

House prices to jump 40pc

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HOUSE prices are expected to rise by as much as 40 per cent across the country during the next five years, according to economic forecaster BIS Shrapnel.

BIS Shrapnel director and chief economist Frank Gelber said housing affordability, already at record lows, would sink even lower as demand continued to outstrip supply.

Mr Gelber said there was currently a construction shortfall of 30,000 dwellings, but has forecast that number would grow to 60,000 by June this year and 129,000 midway through 2009.

An environment of rising interest rates had compounded the problem with people choosing to wait before buying or building property, he said.

This also meant that when interest rates stopped rising or eventually started to fall, there would likely be a surge in demand for housing which could result in a price explosion.

"We've got rising interest rates suppressing any upswing in demand for housing ... and we need to wait now before that demand comes through," Mr Gelber said.

"But when it does, it will be very strong."

The figures quoted by Mr Gelber are largely in line with Australian Bureau of Statistics data.

Calculations, based on the ABS established house price index, show that during the 10 years to December 2007, house prices rose an average of 9.9 per cent a year. The index rose 12.3 per cent in 2007.

In the 10 years before that house prices rose an average 6 per cent a year.

In the past 20 years they have risen an average 7.9 per cent a year.

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