

Property to keep on booming, says expert

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COMMERCIAL property rents will double and residential property prices will rise by up to 40 per cent during the next four to five years, a respected economist said yesterday in a bullish forecast for the Australian economy.

BIS Shrapnel's chief economist, Dr Frank Gelber, who was speaking in Melbourne at a Real Estate Institute of Victoria lunch, said the global financial crisis had done the Australian economy a "huge favour" by crimping risks in the market.

"We're not over-g geared, we're not overvalued and we're not oversupplied," Dr Gelber said.

"I can't remember in the last 30 years a time when I have been more comfortable and optimistic about investment in the market."

Problems in Europe and America were unlikely to affect Australia's economic outlook, he said. "They are real problems ... [but] they won't affect us a great deal," he said. "Our recovery now is already well entrenched and they won't stop it."

Almost 80 per cent of Australia's exports go to Asia, Dr Gelber said. "We're much more dependent on what happens in China."

"We're talking about average growth over next five years of GDP of about 3 to 3.5 per cent," he said.

Dr Gelber said that while the GFC's impact wasn't yet over it had triggered a correction following the financial engineering boom. "That correction is pretty much over and we're starting to see the beginnings of a pick-up again."

Australia's commercial property leasing markets will continue to tighten while banks still restricted lending to builders and developers.

This would push up rents to the point where building activity started again, Dr Gelber said.

"Melbourne commercial rents in effective rent terms will double over the next five to six years," he said. "There's a boom coming in commercial."

Dr Gelber dismissed the notion the housing market was suffering from a "bubble" effect.

"At the end of the day, we haven't got a bubble in our residential market. We're under-supplied not oversupplied. We need to build more, and we will. [House] prices will go up another 30 per cent over the next three years," he said.

Source: [The Age](#)

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