



House prices to grow 20%

From the desk of ...

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THE strong housing market activity in Australia is set to continue into 2010 and beyond. According to QBE Lenders' Mortgage Insurance (QBE LMI), house prices may surge 20% or more over the next three years, driven primarily by the on-going shortage of new housing.

"While interest rates are forecast to rise over 2010-2012, the outlook for the Australian housing market looks positive" said Ian Graham, CEO of QBE Lenders' Mortgage Insurance.

According to the report which was prepared by the property research group BIS Shrapnel, low interest rates, solid growth in rents and housing shortages will create favourable conditions for a strong recovery in residential property prices.

Prices in the Australian housing market have been driven up by a chronic shortage of houses. The shortage is the result of a variety of factors, mainly population growth, first home buyer grants, low interest rates but also the loss of confidence in the share market and a growing confidence in the property market by investors.

“**House prices may surge 20% or more over the next three years**”

Rising home prices have prompted the Reserve Bank to warn of the risk of a housing bubble forming. When house prices increase faster than wage growth, the price levels become unsustainable and if the differential becomes too great you end up with a bubble.

Angie Zigomanis, BIS Shrapnel senior project analyst believes that even if a housing price bubble popped, a correction would not necessarily mean huge price falls. "Corrections are not like share market corrections, where people sell off all their shares. People just sit in the property and wait for things to improve", Mr. Zigomanis said. Apart from those who are forced to sell, you don't get the huge turnover like you do with shares.

However nothing is certain, as house prices could be affected by anything that has an impact on our economy.

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