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# Weak house prices tipped to rise

***PROPERTY***

BRIDGET CARTER

HOUSE prices in Brisbane and Perth are tipped to be the most likely to lift on the back of yesterday's cut in the official rate by the Reserve Bank.

Jason Anderson, NSW economics manager for researcher MacroPlan Australia, said while Sydneysiders had the largest mortgages, Perth and Brisbane home owners would proportionally be the greatest beneficiaries from the 25-basis-point cut.

This was because both markets had been the weakest of all the state capitals in the past year.

According to Australian Property Monitors, house prices for the year to September were down 6.7 per cent in Brisbane and 5.7 per cent in Perth.

Mr Anderson said Brisbane had an unemployment rate higher than most other state capitals.

"That is where you are going to get more of a change in sentiment," Mr Anderson said.

"If you look back four months ago, the economy was forecasting a rate rise of 0.25 per cent and now we have a rate cut and maybe another in three to six months."

People would most likely revise down their expectations of the next peak in rates from 9 per cent to 8.5 per cent after yesterday's cut, he added.

Mr Anderson said Sydney's first-home buyer market may firm in the next eight weeks as purchasers rush to secure a home before stamp duty concessions finish at the end of the year.

From the start of next year, stamp duty concessions for NSW first-home buyers, which can save them more than $20,000 for homes costing under $500,000, will only apply to newly built homes or "off the plan" purchasers

According to the Housing Industry Association, the latest cut will lead to a 2.6 per cent improvement in the HIA-Commonwealth Bank Housing Affordability Index.

The index showed home owners in state capitals would save between $52 and $86 a month on their mortgages.

The index is based on the decline in mortgage repayments on a median-priced home as a proportion of total household income.

It also assumes the home owner has borrowed 90 per cent of the money to buy a median-priced home.

HIA senior economist Andrew Harvey said the rate cut of 25 basis points was fundamental in terms of helping owner-occupiers and investors back into the new-home market.

"There is no doubt that new-home building levels were harmed by the Melbourne Cup Day 2010 rate hike and also by continuing talk by the Reserve Bank of Australia throughout much of 2011 that rates were likely to go up," he said.

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>
> JASON ANDERSON
> MACROPLAN AUSTRALIA