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# More Housing Bubble Jibberish

By [Gareth Brown](#) in our one-man Vienna office

Because Australian city house prices are again heating up, articles mentioning a housing bubble are once again reaching fever pitch from both the yay and nay side. Apologies in advance for adding to the tally.

I don't know whether Australian house prices are in a bubble, whether they're irrationally exuberant or merely overpriced, it won't change my approach to the sector – by which I intend to avoid it as much as possible, avoid the banks, avoid what might be economically linked to the housing sector, and own some assets outside the country. I'm on the bearish side and don't wish to get caught up in disputes on how to categorise the matter. For what it's worth, I agree with Steve Johnson in our latest quarterly letter (out soon) that the word 'bubble' gets thrown around too often these days, and accept I've been a part of the problem. I also agree with colleague Richard Livingston that it's debt, rather than property values, that is the [chief concern](#).

What I want to focus on here is to point out the ridiculousness of a type of media article that we've seen a thousand times before (most recently [Bankers deflate property bubble fears](#) on the SMH website and [Bubble concerns unrealistically alarmist](#) on Property Observer) and seem destined to have to endure daily.

In short, the articles report someone important and influential within the RBA or one of the big four banks telling us all that there is no housing bubble. There may be one day, but there isn't just yet. The generally unwritten subtext is that this sort of expert advice should sooth your concerns, don't stress. Hey, these experts may very well be right, they surely know the property market better than I do.

But, as is often the case, a quick inversion reveals the underlying absurdity. Do you think it would be possible to ever have a housing bubble without the RBA and the big four banks being ignorant to the fact? To me, the answer is a clear no.

We're not rich enough to be able to have a property bubble without copious amounts of debt. If the RBA thought there was a bubble, rates would go up until it impacted new borrowings. If the big four banks thought there was a bubble, they'd scramble to protect their balance sheets by tightening lending requirements and increasing lending margins (and rates), or at least move most of the credit risk off their books through securitisation (which we haven't seen to any great degree).

In fact, one of the first queries that belongs on your 'Is this a housing bubble?' checklist is 'Are the RBA and big four banks ignorant of a potential bubble?'. A yes answer is a prerequisite for an actual bubble to occur.

Whether today's market is a bubble, or whether we're heading there, are matters that intelligent people can and do argue over (and over again). But one thing intelligent folk won't be doing is taking solace from this sort of article or expert.



