WHO WILL BE NAMED BUSINESS DAILY'S CEO OF THE YEAR?

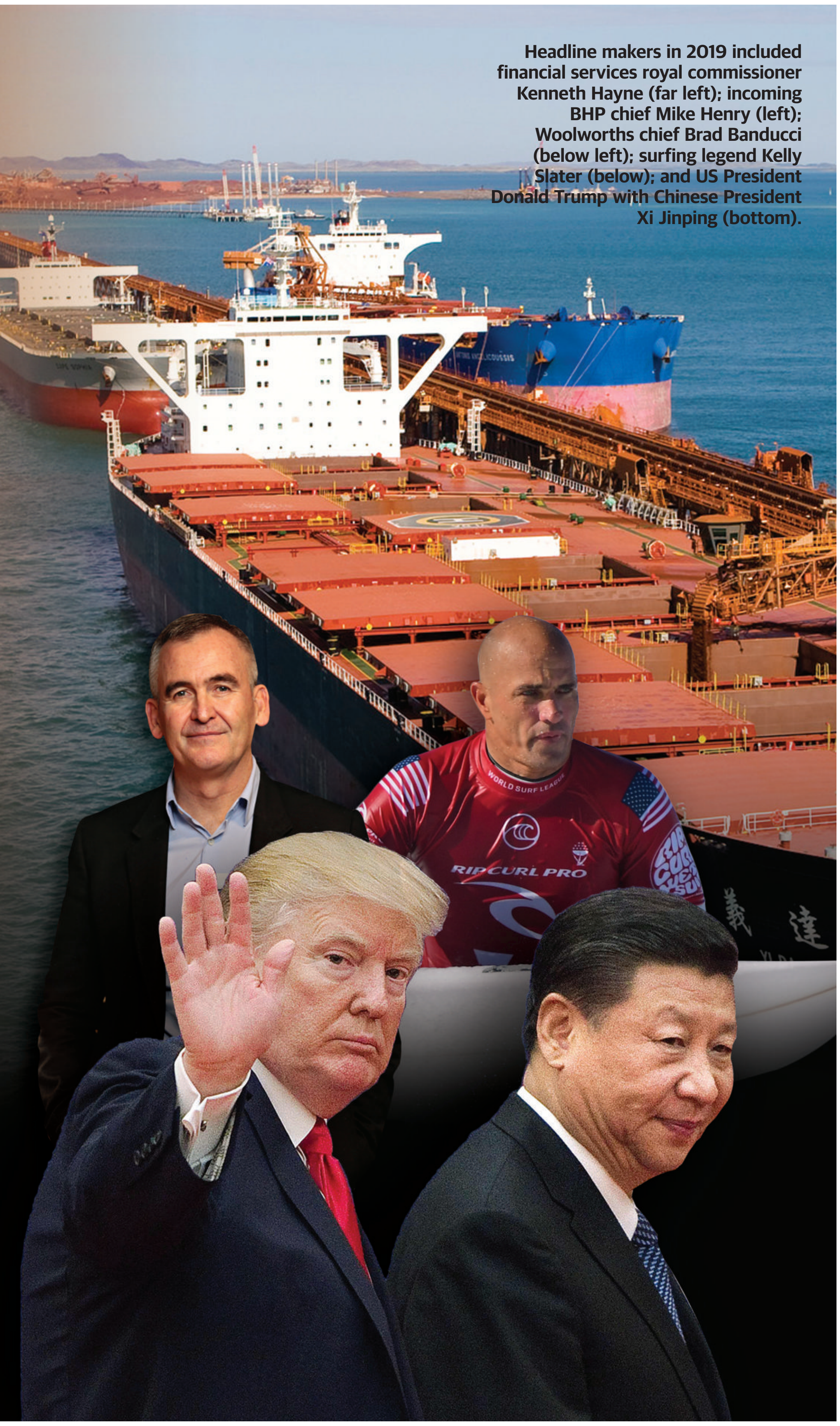
Find out in tomorrow's paper

Among the nominees are ...


Paul Perreault, CSL


Richard Murray, JB Hi-Fi


Susan Lloyd-Hurwitz, Mirvac


Headline makers in 2019 included financial services royal commissioner Kenneth Hayne (far left); incoming BHP chief Mike Henry (left); Woolworths chief Brad Banducci (below left); surfing legend Kelly Slater (below); and US President Donald Trump with Chinese President Xi Jinping (bottom).

21. The name of Qantas Airways' ultra-long-haul flight program is?
A) Project Flying Kangaroo
B) Project Sunrise
C) Project Sunset
D) Project Alan Joyce

22. The phenomena of interest rates paid on short-term bonds rising above those paid on long-term bonds is known as what?
A) Quantitative easing
B) Quantitative tapering
C) Inverted yield curve
D) Negative interest rates

23. The phenomena described above is an indicator of what?
A) A looming recession
B) A coming stock market boom
C) A looming interest rate cut
D) A snap US presidential election

24. What was the name of the financial services company led by former Australia Post chief Ahmed Fahour which shelved its planned float in October?
A) Prospa
B) Afterpay Touch
C) Klarna
D) Latitude Financial Services

25. Famed Aussie biscuit maker Arnott's was sold for how much in August?
A) $1.2 billion
B) $2.2 billion
C) $3.2 billion
D) $4.2 billion

ANSWERS:

1. B, 2. D, 3. B, 4. C, 5. A, 6. A, 7. C, 8. D, 9. C, 10. D, 11. B, 12. C, 13. A, 14. B, 15. D, 16. A, 17. A, 18. C, 19. D, 20. B, 21. B, 22. C, 23. A, 24. D, 25. C

Housing momentum builds towards a high

THE SHORT CUT

ROGER MONTGOMERY

DESPITE plenty of moving parts in the equation for house prices over the years, this column has been useful.

It first warned investors of a forthcoming slide in house prices and then, following the federal election, suggested prices may have reached a low.

Today, we can say that not only did the May federal election mark the low for Aussie house prices, but that there is little to stop prices from continuing to climb higher.

Indeed, if we annualise the last few months of house price gains, national average house prices would hit a new record high by the middle of next year.

In Sydney, for example, prices are rising at high double-digit annualised rates.

The only possible setback for prices would be a sustained rise in bond interest rates or a domestic economic rout, triggering widespread job losses.

As an aside, an internal examination of the economy and my conversations with the Reserve Bank both confirm that short-term rates are unlikely to rise anytime soon.

Faster inflation needs to exist for short-term rates to rise.

Given wages are growing at around 2 per cent annually — thanks partly to low self-reinforcing inflation expectations — it's difficult to see how inflation could threaten the 2 per cent threshold target required for the RBA to act.

Keep in mind, in its November Statement on Monetary Policy the RBA reduced its wage growth forecast.

Unsurprisingly then, core inflation expectations remain below 2 per cent.

A slump in residential construction activity, triggering tradie job losses, could put marginal pressure on house prices if even a few tradies are forced to sell.

But then, of course, interest rates would remain low and those with jobs and/or those incentivised by state and federal government programs to buy their first home could provide the market with offsetting support.

THE latest dwelling approvals data from the Australian Bureau of Statistics shows that unit and apartment approvals are now 54 per cent lower than their June 2016 peak levels.

In the last year alone, approvals have fallen 31 per cent.

This will lead to a fall in construction activity, which in turn could lead to lower retail consumption and potentially the loss of retail jobs.

But households have been keeping up mortgage payments and paying down their mortgages faster as rates have fallen.

This provides a buffer should the economy slow — and the buffer keeps households from being forced to sell. Consequently, there is limited housing stock on the market available for purchase.

New home listings in Sydney and Melbourne are down year on year 10.1 per cent and 16.2 per cent, respectively.

Clearance rates rise thanks to rising prices.

While short-term rates will influence mortgage rates and therefore loan serviceability, it's bond rates that will impact asset values.

Long-bond interest rates are as influential on asset prices as gravity is on earth.

If, for example, global growth surprises on the upside — especially in the US where the Federal Reserve might relaunch quantitative easing or if US President Donald Trump and Chinese President Xi Jinping reach a trade truce, or if Brexit is resolved in the UK — we could see bond rates respond positively.

Initially, positive sentiment and accelerating growth would be rocket fuel for asset prices.

But if sustained and accompanied by continued increases in bond rates, asset prices might reverse.

Today, however, neither the domestic economic armageddon scenario nor a rapidly accelerating global growth scenario appear imminent.

Combined with total house finance commitments rising by 1.3 per cent in September, we are able to suggest house prices keep rising.

New mortgage demand — credit availability — is a key short-term driver of residential property prices.

ROGER MONTGOMERY IS MONTGOMERY INVESTMENT MANAGEMENT'S CHIEF INVESTMENT OFFICER

Convention centre site sold

MACKENZIE SCOTT
PROPERTY

PROPERTY developer Mirvac has purchased the site of the former Melbourne Convention Centre for $200 million and plans to create a build-to-rent precinct.

The site at 7-23 Spencer St is one of the last available for development in the heart of the CBD, located close to Southern Cross and Flinders St railway stations and the city's arts and entertainment hubs.

The developer is seeking approval to create a mixed-use "urban neighbourhood".

Its plans include a 4000 sqm office complex, a build-to-rent apartment tower of about 430 apartments and retail space.

In build-to-rent, the developer retains the apartments and leases them rather than selling them.

Mirvac chief executive Susan Lloyd-Hurwitz said the acquisition offered the group a "unique opportunity" to strengthen its commercial and build-to-rent portfolios.

"Flinders West is earmarked to be one of Melbourne's most transformative precincts over the next three to five years," Ms Lloyd-Hurwitz said.

"This site provides us with an opportunity to add to our high-quality Melbourne office portfolio and grow our burgeoning build-to-rent portfolio in a location supported by strong transport links, ongoing infrastructure investment and favourable demographics.

"By potentially offering large and efficient floor plates in excess of 2000 square metres, along with exceptional views of the Yarra River, we believe that this will be one of Melbourne's most sought-after office development opportunities."

Mirvac will pay for the $200 million site in instalments.

Settlement and planning approvals are expected to occur between March 2020 and August 2021.

Century Group Aus previously owned the Spencer St site after purchasing it in 2016 for $97 million.