Australian Real Estate Myths Destroyed – A Barbecue and Dinner Party Cheat Sheet (Side A)

Myths, Lies & Platitudes	False Implication	Marketed Fear or Spruik	In the Real World	Actual Consequences	Corrected Mythology
Part 1 – General Lies and Charlatanism					
Property prices always go up.	There is no risk of prices falling, only a risk of you being unable to ever afford a house.	Buy now or forever miss out.	House prices always track real incomes over the long term, and prices have crashed at least 5 times in Australia. Year on year prices are falling right now in Perth and Darwin, and slowing rapidly elsewhere.	Current prices must fall significantly to return to their historic relationship with incomes, and whatever the scale, you are at no risk of missing out. Rather, you are at risk of losing a lot of money.	Property prices always revert to track real incomes / Buy now and forever regret.
You can't time the property market.	If prices are rising: "Get in before prices go even higher!", and if they are falling: "Grab a bargain before it's too late!".	There's never been a better time to buy.	There is near universal acceptance that prices are due for correction in the next year or so. The peak is in and timing matters a lot.	Even a small correction could send new buyers into negative equity. There will definitely be a better time to buy.	There's never been a worse time to buy / There's never been a better time to rent.
Rent money is dead money.	Renting is just throwing money away, whereas interest paid to the bank is called 'investing'.	If you choose to / must rent for some reason, you will die poor and lonely.	Interest paid to banks is dead money also. Only equity is 'alive money', because you never get interest back. Additionally, a mortgage makes real estate a leveraged investment, meaning price gains are amplified, but so are losses.	Buying to avoid 'dead money' only makes sense if you expect price rises to exceed inflation. With price falls coming, dead money may even become 'undead money' (negative equity), while rental price growth is set to stagnate and fall for some time yet.	Mortgage interest is dead money / Negative equity is undead money.
Rental costs always go up.	Renting will always be more expensive than buying, because rents just keep rising and incomes can't keep up.	Buying your own house is the only way to avoid the endlessly spiraling cost of renting.	Unlike purchase prices, rent prices are determined by physical properties for rent, disposable incomes, and the number of people needing somewhere to live. There is now an oversupply of rental stock, and real incomes are falling, so rents are falling.	Record low rental yields and the lowest rental growth in history mean that renting is now much cheaper than buying, and it's going to get even cheaper. This is genuine physical housing supply and demand at work, as opposed to speculative.	Rental costs are not keeping up with incomes and inflation.
There's as many property markets as there are suburbs and towns.	Just because housing is expensive in one city or suburb, doesn't mean it's expensive everywhere. Inner city markets have always been more desirable, and property outside major cities is not overpriced.	Give up on your dreams of owning a home in the trendy inner city, and grab a regional or outer suburban bargain.	Property markets around Australia vary greatly in level of unaffordability, but nonetheless they are all severely overvalued compared to all historic and current economic measures.	Buying property in the country, an outer suburb or small city will not protect you from price falls. And nor will desirable inner city property. The rising tide that floated all boats will sink all boats to varying depths.	Australia's property market is one big massively overpriced boondoggle.
Part 2 – It's All About Supply and Demand					
Everyone wants to live in Australia, because 'beaches and coffee'...	Strong population growth will ensure that prices always rise.	Get in quick before a migrant buys your future home.	Population growth has recently fallen to decade lows, defying official forecasts.	There is no endless supply of migrants to continue driving property values ever upwards.	Prospective migrants are beginning to realise that there are greener pastures.
Rich international investors will keep parking cash in our houses.	Demand for Australian housing is endless thanks to rich foreigners.	Get in quick before a rich migrant buys your future home.	Newly strengthened and enforced foreign investment laws have put a pin in international money laundering through Aussie real estate.	There will be no endless supply of rich foreigners illegally buying all of our property, capital controls and domestic laws will ensure that.	Rich international investors are going to find it very hard to park cash in our houses from now on.
There is a housing shortage: "Land - they aren't making any more of the stuff you know..!"	There will never be enough houses for everyone, because government...	Get in line for a house now or else sleep in a cardboard box.	There is no physical shortage of housing, only a surplus of speculative demand and cheap debt. And because of the bubble in construction, we now have a very large and looming oversupply of units in all major cities.	Major oversupply of apartments will cause a significant downturn in unit prices, and a knock-on effect to the rest of the market as banks withdraw risky funding and buyers lose deposits on tougher lending criteria.	There is a housing oversupply: "Anyone for a concrete box in the sky?"
Part 3 – Be Cool, Banks and Debt are Totally Safe Alright					
Our banks are some of the safest in the world.	Our banks wear steel codpieces, and could never fail like those banks in dodgy countries.	The big banks know what's best and are to be trusted. Get a mortgage or get poor.	Our banks are far from safe, and have recently been forced by regulators to raise capital buffers against the threat of financial crisis.	Regulators have finally awoken to major risks in our banking and housing sectors, and their failure would likely cause a crisis.	Our banks are some of the riskiest in the world.
Our mortgage lending standards are high, so bad debts will not be a problem.	Mortgage defaults only happen in other countries, we always use protection.	Hurry up and take out a zero-deposit, interest-only, parent-guaranteed, 40-year mortgage. Everyone else is doing it, what could possibly go wrong?!	Our regulators have now admitted that lending standards are far worse than they thought, in particular 'sub-prime' practices like widespread use of interest-only loans.	During a boom, lending standards are always assumed to be better than they really are, but once the bubble bursts, prove to have been significantly eroded by boom-time blindness to actual risk.	Our mortgage lending standards are much worse than assumed, and falling house prices could quickly lead to high debt delinquencies and credit contagion.
Record household debt levels are not a problem, exponential growth is perfectly normal.	Households can indefinitely borrow in excess of their ability to repay, it never needs to be paid off.	You'd better take out the biggest mortgage you can, it's perfectly safe and highly recommended.	We have record levels of private debt compared to incomes and GDP, which cannot continue indefinitely.	Debt-deflation occurs when there is no more capacity to increase debt, and asset prices are the first victim when debt growth stops.	Record household debt levels are a big problem, and by law of nature cannot keep growing exponentially.
The rapid growth of investor lending is no cause for concern.	Investors know what they're doing, and are in it for the long haul right..?! Investors aren't speculators, they just need endless capital gains is all.	Investors will crowd you out, so you should give up on owner-occupying and become an investor instead.	The RBA and APRA have implemented macro-prudential controls on investor lending precisely because it is a big problem.	These higher costs and limits on investor lending are having a material effect on the market, which is already flowing through to price growth.	The rapid growth of investor lending is of great concern, enough so that there are now regulatory controls on investor lending.

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Part 4 – Australia's Exceptional Economy

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The economy is strong, so house prices can't fall.	Our exceptional economy means severely unaffordable housing is to be expected and perfectly normal.	High prices are a sign of success. Are you a successful person, or a loser without a house?	A strong economy does not prevent a bubble bursting, and even if it could, the economy is weak, and quickly getting a lot weaker.	Whether or not the economic downturn is small or large, house prices will not be supported by a 'strong economy'.	The economy is weak and set to deteriorate significantly, so house prices will fall, and fall far.
Rising wages will ensure that houses can always be afforded.	Dual incomes and ever higher paying jobs justify nose bleed house prices.	If you want a house of your own, get a better job and a rich partner.	Wage growth is now at the lowest level in history and likely to get much worse as the mining boom goes bust.	Wages will not magically 'catch up' to prices, prices will have to fall to restore the historic link to incomes.	Falling real wages will ensure short term unaffordability and inevitable price falls.
Unemployment must rise before house prices fall.	People only get out of the housing market if they lose their job and are forced to sell.	If you want a house of your own, get a better job and hold onto it.	Unemployment is not a required precursor to price falls. People will sell when they see prices crumble.	Unemployment is rising anyway, and a crashing housing market will simply push unemployment higher.	Unemployment will rise and house prices will fall, the order doesn't matter.

Part 5 – Government and Monetary Support to the Rescue

Myths, Lies & Platitudes	False Implication	Marketed Fear or Spruik	In the Real World	Actual Consequences	Corrected Mythology
Low interest rates are the new normal, and justify current house prices.	Interest rates will stay at record lows forever, and will continue juicing asset prices.	The RBA has our back, and wants you to take out a mortgage, so do it already.	Interest rates are low because the economy sucks, and the RBA has finally taken steps to prevent house prices from responding to further interest rate cuts.	More house price gains at this point are an unwanted side-effect of rate cuts, so regulators are using macro-prudential measures to ensure that mortgages cost more, not less.	Low interest rates never last forever, and mortgages are already becoming more expensive, which will directly impact prices.
Low interest rates mean housing is still affordable.	Current interest rates are the only aspect of housing affordability, and prove that housing is still affordable.	Interest rates were 1000% in the old days, and we also had to walk 100 miles in the snow to take out a mortgage, so count yourself lucky.	Interest rates only determine initial 'mortgage serviceability', not affordability, which is driven by prices, size of deposits, incomes, inflation and long term rates.	The time taken to save a deposit, price to income ratios and low inflation mean that housing has never been less affordable and more risky.	Low interest rates make mortgages cheaper, not houses. Record prices, low inflation and low wage growth mean housing is unaffordable.
The government won't let prices fall.	Housing is a government guaranteed investment, it's impossible to lose money!	The government looks after owners, not renters, so join the ranks or miss out forever.	If the government could prevent market crashes, why didn't they prevent all the previous bubble bursts and market crashes? Hmm..?!	The government has thrown everything at house prices, but is running out of tricks and money. Previous government support is a big reason to fear imminent price falls.	The government doesn't want prices to fall, but can't indefinitely fight off market forces.
Tax breaks for housing will keep prices from falling.	Tax deductions on rental losses and discounts on capital gains tax will continue to drive prices higher.	People will trample on your housing dreams to juice their tax return, and any government that tries to take away this baby's bottle will face electoral doom.	Tax breaks like negative gearing prove that without high price growth, housing is a losing investment.	A market requiring tax breaks to survive is not healthy. It is proof that investors are much more likely to flee the market when even minor price falls are realised.	Tax breaks helped to cause a housing bubble, and therefore help ensure that prices must correct. They indicate that this market is not based on investment fundamentals.

Part 6 – Australians and their Houses are Very Special

Myths, Lies & Platitudes	False Implication	Marketed Fear or Spruik	In the Real World	Actual Consequences	Corrected Mythology
Our housing is better quality than the rest of the world.	Houses are expensive because we have taste, and *The Block* taught us how to renovate old shit-boxes.	Even though all our houses are exceptional quality, *you* have to buy an old shit-box and fix it up, or miss out.	There is lots of evidence that the construction boom has led to very poor quality housing.	Problems with many new unit developments and fringe housing will begin to weight on prices.	Our housing is mediocre quality at best, and getting worse thanks to the boom.
Owners love their houses, and will never sell if prices fall.	Aussies are too proud to sell the family home, so prices would never fall far, or soon recover if they did.	The oldies aren't giving up their mansions, so you'd best settle for a fibro-shack in the boondocks.	Most people love their houses because they've gone up in value so much or because they need to justify their monstrous mortgages.	As much as people may love their house, the prospect of negative equity or losing their retirement savings will eventually override such sentiment.	Owners love their houses, but love their paper wealth more, and will shit their pants when it evaporates.
Australians have a love affair with housing that will never end.	Australians have a bad case of housing horniness, meaning that house prices will remain forever erect.	We collect houses like Pokemon in this country, and if you don't join in on our national sport, there must be something wrong with you. Sexually.	Love affairs tend to last while the object of desire is young and sexy. Wealth destruction caused by a crashing housing market is very unsexy.	Housing porn and dinner parties in celebration of real estate will become a relic of a shameful past, a painful reminder of an affair gone terribly wrong.	Australians have a love affair with property that will end like many affairs do - with tears, regret and disgust at our own wilful blindness.

Part 7 – Young Folks are Just Paranoid and Lazy

Myths, Lies & Platitudes	False Implication	Marketed Fear or Spruik	In the Real World	Actual Consequences	Corrected Mythology
Being more frugal and lowering expectations is all you need to do to afford a house.	Put down the iPhone and overseas holidays for a minute, and that $200,000 deposit will be a cinch - prices are 10 x incomes because iPhones...	If you don't accept a falling down house or 10 square metre dog box 50 kms from where you work, you are spoilt and lazy and deserve nothing.	Housing has never been less affordable, and crucially, average house prices are at record highs compared with disposable income.	It doesn't matter how many iPhones a young person doesn't buy, prices at 10 x incomes are three times less affordable than long term historical trends.	Being more patient and dispelling Fear of Missing Out is all you need to do to afford a house. Endless price growth is the only expectation that needs lowering.
The current generation is just spoilt and jealous, housing has never been affordable.	Young people and doomsayer economists are just spouting conspiracy theories about housing bubbles.	Average incomes, rents, inflation and economic fundamentals have nothing to do with affordability, house prices will get further and further out of reach and that's totally normal and sustainable. If you don't buy something soon, house prices will be 1000 X average incomes, and take 100 generations to pay off, and even then housing still won't be any more expensive then it used to be...	The problem with exponential growth of house prices and debt compared to incomes, rents, inflation and economic growth, is that if it were to continue on indefinitely, in another 20 years, houses would cost 30 times the average income. What do we imagine might happen next? How do you pay 30 times your gross income to afford a house? Answer: You don't, which is why prices will fall.	There is no conspiracy, just facts. Like many countries in recent history, Australia has channeled unparalleled sums of wealth into unproductive housing speculation, causing chronic unaffordability and diversion of money away from the real economy. The 'wealth effect' is a temporary illusion, and malinvestment in real estate impoverishes us all in the long term.	The current generation is calling bullshit, and recognises that housing has never been less affordable in Australian history. They also know that patience is all that is required to see an end to the temporary and insane circumstances that caused the greatest bubble in Australian history. All things move in cycles, and the wheel has nearly finished turning.