

RENTS

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## Rents forecast to soar

Rents in the key markets of Sydney, Brisbane and Melbourne will rise sharply over the next three years as the supply of new housing falls well short of underlying demand, BIS Shrapnel managing director Robert Mellor says.

**S**YDNEY would see the steepest rent rises as its shortfall of dwelling stock against demand climbed to 67,000 homes by 2010, according to BIS Shrapnel forecasts.

The figures suggested rents for three-bedroom houses in Sydney would climb 8 per cent in 2006-07, 11 per cent in 2007-08, 14 per cent in 2008-09 and 10 per cent in 2009-10.

"We're looking at further rental growth in the next few years at figures close to 10 per cent," Mellor told the LJ Hooker Residential Property Market Trends Breakfast in Brisbane. "In terms of Sydney, I can't see the shortfall improving for three to four years and that means that rents are going to skyrocket."

Brisbane and Melbourne rents would rise at slightly slower rates, BIS Shrapnel forecasts suggested, though they were still tipped to climb at well above 5 per cent a year through to 2010.

In terms of house prices nationwide, Mellor tipped "good solid growth over the next few years", including 7 per cent

growth for the year to June 2007. He predicted growth approaching 10 per cent a year by 2009-2010, with inner capital city markets growing the fastest.

Sydney, however, would remain weak for another couple of years at least.

"This is not a market that's about to turn up and get to 10 per cent growth per annum," Mellor said. "The best you could hope for is 5 to 7 per cent growth in two to three years' time."

Mellor said no-one should be in any doubt about whether the property boom in Western Australia was over.

"You see some commentary in the media that the boom is continuing. I can tell you it's not," he said. "The market peaked late last year."

The key market segment for investors and developers to consider in coming years were empty nesters and retirees.

Anyone who could get inside their heads and understand their future housing needs would be well placed in the market, Mellor said.

"They're going to be the critical drivers of residential markets around Australia" particularly in Sydney and Melbourne, he added.

