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House prices to rise next financial year

AAP

House prices are tipped to rise next financial year as Australia's fastest population growth in two decades outweighs the effect of higher interest rates, an economic forecaster says.

The BIS Shrapnel Residential Property Prospects, 2008 to 2011 report also says that banks may offer more attractive lending rates in 2009.

The report said residential property markets would experience marginal price increases in 2008/09 as the population was expected to grow by 1.5 per cent, its highest level since the late 1980s.

"Australia is experiencing record net overseas migration flows which is underpinning what is already strong underlying demand for housing," the report said.

BIS Shrapnel study author Angie Zigomanis said rising rents and improving credit conditions would cause house prices to increase in most capital cities.

"As credit conditions recover over the course of 2009, we expect banks will gradually pass on lower borrowing rates to customers," Mr Zigomanis said.

"This easing will enable house price growth to pick up in many centres during 2009/10 and 2010/11."

BIS Shrapnel, which forecasts another rate rise in the September quarter, said higher interest rates were more likely to stop price growth than force a downturn.

Median house prices in Queensland were expected to grow strongly in the three years to June 2011. Brisbane, Gold Coast and Sunshine Coast properties were tipped to enjoy a nation-leading 22 per cent growth.

Sydney, was tipped to have the nation's highest median house price, of \$650,000, by mid-2011 as real estate values were expected to climb by 18 per cent during the next three years.

The resources boom city of Perth was predicted to post the slowest capital city median house price growth, at nine per cent, in the three years to mid-2011.

Perth's forecast median house price of \$500,000 by June 2011 would be overtaken by Darwin's \$515,000 as the Northern Territory capital was anticipated to enjoy 21 per cent house price growth during the next three years.

Melbourne and Adelaide median house prices were tipped to grow by 16 per cent to June 2011, followed by Canberra's 15 per cent.

Hobart house prices were tipped to rise by 14 per cent by June 2011, but would still give the city Australia's lowest median capital city house price, of \$365,000.

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