue to monitor these risk elements and factor them into our decisions.

We are now seeing light at the end of the tunnel and there is some good news - we need to keep in mind that life goes on. There are plenty of borrowers who are unaffected by Covid-19 who require funding. Conversely, there are investors who are seeking a defensive investment against market volatility, with consistent income paid monthly. Msquared Capital plays a role within the economic engine in keep things moving by matching borrowers and investors.

If you would like to see live opportunities please feel free to get in contact with us at [info@msqcapital.com.au](mailto:info@msqcapital.com.au)