

Media Release

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HOUSING AS AFFORDABLE AS THE 1980'S

Western Australia's property prices are as affordable today as they were in the 1980s according to Paul Braddick, Head of Property Research with the ANZ.

Speaking at the November UDIA Luncheon on market predictions for the coming year, Mr Braddick said the relationship between median house prices and purchasing power (income growth and interest rates) was the same today as it was in the 1980s, with house prices set to start rising again.

Mr Braddick said that all of the growth in house prices since the mid 1980s could be explained by rising incomes and lower interest rates.

He stressed that the Australian economy was fundamentally sound, driven by a strong and continuing demand for commodities from India and China and the consequent mining investment boom.

While the current housing market was "shaky" the fundamentals supported future growth, with the supply of housing "well below underlying demand". He expected a rebound in net overseas arrivals to lift demand for West Australian housing.

Mr Braddick said Australia was seeing an unprecedented housing shortage that would continue to deteriorate.

Tight rental vacancies and rising rentals were a symptom of strong demand and limited supply.

He said that while public sentiment was against buying new homes at the moment the market fundamentals meant that house prices would not fall significantly.

"Sentiment may win the battle, but fundamentals will win the war," Mr Braddick said.

UDIA CEO Debra Goostrey said that while it was always difficult to pick the bottom of any housing cycle there was plenty of economic evidence that if the market was not actually at the bottom of the cycle, it was very near it.

“With interest rates low and strong employment in Western Australia, coupled with the underlying housing shortage it’s a very good time to buy a house and set yourself up for capital growth in the coming years,” Ms Goostrey said.

“While we’re unlikely to see the sort of steep price rises we saw in 2005-07 for the foreseeable future there is every indication that in 2012-13 we’ll witness house prices on the rise again.

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