Seeing the bigger picture

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REMEMBER this picture? It might look like a museum image of prehistoric man, but it's in fact a rock located in the Cydonia region of Mars.

Scientists made the discovery of the "face on Mars" in July 1976, while searching for a suitable landing site for Viking 2 Lander. Wanting to give the public a familiar looking feature, they released this image to the tremendous delight of tabloids that ran with headlines suggesting ancient intelligent life had been found on Mars.

Of course, it all ran amok a few years later, when the imagined eyes, nose, and lips turned out to be nothing more than peaks and ridges.

I call it the microscope syndrome - a term I invented when flooded with calls from anxiety-ridden investors wanting to know why the clearance rates were dropping and if their property was about to become a victim of a market snapping under the strain.

The questions don't surprise me: newspapers have to sell, and property editors need to find a new angle to explore each week.

Therefore out comes the microscope and a blown-up picture is used as conclusive evidence for a new theory of property evolution.

I'm sure my comments disappoint the doomsday predictors - they go directly against the spruiked message, one that suggests the property "balloon" is about to burst. It's a dangerous concept to promote because however strongly Australia fared in the face of the global financial crisis, the memories remain and people are susceptible to suggestion.

What's more, we can see GFC aftershocks affecting Europe, and there are those who suggest China will fall at some point. We also can't assume our strong economic position is set in stone.

So investors are understandably concerned and confidence plays an important role in the choices they make. We need to take a backward step and look at the bigger picture.

Our population growth underpins the market - predictions suggest Australia's current population of 22 million will surge to 35.9 million by 2050, and of all our capital cities, Victoria is set to take the lion's share. Melbourne recorded the largest growth of any Australian capital city over the past eight years and recent reports indicate we have more than 1700 people moving into our neighbourhood each week.

Why are they heading here? Well, Melbourne has one of the strongest economies in the developed world. Previously voted the world's most liveable city, it boasts a diverse cultural lifestyle offering attractions unrivalled in other states. Four of Australia's top five most profitable public companies are headquartered in Melbourne.

The demand for Melbourne's lifestyle, and lack of inner-city dwellings to absorb the need, is clearly evident in our rising real estate prices. Short of a natural disaster of terrifying proportions or a new law restricting the number of children each family is allowed, it's not going to change any time soon.

The demand for houses - particularly close to the city - is vastly beyond the supply Melbourne is able to offer. And while variables in the economy (such as interest rate rises) have an effect on certain areas of the market - such as the first home buyer sector (which reportedly makes up less than 30 per cent of the market) - the need for well-located accommodation will be largely resilient against economic factors.

Real estate is as essential to our everyday life as food and water. We all need a place to stay. If there aren't enough properties to house our growing population, we can simply put two and two together and assume quite safely that demand will remain strong and weather any incoming storms.

Melbourne's real estate has never gone down over a 10-year period, so any arguments put on the table to suggest it's about to happen and "the bubble will burst" need to be backed up with more than a blown-up microscopic view.

The wheel isn't about to stop turning and reverse prices to pre-2007 levels. Markets do ebb and flow. We have no control over the short-term factors that influence this pattern.

Short-term forecasts affect only those who buy today and sell tomorrow - and whether it be stocks or real estate, such high-risk investment is always volatile. Homeowner loans may be down, but CommSec reports investor loans are rising - up 26 per cent on a year ago, therefore the market is a long way from being dead.

It is worth mentioning that, as positive as our property forecasts are, there is still a need to be careful where and what we choose to invest in. Not all suburbs will perform at the same rate, and not all real estate is a good investment.

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