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Home prices grim

HOUSING

Jeff Whalley

THE STAGNANT Victorian economy and a flood of new housing stock will form a road block to property price growth for the next three years.

And while the rest of the nation is expected to show the first signs of a property resurgence, Melbourne will drag the chain.

“Median house price growth in Melbourne is forecast to be minimal, totalling 3 per cent over the 2012 to 2015 forecast period,” BIS Shrapnel’s Angie Zigomanis said.

“(But) after accounting for inflation, prices are actually forecast to fall by 6 per cent in real terms,” Mr Zigomanis said.

In a glimmer of hope for property owners, the Residential Property Prospects 2012-2015 report released today predicts interest rate cuts and a bounce back in the national economy will put a floor under Victoria’s tumbling house prices.

“However, there will be little to support price growth in the city over the next three years and conditions will continue to remain tough,”

Mr Zigomanis said. He said the subdued state economy paired with a flood of new houses had knocked Melbourne’s estimated median house price down to \$540,000 in June, representing a decline of 5 per cent for the financial year.

Mr Zigomanis says Victoria is emerging out of a period when its housing prices were the best performers after the

global financial crises. “Affordability in Melbourne has been more challenging relative to the other capitals after the city recorded the strongest post-GFC bounce in prices of 27 per cent in 2009-10,” he said.

But a surge in new dwelling construction — which peaked in 2010-11 — and exceeded annual underlying demand is now acting as a report says.

Speculation about the dampener. “With Melbourne’s dwelling deficiency being eroded, there is little upward pressure on prices,” Mr Zigomanis says.



Median house price as at June 2012 **\$540,000***
Median house price as at June 2015 **\$557,000***
The forecast gain in median house price over the three years **3%**

*Estimate Source: BIS Shrapnel