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| Press release**FOR EMBARGOED RELEASE ON****August 1, 2015** | Michelle HutchisonHead of PR & Money Expertfinder.com.au+61403 192 994+61 2 9299 7602Michelle@finder.com.au |

**Property prices set to rise but experts claim “no housing bubble”**

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| * [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate) found all 31 leading economists and experts unanimously expect no change to cash rate on Tuesday
* 68% of experts surveyed expecting property prices to keep rising this year
* No housing bubble: 81% of experts claim
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**EMBARGOED FOR AUGUST 1, 2015, SYDNEY, AUSTRALIA –** While the official cash rate is expected to remain on hold on Tuesday, property hunters are being urged to brace for higher housing prices, according to the latest Reserve Bank Survey conducted by one of Australia’s biggest comparison websites [finder.com.au](http://finder.com.au/)[[1]](#footnote-1).

The [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate) of 31 leading economists and experts, which is the largest of its kind in Australia, all unanimously expect the Reserve Bank will keep the cash rate at 2.00 percent at its board meeting on Tuesday, August 4, 2015.

Many of the experts pointed towards the latest two rate cuts in February and May, saying they are yet to filter through the economy and with unemployment stable, the Reserve Bank has no reason to move the cash rate in August.

However, almost one in five (19 percent) of the experts surveyed are forecasting another rate cut by the end of the year, while two are expecting the cash rate to rise in the last quarter of this year (Mark Crosby – Melbourne Business School, and Peter Boehm – onthehouse.com.au).

A further 17 experts (55 percent) are forecasting the cash rate will start rising next year, five of which believe it will be in the second quarter of 2016, and the remaining 12 expect hikes to start in the second half of the year.

Almost two in five (39 percent) of the experts however, are betting on a lengthy period of stability before the cash rate will start rising beyond 2016, including Michael Blythe – Commonwealth Bank, Bill Evans – Westpac, Andrew Wilson – Domain Group, and Noel Whittaker – QUT Business School.

Michelle Hutchison, Money Expert at comparison website [finder.com.au](http://finder.com.au/), said those gearing up to purchase property this year will need to prepare for higher costs.

“While we may not see another rate cut this year, it’s still likely that property prices will continue to rise, which means higher costs for new borrowers.

“According to the [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate), the majority of experts surveyed (21 or 68 percent) are expecting property prices will keep rising this year, while almost one in five (six of 19 percent) believe property prices will remain at the same level for the remainder of 2015.

“For the hottest property market in Australia, almost one in five experts (19 percent) believe the Sydney property market won’t ease for the next few years, while 61 percent expect it to ease next year and five experts think it could be as early as this year.

“Despite this, the vast majority (81 percent or 25 of the 31 experts surveyed) believe there is no housing bubble. However 5 experts (16 percent) expect the housing bubble will burst within the next 18 months. One of the experts – Shane Oliver from AMP – said there is one housing bubble in Sydney and it’s likely to start reversing in 2017.

“We’re expecting more borrowers to start hitting the market in spring, which is traditionally the busiest time for the property and home loan markets. If you’re planning to hit the market this mortgage season, be careful with your budget as it won’t be worth over-stretching yourself in the heat of the moment to buy a home when rate rises are also around the corner.”

**What our experts had to say in the finder.com.au Reserve Bank Survey:**

* **Garry Shilson-Josling, AAP:** “The RBA knows the economy is slow, but it's not because interest rates are too high.”
* **Shane Oliver, AMP:** “Not enough has changed since the last meeting… There is not a national housing bubble, but there is one in Sydney and it will start to reverse in 2017. House prices generally are likely to fall (probably only 5-10%) around 2017 when or if interest rates start to rise.”
* **Steven Pambris, Bank of Sydney:** “Whilst the economy remains weak, the values of residential properties continue to rise, with inflationary pressures now also evident.”
* **David Bassanese, BetaShares:** “Unemployment is trending sideways to down of late.”
* **Michael Blythe, Commonwealth Bank:** “The Reserve Bank is in 'wait and see' mode.”
* **Savanth Sebastian, Commsec:** “It is pretty clear that Inflation is not a threat to rate movements in either direction. RBA will wait to see if improvements in business confidence translates through to a lift in investment and employment.”
* **Andrew Wilson, Domain Group:** “There is better jobless data, along with a lower dollar, low inflation and growing Sydney house prices.”
* **Mark Brimble: Griffith University:** “There is a continued volatility in global markets fueled by geo-political concerns, a weakening China and the prospect of a U.S. rate rise and a robust Australian dollar, and [the] property market should have the Reserve Bank on the fence again. Property prices will be impacted if unemployment rises and also if APRA continues to intervene in the credit market.”
* **Paul Williams, Heritage Bank:** “The Reserve Bank [is] happy to wait for guidance from further economic data releases before making a move.”
* **Shane Garrett, Housing Industry Association:** “Recent comments by Governor Stevens indicate that a move next week is unlikely. The two rate cuts in February and May are still working their way through the system.”
* **Paul Bloxham, HSBC:** “The labour market is improving.”
* **Michael Witts, ING Direct:** “The exchange rate has started to move lower and this will lessen the pressure for further Reserve Bank cuts for the moment as broader sectors of the economy benefit from the lower exchange rate.”
* **Grant Harrod, LJ Hooker:** “Some heat is expected to come out of the Sydney property market over the next few months as banks begin to tighten lending to investors. This will come as a relief to the Reserve Bank. This, combined with a softer Australian dollar, gives the Reserve Bank time to take stock of market movements and wait until further data provides a clearer indication of how the economy is tracking.”
* **Stephen Koukoulas, Market Economics:** “Policy is already stimulatory and there are a few snippets of positive news which point to a moderate pick-up in economic activity in the latter part of 2015.”
* **Peter Jones, Master Builders Australia:** “Interest rates are on hold for an extended period.”
* **John Caelli, ME Bank:** “With concerns about property prices remaining the Reserve Bank will need a strong case to further ease the cash rate. That case doesn’t currently exist with the key metrics of employment, inflation and the outlook for growth sufficiently benign to allow the Reserve Bank to wait for further data.”
* **Mark Crosby, Melbourne Business School:** “The Grexit seems to have been averted, and there is nothing else on the immediate horizon to make the Reserve Bank move either way. I don't think that any answer to the question on Australia's property market is accurate - property prices are stretched, despite crazy Reserve Bank papers to the contrary. But strong population growth is likely to underpin modest declines or growth in house prices in the medium term.”
* **Neville Norman, Melbourne University:** “The economy is currently in a catch 22.”
* **Katrina Ell, Moody’s Analytics:** “The Reserve Bank is expecting further depreciation to come from the lower exchange rate rather than rely on additional interest rate cuts.”
* **Lisa Montgomery, Mortgage & Consumer Finance Expert:** “The Reserve Bank [is] in no hurry to lower the official cash rate further, but have not taken further cuts off the table. They would clearly like to see the Australian dollar decrease further – and remain concerned about what we can now call the 'consistently' active property markets in both Sydney and Melbourne. Most consumers remain cautious however, and although the opportunity to spend exists, many are making the choice not to. Record low interest rates, while a great incentive to spend, may also be having a negative effect on confidence as we move into unchartered 'low rate' territory.”
* **Ken Sayer, Mortgage House:** “There is no reason to implement a change.”
* **Jessica Darnbrough, Mortgage Choice:** “Despite the fact that core inflation remains firmly within the bottom half of the Reserve Bank of Australia's 2-to-3 percent target range, giving the Board room to move rates if needed, we believe the cash rate will be left on hold for another month at least.”
* **Chris Schade, MyState Bank:** “The Reserve Bank is clearly in a wait and see mode. Whilst there have been very few signs of economic improvement over the past couple of months, it remains our view that the most likely outcome is a cash rate on hold through 2015 as the RBA takes time to see how the economy develops.”
* **Alan Oster, NAB:** “The Reserve Bank is still waiting to see results of previous actions.”
* **Peter Boehm, onthehouse.com.au:** “I would be very surprised if there was movement in either direction with the Reserve Bank's August cash rate announcement. It’s too early to start increasing rates and I cannot see the economic or financial justification for further rate cuts at this point. I think (hope) we'll see some interest rate stability over the coming months.”
* **Linda Janice Phillips, Propell:** “It is line ball, with the benign Consumer Price Index figure offset by a lower U.S. dollar trading range. In the absence of further drama over Greece, it is likely that the Reserve Bank will hold until September and await further data before considering the next rate cut. The sharp fall in the exchange rate against the U.S. dollar will please the RBA, but it is mostly due to an appreciating U.S. dollar against all currencies: the Canadian and New Zealand dollars are also down. The U.S. dollar is strengthening partly due to confirmation by the Fed that interest rates will start rising by the end of the year, and partly on a flight to quality from the Euro. While the market expects the Australian dollar to continue to trend down, I consider that rapidly rising resource exports in volume terms, and the end of the easing cycle, will see it reverse and start to appreciate by the end of the year.”
* **Jonathan Chancellor, Property Observer:** “The Reserve Bank Governor virtually advised as such – no change for the time being. Sydney price growth should sooner or later ease, but it is unlikely that true medians will head into negative territory. Individual prices might decline, but medians ought not. Price growth must sensibly come back to well under the heady growth at the moment.”
* **Matthew Peter, QIC:** “The cash rate is at hold. Core inflation still within the range. Housing market still hot. Impact of lower Australian dollar still to pass through economy.”
* **Noel Whittaker, QUT Business School:** “There is no strong reason to change the cash rate yet.”
* **Nicki Hutley, Urbis:** “Messaging from the Reserve Bank has been quite clear; there is no strong case for rate adjustment - in either direction - for the time being. Further data reads - particularly for labour force and investment - will provide clues to the next move.”
* **Bill Evans, Westpac:** “The minutes of the monetary policy meeting of the Reserve Bank Board provided no real surprises from the perspective of the policy outlook... The outlook for dwelling investment remains strong while house prices continue to grow rapidly in Sydney and to a lesser extent Melbourne. At this stage there was no evidence that the regulators’ greater scrutiny of investor housing was affecting growth...We are currently looking for some modest improvement in growth in 2016 back towards around 3%, a level that would likely maintain steady rates. Accordingly we maintain our call that rates will remain on hold over the course of 2015 and 2016.”

Please note: the above respondents are ordered alphabetically by name of organisation. Comments collected between July 22 and 24, 2015.

Disclaimer: the comments, forecasts, projections and other predictive statements by the panel of experts are assumptions based on currently available information. These forecasts are based on industry trends and economic factors that involve risks, variables and uncertainties. No guarantee is presented or implied as to the accuracy of these forecasts and consumers are advised to read product disclosure statements and understand if financial products are right for them before signing up.

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1. Experian Hitwise since 2013 [↑](#footnote-ref-1)