

An average property will cost you a massive \$1m in 12 years

House prices to boil over

Craig Binnie
real estate editor

THE median Melbourne house price will burst through the \$1 million mark in just 12 years if prices rise at the same rate as they have over the past 43 years.

Property research company BIS Shrapnel predicts the median house price will be \$1,056,199 in 2021.

The staggering forecast shows the importance of buying a home as soon as you can because the longer the delay, the more chance there is that the dream will slip out of reach.

House prices have risen by an average of 9.4 per cent a year since 1966 when a house could be bought for just \$9350, according to BIS.

Last month the median was \$525,000, says the Real Estate Institute of Victoria.

With a \$1 million-plus median, most home loans will start about \$900,000 and require repayments of \$1337 a week at an optimistically low 6 per cent interest rate.

If prices keep rising at the same rate between now and 2043, 39 years from now, the median house would cost a massive \$5 million.

The figures back up the real estate agent mantra: "Now is a great time to buy".

Low interest rates, the ris-

'Only 10 years ago the median house price was half what it is today'

— REIV's ROBERT LAROCCA

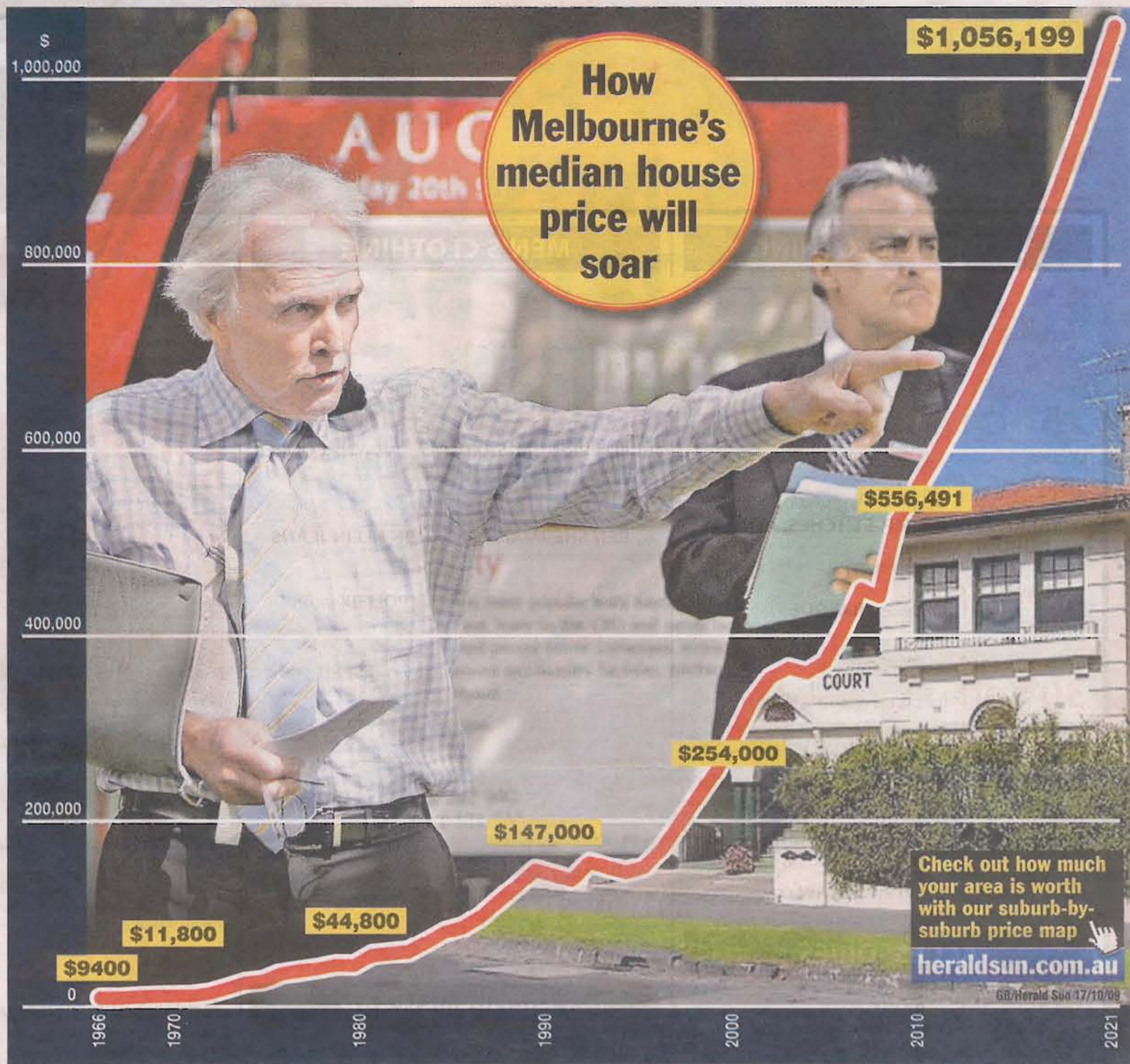
ing cost of materials, a shortage of new homes and a growing population are predicted to keep pushing prices higher.

BIS senior project manager Angie Zigomanis said inflation and rising wages would keep increases in proportion to house prices.

Just as an average wage earner could buy a \$9350 home in 1966 and today's first home buyers can buy a \$525,000 house, future first home buyers will, hopefully, be able to afford a \$1 million house.

Mr Zigomanis said the inflation rate, which is 1.5 per cent, would have a big impact on future house prices.

"Through the 1970s and 1980s, inflation was very



strong and this helped push house price growth," he said.

"On average, inflation was nearly 6 per cent per annum, so prices rose by an average of 3.5 per cent above inflation — the difference between

price growth and inflation.

"Assuming that the Reserve Bank manages to keep inflation down to its 2-3 per cent range (say an average of 2.5 per cent), then price growth should average 6 per

cent per annum long term."

If inflation is higher, the prices of houses could rise even faster. The REIV said the figures showed the importance of implementing strategies to provide

affordable housing. "It was only 10 years ago that the median house price was half what it is today," REIV spokesman Robert Larocca said. "Unless there is a significant increase in supply then it

would not be surprising to see the median reach \$1 million in that time.

"The growth in supply needs to match population growth."

Home, Realestate liftouts today

More rate rises to come, PM warns home buyers

John Ferguson

HOME buyers have been warned to do their sums carefully because of imminent interest rate rises.

Prime Minister Kevin Rudd yesterday gave clear advice to those borrowing more — rates will go up.

As the Opposition attacked the Government's economic credentials, Mr Rudd said he had made it clear that rates could not remain in such a historically low position.

He said there was no point being "cute" with the electorate by pretending otherwise.

"I think anyone who takes out a significant loan for a house, you've just got to do your sums," he said.

It was important to keep in context that rates could not remain permanently low: "... and, therefore, make the calculation for the future," he said.

Mr Rudd was in Melbourne yesterday where hundreds of thou-

'I think anyone who takes out a significant loan for a house, you've just got to do your sums'

— KEVIN RUDD

sands of home owners could face mortgage stress.

Reserve Bank governor Glenn Stevens has laid the groundwork for a succession of rate increases.

Economists expect rates to rise by up to 0.5 per cent on Melbourne Cup Day, adding about \$95 a month on a typical home loan.

Mr Rudd said that it was no time to consider winding back the multi billion dollar stimulus program introduced at the height of the global financial crisis.

He said the stimulus had been designed to wind back.

"Well, you know something about the infrastructure stimulus strategy that we've put in is that it's targeted and temporary," he said. "It goes up, it comes down. It was designed that way when we put it in."

Facing a party-room showdown over carbon emissions, Opposition Leader Malcolm Turnbull claimed interest rates would rise because of Labor's "reckless" spending and borrowing. He also questioned why Treasury secretary Ken Henry was advancing the possibility of a congestion tax on roads as a part of his overhaul of the taxation system.

"At the beginning of this year, we said that Labor's borrowing and spending — reckless borrowing and spending — would mean higher interest rates and higher taxes," Mr Turnbull said.

"And these economic chickens are coming home to roost for Mr Rudd, because we're starting to see both."

2010 NATIONAL ANTHEM SINGER FOR VICTORIA

Are you interested in becoming the next official National Anthem Singer for Australia Day 2010?

The Australia Day Committee (Victoria) is searching for a fresh, young talent to be a part of our Australia Day 2010 celebrations in Melbourne.

Our winning singer will perform in front of the Governor of Victoria, the Premier, VIPs and a crowd of thousands on Australia Day.

To be eligible you must be under 21 years of age as of 26 January 2010.

Send your audio recording of both verses of the National Anthem on CD/cassette by 5.00pm, Friday 4 December 2009 to:

National Anthem Singer Competition
Australia Day Committee (Victoria)
1 Treasury Place
Melbourne VIC 3002

Your audio recording must be a simple, unaccompanied solo presentation of the Anthem. Recordings by up to 3 voices may be considered.

Please do not label your CD/cassette recording or you will be disqualified. Enclose your name, age, address and telephone number inside the package separately. Your entries will not be returned.

For further competition information and more on Australia Day 2010 please visit our website on www.austaliaday.vic.gov.au, or telephone (03) 9651 5174.

