

# A reality check

## MAY 2008 AUSTRALIAN PROPERTY INVESTOR

**Ed Chan: Chan & Naylor Accountants chairman, property author & investor**

“In the fifties we said the price of property could never go up because we’d lost half the male population due to World War II and a recession, yet prices doubled. In the sixties they said property prices would never rise again because of affordability and wages couldn’t keep up, but prices doubled. In the seventies they said prices couldn’t increase due to the oil crisis... yet prices doubled again. In the eighties they said prices couldn’t increase due to the introduction of capital gains tax and high interest rates which reached 22 per cent at one stage, but prices doubled. In the nineties they said prices wouldn’t increase anymore due to low inflation and wages not keeping up, but prices doubled. In the noughties they said prices couldn’t increase due to the introduction of GST, but they doubled.

“In 2003 when the property boom was full-on and the stock market had bottomed and was losing lots of money, I had clients coming to see me in a panic and wanting to sell out. I told them the same thing I’m telling everyone now: just hang tight.

“All I can say when people make claims of gloom and doom is ‘yeah, yeah, yeah I’ve heard it all before’. So why am I so calm when everyone panics? “One must understand the fundamentals first before you can make a sensible analysis of what is happening.

“We’ve experienced world wars and depressions and recessions and high interest rates and low inflation and high unemployment etc. but we’ve managed every time to move through this and come out the other side stronger and wealthier.

“As long as the human race is wanting to ‘improve their lot’ then we’ll ride through the economic ups and downs. A simple way of explaining this is if you’re uncomfortable in your seat, you’ll move around until you’re comfortable again. This may happen straight away or it may take some time but you will get comfortable again. This is the same as economic conditions.

“As we bring more people into our country to maintain our standard of living we have to provide more housing. In New South Wales alone there is a high building shortage and the demand will continue to push the prices of properties upwards like it has done since 1901,” Chan concludes