

BIS Shrapnel's median house price forecasts

While other economists and forecasters may comment on residential house prices, few make definitive forecasts, particularly beyond the next twelve months. BIS Shrapnel is the only company which produces residential house price forecasts over a three year horizon and places them in the public domain in June each year.

Forecasts provided by other businesses have often been confused with BIS Shrapnel's forecasts, and some of our previous forecasts have been misquoted, or referred to in different time periods in the media. In order to ensure any debate is factually correct, we have prepared our forecasting record showing our median house price forecasts as produced in our June report each year, compared to the actual result for median house prices.

An analysis of the table shows BIS Shrapnel's forecasts for house price growth have generally been conservative in recent years. The figures in red in the table below show when we have been conservative by more than two per cent per annum. We were particularly conservative during the 2005 to 2007 period, and understated the upturn in prices. While BIS Shrapnel forecast the run up in interest rates through the forecast period, we underestimated the price growth that would take place in this environment. In 2008, BIS Shrapnel's forecasts for average annual price growth over the three year horizon were closer to the actual result.

The forecasting record in the table indicates that BIS Shrapnel had been conservative on average across the 2004 to 2008 range of reports by as little as 0.1 per cent per annum in Sydney, to as much as 9.8 per cent per annum in Darwin.

As we cannot compare the forecasts from our 2009 and 2010 reports until the final June median house price is released in 2012 and 2013 respectively, a comparison from these reports is not included in the table. Interestingly, the 2009 forecasts were produced at the worst point of the GFC, with BIS Shrapnel forecasting a recovery in prices rather than a collapse in prices which appeared to be the consensus at the time. Nevertheless, at this stage the forecasts in our 2009 report are actually tracking below result for 2011, and are likely to be closer to being on par by June 2012 for most capital cities. The forecasts produced in our 2010 report at this stage are tracking on par with the actual median in Sydney and Melbourne, but are likely to be above the actual 2011 median in the other capital cities.

The table will be updated when the actual June 2011 median house price data is released (to include the 2008 - 2011 forecasts we have used an estimate for 2011 based on data to March 2011), followed by updates in future years as each new report is completed.

Comparison of average annual median house price growth (%) forecast in each of BIS Shrapnel's reports versus actual median house price over the three year period

Report Period	Sydney		Melbourne		Brisbane		Adelaide		Perth		Hobart		Canberra		Darwin	
	Fcast	Actual	Fcast	Actual	Fcast	Actual	Fcast	Actual	Fcast	Actual	Fcast	Actual	Fcast	Actual	Fcast	Actual
2003-2006	7.5	0.5	3.0	1.5	10.8	11.5	2.9	9.3	6.4	23.9	3.1	15.5	4.3	5.9	5.9	19.3
2004-2007	0.1	-1.2	0.5	4.4	5.2	6.0	1.1	7.8	4.9	21.3	3.0	7.1	1.2	4.6	6.7	15.7
2005-2008	-2.4	1.1	-1.6	7.7	0.5	10.1	-1.3	10.4	0.8	14.7	-0.7	7.7	-1.1	9.9	3.0	14.8
2006-2009	-0.8	1.5	2.6	6.0	4.0	8.7	1.5	7.8	0.9	4.0	1.5	6.6	1.5	5.8	-0.4	10.3
2007-2010	2.5	5.8	5.6	10.5	6.9	7.9	5.0	9.5	-1.8	3.2	2.3	5.7	4.7	6.8	1.0	12.0
2008-2011	5.7	5.4	5.2	8.5	6.9	1.6	5.2	3.5	2.8	2.6	4.5	3.9	4.8	3.1	6.6	9.4
2009-2012	5.9		6.1		5.2		6.1		3.8		4.7		5.4		3.4	
2010-2013	6.1		3.5		3.8		6.1		6.9		3.7		4.6		3.9	
2011-2014	5.7		1.9		4.7		2.5		5.9		1.8		2.4		2.6	

Red numbers mean that we have been conservative by more than 2% per annum

Blue numbers mean that we have been optimistic by more than 2% per annum

Black numbers mean BIS Shrapnel's forecast has been within 2% per annum of the actual range