

Home prices chipping away at fairness: Ratings executive

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S&P credit ratings expert confirms the strength of the housing sector but questions the benefit of high home prices for society

A managing director of a credit ratings agency responsible for scoring the quality of Australia's mortgage debt has questioned the social impact of the nation's soaring house prices, even while she confirms the strength of the sector.

Standard & Poor's managing director of rating services Fabienne Michaux said the strength of Australia's mortgage quality is a success on the capital markets but the high valuation of homes underlying the debt presents a long-term risk to the basic fairness in society.

"The social implication of house prices in the longer term is a key issue," she said. "One of the things people were proud of was that (Australia) was fairly egalitarian and even and everybody had basic rights to housing and basic education and good healthcare."

"Those are the sorts of things that start to chip away when you've got people who can't afford to actually to find somewhere to put a roof over their head."

The median national city median home price was \$468,000 in May, according to RP Data-Rismark, following years of nearly uninterrupted increases in value, driven by a shortage of available new land, a cumbersome building approvals process and tax incentives that reward owners to purchase and hold second homes.

There is an estimated 200,000 home shortage in the nation, expected to worsen as a recovery in building stalls. Ratings agencies such as Standard & Poor's grade the quality of the mortgage debt that is repackaged and on-sold by local lenders to institutional investors.

While confirming the strength of assets underlying Australia's residential mortgage backed securities market, which has issued \$352 billion since 2000, Ms Michaux noted home owners are unwise to take too much satisfaction in becoming property millionaires.

"Ultimately the utility of the house is still that you're living in it," she said. "When you pass it on, it's still one house. If you've got two kids you've got half a house each."