House price growth to accelerate

Bright future: Husband-and-wife real estate team Lorraine and Alan Prosser with a house they have on the market in South Perth for $1.54 million **Picture: Colin Murty**

OUTLOOK UP

Median house prices for 2009, with forecasts up to 2012

	2009	Annual % change	2010	Annual % change	2011	Annual % change	2012	Annual % change
Sydney	544,000	-0.4%	555,000	2.0%	595,000	7.2%	660,000	10.9%
Melbourne	441,900	-1.8%	455,000	3.0%	489,000	7.5%	527,000	7.8%
Brisbane	419,000	-0.2%	425,000	1.4%	450,000	5.9%	480,000	6.7%
Adelaide	359,000	-3.0%	380,000	5.8%	405,000	6.6%	440,000	8.6%
Perth	450,000	1.1%	460,000	2.2%	475,000	3.3%	505,000	6.3%
Hobart	336,000	3.4%	345,000	2.7%	360,000	4.3%	385,000	6.9%
Canberra	458,000	-2.0%	480,000	4.8%	495,000	3.1%	515,000	4.0%
Darwin	475000*	12.2%	505,000	6.3%	530,000	5.0%	555,000	4.7%

* Estimate

Source: Real Estate Institute of Australia and BIS Shrapnel

Turi Condon
Property editor

ADELAIDE'S housing prices will increase 23 per cent by the middle of 2012, the biggest rise in values of all the capital cities, and nearly twice the growth rate of Perth and Canberra, according to a new report.

The sluggish Sydney market, which hasn't seen a rise in median house prices since 2003, will turn in the second-best result in the three years from June 2009 to June 2012, with compound price growth of 21 per cent, says mortgage insurer QBE's Housing Outlook report.

"Double-digit house price growth is forecast across all capital cities from June 2009 to June 2012, particularly in those markets with positive affordability," according to QBE LMI chief executive Ian Graham.

In Melbourne, price rises of 19 per cent by mid-2012 are forecast, Darwin 17 per cent, Brisbane and Hobart 15 per cent, Perth and Canberra 12 per cent.

"Despite a 0.25 per cent rate rise in the first week of October, housing interest rates are expected to remain at a stimulatory level for some time, with the low interest rate environment remaining supportive of the first-home buyer," Mr Graham said.

The ending of the increased first-home owner grant boost scheme in December could cause prices at the lower end of the market to dip in the first quarter, but pent-up demand would mean only a short-term easing, he said.

Housing markets have turned quickly with the Australian Bureau of Statistics showing capital city median prices fell 1.4 per cent in the year to June.

The report, prepared by economist forecaster BIS Shrapnel, said the weak economy would dampen house price growth until mid next year.

"Household income overall is being undermined by the reduction in working hours," the report said.

Mr Graham said that from later next year, comparatively low interest rates and improved economic conditions would speed up the growth in house prices.

"A broad-based recovery is forecast from the second half of 2010 as conditions in the labour market stabilise and investors and buyers are attracted back into the market by low interest rates and high rental yields."

However, it will be nothing like the last market peaks where prices rose 24 per cent in Sydney in its boom year of 2002, 31 per cent in Brisbane in 2004 and 36 per cent in Perth during 2006, Mr Graham said.

The report said flatter economic growth this year and into next would result in the Reserve Bank pausing interest rises until the second half of 2010 with rates rising more strongly thereafter.

"Price growth is forecast to ultimately slow from 2012-13 as further rises to interest rates, in response to lower unemployment and emerging inflationary pressures, begin to impact on affordability and demand," it said.

Sydney's median house price was $544,000 at June, a fall of 0.4 per cent during the previous year. The report forecasts a 2 per cent rise for 2009-10, a 7 per cent increase in 2010-11 and 11 per cent the following year. The pace of growth is similar in other capitals.

The Housing Outlook report says the very low residential vacancy rates of between 1.2-2.9 per cent in the capital cities will drive strong rental growth next year and more moderate growth from 2011 as more new housing is built.