News and analysis

Property prices to keep rising in 2010

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Property owners will continue to see the value of their homes grow in the new year, with house prices across the nation already exceeding pre-global financial crisis levels.

The markets of Sydney and Melbourne have led the recovery, with Melbourne alone recording a 12.5 per cent rise since March, Australian Property Monitors (APM) says.

"Property owners will continue to see their investment grow in the new year, with house prices already exceeding pre-global financial crisis levels nationally by nearly three per cent, and growth is expected to continue well into 2010," APM said in a statement on Friday.

The phasing out of the first home owner's grant boost had barely impacted the lower end of the housing market in the last quarter of 2009.

Furthermore, rising interest rates were not expected to affect prices until late 2010 or possibly 2011.

APM economist Matthew Bell said the best opportunities for new buyers or investors to find affordable options were in Brisbane and Perth.

"If you are looking to enter the market, participate in the national recovery and get the best bang for your buck, Brisbane and Perth are the places to be looking," he said.

"Queensland and Western Australia's increased exposure to the downturns in both the resource and tourism sectors has meant that price recovery for both houses and units has trailed other states."

Suburbs offering the best growth opportunities in 2010 were Mona Vale and Woolloomooloo in New South Wales; Mentone and Toorak in Victoria; Hawthorne, Lota and Kangaroo Point in Queensland; and Halls Head, Nollamara and Mandurah in Western Australia.

Meanwhile, another report by property information provider RP Data and funds manager Rismark International found Australia's median dwelling price - in all metropolitan and non-metropolitan markets - was around $371,000.

The report said that local, state and commonwealth government taxes and charges now account for up to $160,000 of the cost of a new house in Sydney.

Australian house prices were rising, despite the fact that deposit requirements and credit rules imposed by lenders today were the toughest in more than 15 years.

But Australia's dwelling price-to-income ratio was 4.1, which implied that housing was not overly expensive by international standards.

"If Australian housing was unusually expensive, you might expect to see low ownership levels, high default rates, historically poor affordability, and weak demand as manifest in negative price growth. But we do not," the RP Data-Rismark report said.

Australian has one of the highest global rates of home ownership at about 70 per cent, and the lowest mortgage default rates, with just 0.66 per cent of five million borrowers with a loan materially behind on their repayments.

Figures released this week found lending for housing is about $5 billion a month higher than it was a year ago, with more than $1 billion of the extra cash going into new housing.

The data from the Australian Bureau of Statistics (ABS) showed the value of home loans approved hit $17.05 billion in October, up from $13.44 billion a year before.

On top of that, there were $6.14 billion of loans approved for investors, versus $5.35 billion last October, when credit markets were at their most dysfunctional amid the global financial crisis.

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