

# House prices set to climb despite rates

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- Sky-high prices can still go higher
- Rates cuts won't necessarily help

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.

Economic forecaster BIS Shrapnel's *Residential Property Prospects, 2008 to 2011* report also says banks may offer more attractive lending rates in 2009 - but that it could merely fuel higher prices.

The prediction is heartening news to those already in the property market, but will make gloomy reading for those still renting.

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.

There is some good news forecast on the cost of borrowing, but it is seen as merely one more factor sending prices skywards.

"As credit conditions recover over the course of 2009, we expect banks will gradually pass on lower borrowing rates to customers," the report's author Angie Zigomanis says. "This easing will enable house price growth to pick up in many centres."

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

The report says Australia's population is expected to grow by 1.5 per cent through 2008/09, 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 says.