

Rate cut will lift Coast

by Dean Gould, editor

INTEREST rates could drop to 3 per cent by June next year, reigniting the property sector and dragging the Gold Coast economy out of the doldrums.

Commonwealth Bank chief economist Michael Blythe yesterday said many analysts predicted the current Reserve Bank of Australia cash rate of 5.25 per cent would hit a historic floor of just 3 per cent.

The cost of cash at that level would not only be good news for home loan borrowers but for a city needing capital investment to get moving again.

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projects director Darrell Irwin said investors would be unlikely to leave their money in a bank if the interest rate was only a few per cent. They would be looking at other investment options, such as property.

Sustained migration to the Coast means there is a steady demand for investor-owned rental properties.

Forecasts for Queensland's population growth have just been revised and more than 6.5 million people are expected to be living here by 2047, up from the current 4.5 million population and 200,000 more than previous forecasts.

That will continue to stoke the region's economic fires.

"The demand for real estate, commercial property, government expenditure will be higher," said Mr Blythe, who was guest speaker at a Property Council of Australia luncheon at Royal Pines resort on the Gold Coast yesterday. He also joined a question-and-answer panel with Mr Irwin and Colleen Coyne, a property research expert.

Ms Coyne said the Gold Coast did tend to fall harder and the city was in for a rough 12 months.

But in the 'medium term' of the next two or three years, there would be opportunities for excellent commercial investments and good rental returns, she said.

The Commonwealth Bank has already factored in an anticipated two 0.25 per cent cuts by the RBA in the next few months, one in December and another in February.

But others had been more bold and suggested there were more to come.

Mr Blythe said this was part of a co-ordinated approach across the globe to stimulate economic growth despite it being 'too late to avoid a recession in the major advanced economies of the world'.

"Nobody is immune to what's going on but some countries will do better than the rest of them," said Mr Blythe.

Australia – and particularly southeast Queensland – was in an enviable position to withstand the worst of the financial storm.

Mr Blythe's upbeat outlook was based on hard data that he shared with the 120 Property Council guests.

"Firstly, Australia is not America," he said.

"Our housing sector is in a vastly different situation than the US."

Australia's exposure to the sub-prime crisis was about 1 per cent of the overall housing market.

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