come back a little and there'll probably be some resistance to the top end of the market because they've got so expensive."

Anywhere within five and 25 kilometres of the city centre still has scope for price increases, says Fitzpatrick.

"There are so many great areas – the inner west still has a lot of potential. The Anzac Bridge was one of the best things for the inner west: it's only five minutes into town now – before it was a drag. And the east-west tunnel link will make it even better."

In particular, Fitzpatrick suggests that Rockdale, Hornsby and Marrickville are affordable areas set to boom over the next few years, as well as the Central Coast, Wollongong and Shellharbour.

SIMON TENNENT
Senior economist, Housing Industry Association

Tennent says the huge number of people who have bought or sold over the past 18 months is unlikely to be repeated over the next cycle.

"We're now heading for an environment where building will slow, interest rates will rise and everything will come off the boil," he says.

Tennent sees the house and apartment markets heading in different directions, with a shakeout predicted for apartments and a gloomy outlook for land availability.

"One of most amazing anecdotes recently is that for two of the largest builders, 50 per cent of their business is now knock down and rebuild," he says. "They're reinventing themselves to market this type of activity because of limited land supply."

Interest rates won't move for the next six months, he says, because the Reserve won't act till it sees life return to the US economy. Then he expects to see a slow and steady rise by 0.5 or .75 percentage points by June.

Tennent believes buyers of family homes in modestly priced middle or outer-ring suburbs will be well placed to make capital gains.

"Sydney is still growing. To say the property market is going to dive, I dispute that. It won't return as well as it has over the past 12 months but for long-term, reasonably low-risk growth it's still attractive."

MATTHEW DRENNAN
Chief economist, Deutsche Asset Management

"It's hard to imagine the market being any hotter than it has been just because we're moving into spring," says Drennan, who can't see the high clearance rate speeding up.

"I don't see a significant gear change, just a continuation of the buoyant market."

Drennan is still concerned by the level of debt and believes any rate rises will be enough to soften the housing market.

"The [Reserve Bank] has made it clear it is still looking to raise rates," he says. "At the moment they're being constrained by events offshore in the US and also by the drought. We wouldn't expect them to move until early next year. When they do, expect another 0.5 percentage point rise."

Drennan sees housing prices stabilising over the coming months, with spring the "last gasp" for the housing cycle.

"I don't think the ability is there for them to grow significantly from where they are," he says. "Even with owner-occupiers there's not a lot of firepower left. A lot of lenders are becoming more strict in their lending criteria and are not prepared to let people gear up beyond where they are at the moment."

Where would you invest $500,000?

LOUIS CHRISTOPHER,
Home Price Guide
"I would consider paying off any debt I had and then I would purchase some good-quality shares that have fallen of late. Above all, I would not be buying an apartment anywhere at this point in time."

ROD CORNISH,
Macquarie Bank
"It would be a toss-up between a lifestyle property a couple of hours' drive from Sydney, a smaller terrace near the city, maybe in the inner west, or else listed property trusts. They're in for a good medium-term performance."

ANGIE ZIGOMANIS,
BIS Shrapnel
"I'd stick it in a term deposit and keep an eye out for any value that might appear. I'm still a little iffy over which direction the market will take. Logically, there will be some areas that will be flat and others offering buying opportunities."

CHRIS FITZPATRICK,
Real Estate Institute
"I'd certainly research a real estate investment. It's a matter of locating a really popular suburb where prices have increased dramatically, then look a little further to the next suburb that's not so popular or expensive. I'd buy on the fringe of hot areas."

SIMON TENNENT,
Housing Industry Association
"I'd look at low- to medium-density accommodation located in the middle suburbs: Willoughby, Strathfield, Ryde, Rockdale, Parramatta, Hurstville, Hunters Hill, Auburn. There's consistent demand here as people are priced out of the inner market."

MATTHEW DRENNAN,
Deutsche Asset Management
"I'd take advice from Warren Buffet: you buy when things become cheaper, not when they become more expensive. I think property is grossly overpriced in a lot of cases. I'd be looking at selected stock within the sharemarket, where stocks have good yields, much of it fully franked, and have been trashed largely because of the US market."

Interest rates won't move for the next six months because the Reserve won't act till it sees life return to the US economy.