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HOUSING

Rate cut to prompt modest rise in prices

Antony Lawes

THE first interest rate cut for 2½ years will start a slow upturn in Sydney's long-stagnant housing market, industry observers say.

The managing director of economic forecaster BIS Shrapnel, Robert Mellor, said the Reserve Bank's decision to cut its key cash rate would encourage buyers back and start to push up property prices, after months of falls. But he said this would not begin to flow through until February or March.

"For the Sydney market this will be the start of some modest price rises we've been talking about for 2012," Mr Mellor said. "A quarter of a per cent reduction will provide some support to the market but nothing spectacular."

The RBA's announcement came on the day new figures from the Bureau of Statistics showed Sydney's median price for established houses dropped the least of any capital city – 0.2 per cent – over the September quarter.

The senior economist at Australian Property Monitors, Andrew Wilson, said this showed Sydney was already the most resilient of all capital city markets and although it was still "flatlining and directionless", a rate cut would put a floor under prices.

"Now there's no reason why [the property market] would go backwards," Dr Wilson said. "It might just push things upwards, rather than flat."

He said it would encourage first home buyers who were undecided about whether to take advantage of the stamp duty concession for existing dwellings that ends on December 31.

Others, such as Brian White, the chairman of the Ray White Group, were more upbeat. He said the rate cut would encourage a "strong spur of activity" and end the fears that many potential buyers had about purchasing.