

# Minerals boom, population growth bolster home prices

By **NASSIM KHADEM**  
CANBERRA  
and **BEN SCHNEIDERS**

HOUSE prices across Australia have risen because population growth and Western Australia's booming economy have intensified demand for housing.

Economists are predicting further increases, and some are warning Australia is on the brink of a "housing crisis". The reason, they say, is supply is failing to keep up with demand, and coupled with higher interest rates, it means low-income earners and first home buyers are finding it increasingly difficult to buy homes.

Figures released by the Australian Bureau of Statistics show house prices across all Australian capital cities rose by 3.1 per cent in the June quarter, and 6.4 per cent over the year.

Western Australia's commodities boom pushed up house prices in Perth by a staggering 11.9 per cent during the quarter, and 35.4 per cent over the year. Economists expect that growing economies such as China's will continue to demand Australia's rich supply of mineral resources, resulting in further increases in the cost of housing.

JP Morgan Securities economist Jarrod Kerr said Perth's "phenomenal leap" was the highest annual gain since 1989.

In Melbourne, house prices were up 2 per cent in the quarter, and 5.5 per cent for the year. The



percentage increases elsewhere were: Sydney 1.4; Brisbane 2.1; Adelaide 2.3; Hobart 2; Darwin 3.6; and Canberra 2.6.

The ABS data is similar to the Real Estate Institute of Victoria's June quarter report that showed median prices in Melbourne rose 4.2 per cent to \$375,000 from a year ago — just shy of the record reached in December 2003. Much of that growth was in Melbourne's wealthiest suburbs including Hawthorn, Toorak, Camberwell, Surrey Hills and Balwyn North.

Mr Kerr said while house prices would continue upwards, higher interest rates would start to take hold. The Reserve Bank has already increased rates twice this year and many economists are expecting another rate rise in November. "That will have a dampening effect on the housing market," Mr Kerr said.

The Housing Industry Association's executive director of

housing, Simon Tennent, said it was crucial that pressure in the housing sector was eased by increasing the supply of affordable housing and attracting private rental investment.

Real Estate Institute of Victoria chief executive Enzo Raimondo also said governments needed to provide more support by increasing the first home buyers' grant.

In Perth, where the median house price of \$420,000 is more than 10 per cent higher than in Melbourne, the resources boom is driving down unemployment, attracting migrants and lifting wages.

If sentiment changes, though — for example, if China's economic growth slows — industry sources say the market could sharply switch direction.

## ONLINE

► Read the ABS report on house prices at [theage.com.au](http://theage.com.au)