

Migration will increase demand on housing: new report

Homes will cost more to rent than to buy over the next few years, due to a shortage of housing, economic forecaster and industry analyst BIS Shrapnel warned this week.

The shortage will come through increased immigration and an undersupply of new housing.

BIS Shrapnel says that in spite of higher interest rates, the average cost of renting is set to rise much more than the cost of buying in 2008/09 and 2009/10, due to the undersupply of new housing.

National population growth of 1.5 per cent is expected in 2008/09, the highest since the late 1980s.

BIS Shrapnel's Residential Property Prospects, 2008 to 2011 report shows that Australia is experiencing record net overseas migration inflows which is underpinning what is already strong underlying demand for housing.

With construction of new dwellings below previous peak levels, a rising deficiency of dwellings is also evident in the extremely low vacancy rates and will drive strong rental growth in most cities.

BIS Shrapnel senior project manager and study author, Mr Angie Zigomanis, believes rising rents and improving credit conditions will be the key to the next upturn in prices in most capital cities.

"As credit conditions recover over the course of 2009, we expect banks will gradually pass on lower borrowing rates to customers", Zigomanis said.

"This easing will enable house price growth to pick-up in many centres during 2009/10 and 2010/11."

BIS Shrapnel forecasts Brisbane, the Gold Coast, the Sunshine Coast and Darwin will show the strongest price growth through to 2011 due to significant pent-up demand in these markets and strong employment and wages growth.