



Hilton Parkes
An Agent You Can Trust

The Week in Real Estate



Affordability Improves Nationally

Property has become more affordable in every state and territory over the past 12 months, except for New South Wales.

Across Australia, affordability improved from 30.9% to 30.3% of household income to meet mortgage payments.

The Northern Territory experienced the biggest gain in affordability, where the share of income needed to meet mortgage repayments fell from 26.6% to 24.9%.

Western Australia fell from 26.6% to 24.4%; Tasmania 25% to 22.9%; South Australia 27.1% to 25.5%; Queensland 28.1% to 27.3%; the ACT 19.8% to 19.5% and Victoria 32.2% to 32.1%.

Loan Approvals Rise in July

Home loan approvals rose from 52,672 in June to 53,095 in July – an increase of 0.8% – says the ABS.

The value of total housing finance rose 1.5% in the month to \$32.812 billion while loans by owner-occupiers for the construction of new homes dropped 0.9%.

The total value of loans approved for property investors grew by 0.5% to \$13.587 billion in July.

HSBC Australia chief economist Paul Bloxham says while an oversupply of housing seems unlikely now, it could be a risk in 2016–2017.

“Slowing population growth has begun to raise questions about whether supply could eventually exceed demand, leaving Australia with too many houses,” he said.

Bloxham says this could affect the house price outlook and make the RBA cautious about further rate cuts.



APRA Challenged on Measures

Domain Group senior economist Dr Andrew Wilson said banking regulator APRA had not provided detailed modelling to show why it believed the investor market was overheated and needed restrictions.

"Where's the heat? I don't understand where the heat is," he said. "We have the lowest level of mortgage defaults we've seen. Affordability is still below average levels."

"We've had interest rates on hold for four months, so that means affordability has plateaued and price growth will plateau as a consequence," he said.

APRA announced last December that one of its "specific areas of prudential concern" would be any bank growing its investor lending by more than 10% per annum.

Wilson believes that interference from policy makers could cause problems later.

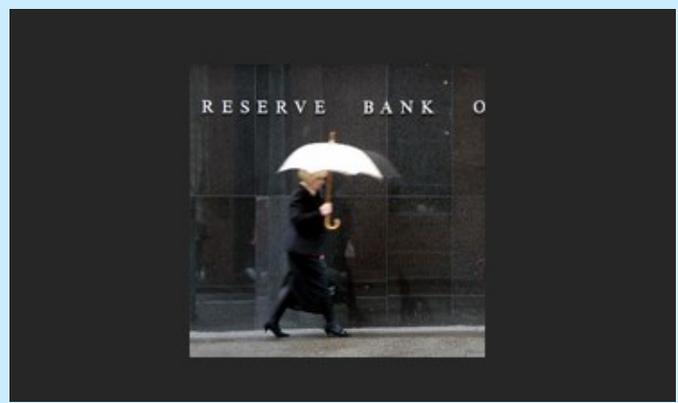
Sydney Prices Follow Global Trend

Sydney's price growth may be attributed to population convergence, a phenomenon experienced by London, New York, Singapore and Tokyo, says Onthehouse.com.au's market analyst Eliza Owen.

"As the growth in Sydney continues to accelerate, there is insufficient evidence attributing foreign investment and tax structures to this surge. However, there is another force to consider: population convergence – a theory utilised by urban studies theorist Richard Florida in 2005," Owen explained.

If this theory holds true, Sydney property values and rents are unlikely to fall into line with other Australian capitals in the future, according to Owen.

Although house values in Sydney will eventually stabilise, they are likely to be at a level "that even the most wealthy and mobile will find excessive".



Economy Doing Okay: RBA

RBA deputy governor Philip Lowe has confidence in the economy's ability to cope with shocks, despite recent sluggish economic growth.

The economy has adjusted to a positive shock from booming commodity prices without overheating, and is now managing moderate economic growth despite falling commodity prices says Dr Lowe.

"This is a significant achievement and is a testimony to the underlying flexibility of our economy," he said.

Dr Lowe said there were three elements to the economy's flexibility - the exchange rate, the labour market and monetary policy - and each was helping the economy's transition away from the mining investment boom.

Quote of the week:

"This is a significant achievement and is a testimony to the underlying flexibility of our economy."

Reserve Bank of Australia deputy governor Philip Lowe, speaking about the economy managing moderate growth despite falling commodity prices.

