

Brisbane house prices 'set to jump 16 per cent'

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- Housing boom tipped for Perth, Sydney
- Commercial to eclipse residential
- Low growth for Melbourne, Canberra, Adelaide

ECONOMISTS are predicting a double-edge sword for Brisbane's property market, forecasting the median price to boom from \$435,000 to \$505,000 in the next three years - on the back of the housing crisis.



GOING DOWN: Brisbane house values have fallen by 0.5 per cent during the past year.

The report, prepared by [BIS Shrapnel](#), says the underlying strength of the Australian economy, stable interest rates in the short term, high immigration and a dire shortage of houses, will be the main drivers of this growth.

It forecasts the Brisbane median house will lift by 16 per cent to \$505,000 over the three years to June 2014.

The rise in home prices and shortage of accommodation is also expected to force up rents.

This compares with 20 per cent in Perth, 19 per cent in Sydney, 8 per cent in Canberra and only 6 per cent in Melbourne.

It also predicts that first home buyers will start to re-enter the market in greater numbers next year as the outlook for the economy improves. This will in turn encourage others to return, especially upgraders, as demand for their properties improves.

"Sydney hasn't fallen in a hole and house price growth has been minimal but has held up over the last 12 months," said Robert Mellor, the managing director of BIS Shrapnel.

But he predicts this will jump to about 5 per cent in 2011-12 and 7 per cent the year after, before growth will start to slow as a result of higher interest rates in 2013.

"At some point in the next few years rising interest rates will become a concern and that will bring a slowing in residential property markets," Mr Mellor said.

BIS Shrapnel chief economist Frank Gelber warned the Melbourne market was "running out of steam" as supply levels for new homes increased to satisfy demand.

Would-be house buyers would be deterred by a likely 100-basis point increase in interest rates over the next few years. Such a rise would take the official rate to 5.75 per cent.

"The property market will stay stronger over the next few years but there will be no huge increase in (residential) property prices over the next five years in Melbourne," Mr Gelber said, speaking in Melbourne.

"The next big increase in Melbourne property prices won't be until the next upward phase of the economy."

Separately yesterday, a report from the Housing Industry Association revealed that in the past year, Australia's major developers built about 50,500 new houses - down about 20 per cent from the previous year.

HOUSING'S STATE OF PLAY

City 2011 median price 2014 forecast per cent change

Brisbane \$435,000 \$505,000 +16.1 per cent

Sydney \$644,700 \$770,000 +19.4 per cent

Melbourne \$590,000 \$623,000 +5.6 per cent

Darwin \$515,000 \$600,000 +16.5 per cent

Commercial to eclipse residential

Despite the optimistic outlook for home owners in most capital cities, residential property will be outperformed by commercial property over the next 10 years, according to research by ANZ.

Equities will eclipse residential real estate as the strongest performer, but ANZ suggests that when risk is factored in, commercial property will generate similar returns.

The report, *Asset returns: Past, Present and Future*, said owner-occupied housing had made annual average returns of 12 per cent over the 24 years since 1987 even when costs and taxes were factored in.

Simple historical comparisons of equities and property are often used by property analysts to demonstrate housing's superior capital returns but ANZ included costs, taxes, interest on loans and factored in the risk associated with investing.

It found that owner-occupied housing had the highest returns, outperforming investment property, in part because of capital gains tax exemptions.

Investor housing was the next best asset class, performing slightly better than equities over the time analysed, the report said.

They were followed by government bonds, term deposits and commercial property.

Canberra \$525,000 \$565,000 +7.6 per cent

Perth \$470,000 \$565,000 +20.2 per cent

Adelaide \$410,000 \$440,000 +7.3 per cent

Hobart \$370,000 \$395,000 +6.8 per cent