

House prices to bounce back 25%: expert

Shannon Molloy | May 9, 2008

Minimal property price growth and a drop in building approvals in the March quarter left many with a grim outlook of the Brisbane market, but one local analyst believes it is still too early to panic.

House prices in Queensland increased by just two per cent in the last quarter, while property listings were up by 25 per cent on last year.

However, Michael Matusik of Matusik Property Insights said it wasn't all "doom and gloom" ahead, despite the figures suggesting otherwise.

New housing starts around the state fell by 16 per cent, but Mr Matusik said fluctuating approval rates were common.

"An early Easter and wet weather in North Queensland at the start of the year helped keep new building activity subdued this March," he said.

Annualized figures showed housing supply was still below underlying demand, and the shortage was unlikely to improve in the near future, he said.

While Mr Matusik predicts prices will not increase by more than eight per cent this year, he believes the key ingredients for continued growth remain strong.

"Some commentators are claiming that the residential property market has come to a 'screaming halt', but there still remains some price growth."

"In the short-term buyers are keeping their power dry following the interest rate rises over the last six months... but our recent survey work shows investors are starting to stir."

With rents climbing at double-digit rates, Mr Matusik believes investors will return to the market during the course of the year.

He predicts property prices in Brisbane will grow by 25 per cent in the next three years if interest rates remain steady and economic conditions improve.

"Assuming rates drop a bit in 2009 then residential prices could grow at double-digit rates during 2009 and in 2010."