

## Outlook for the Australian housing market is improving

**Embargoed until 11am 11 October, 2011** – The underlying strength of the Australian economy and the continuing shortage of residential housing in Australia, together with stable interest rates, is expected to support Australian housing prices, according to the QBE ImiHOUSING OUTLOOK™ 2011-2014 report researched and prepared by BIS Shrapnel.

Ian Graham, CEO of QBE Lenders' Mortgage Insurance Limited (QBE LMI), said "Despite the current volatility in the global economy, QBE LMI is cautiously optimistic about the outlook for the Australian housing market. The ongoing resource demand from Asia should continue to ensure growth in the resource and private sector, with conditions for a significant correction over the forecast period to 2014 just not there."

In the three years to June 2014, Melbourne is forecast to have the lowest price growth of 6% due to record levels of new dwelling supply eroding the current dwelling deficiency; while more moderate house price increases between 6% and 8% are expected in Adelaide, Hobart and Canberra, with solid price growth of 16% expected in Brisbane and 17% in Darwin.

Price growth of 19%-20% is forecast in both Perth and Sydney during the forecast period. In Perth the forecast reflects the stronger economic conditions driven by accelerated investment in the mining and resource sector and in Sydney the forecast is a result of the growing deficiency in household dwelling supply.

First home buyer demand, which has suffered recently, is forecast to enter a recovery phase through 2012 as the economic outlook becomes more positive and in the anticipation of first home buyer confidence strengthening as housing becomes more affordable. Investor demand is expected to recover over 2011/12, in-line with first home buyer demand, and support prices at the entry level end of the market.

The current stability in interest rates is expected to continue well into 2012. There is now a possibility that the Reserve Bank of Australia could cut interest rates in late 2011 to kick-start a recovery in consumer confidence and spending, thereby initiating the next phase of demand, the recovery in the economy and housing market.

Ian Graham added, "While volatility in the global economy has never been greater, our ImiHOUSING OUTLOOK™ report confirms that Australia is well placed to deal with any uncertainty that our economy or housing market faces in the next few years."