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The Week in Real Estate

Two-thirds Plan to Buy

A crackdown on lending to property investors hasn't dampened their appetite.

Almost two thirds of property investors are looking to buy a residential property in the next six to 12 months, according to a survey of 1,000 investors.

Of the investors surveyed by Property Investment Professionals of Australia, 58% identified Brisbane as the capital city offering the best investment prospects, ahead of the 17% who chose Melbourne.

Just 11% named Sydney, 6% chose Perth and 5% selected Adelaide.

Tighter lending conditions are the key concern for investors, as regulators seek to slow the growth of investor lending.

Long term wealth benefits were cited by 40% of investors as the prime reason to buy property, followed by capital growth opportunities and low interest rates.

National Top 5 Brisbane Hotspots

Gearing used by Mums & Dads

A Deloitte Access Economics report has found that negative gearing is neither “evil”, nor “a loophole in the tax system” nor the “key culprit” that impacts house prices.

The report debunks the myths around negative gearing, revealing that it is average income earners who take advantage of negative gearing.

ATO data shows those who use it most earn about or under $80,000 a year.

Around 840,000 of these people, comprising clerical staff, teachers, tradies, nurses, cleaners and emergency services personnel, declared a net rental loss in 2012-13.

Top 5 Cheapies with Prospects: City Edition

Construction Cycle Yet to Peak

Australia’s construction cycle is below its peak and remains positive, according to Deutsche Bank.

"There are now understandable concerns that Sydney house prices are too high, and that a slowing is in prospect," says Deutsche Bank equity analyst Tim Baker.

But he said falling auction clearance rates in Sydney were evidence of a slowing rather than outright falls.

Historically, falling house prices are uncommon in Australia. Periods of growth have been followed by years of sideways price action.

"We are not certain why this time should be different. It's true that debt levels are high compared to history, but the interest burden isn't," Baker said.

Rate Cut Possible

Market analysts say the latest inflation numbers alone won’t bring about a rate cut when the RBA meets next Tuesday, but consumer confidence around mortgage rate increases from the big four banks will prompt closer consideration.

Australia's inflation rate was steady at 1.5% over the year to the September quarter. The consumer price index of 1.5% has now been below the Reserve Bank's target band of 2-3% for a year.

AMP Capital chief economist Shane Oliver said inflation is lower than expected despite a 20% fall in the value of the Australian dollar during the past year and expects a 0.25% cut to the cash rate in November to counteract mortgage interest rate increases by the big four banks.

BetaShares chief economist David Bassanese shares the same view.

JP Morgan economist Tom Kennedy expects closer consideration of a rate cut, but no move.

NSW, VIC Lead the Economy

NSW and Victoria continue to lead on economic terms, according to CommSec’s latest State of the States report.

NSW has held its ranking as the strongest-performing state due to its growing population, housing market and retail trade, while Victoria remains at No.2, driven by population growth, dwelling starts and housing finance.

The State of the States report surveys key indicators including economic growth, retail spending, dwelling starts, population growth, unemployment and housing finance for each state against their averages of the past decade to take a reading of their robustness.

Tasmania had the best unemployment performance with a jobless rate of 6.2%.

Western Australia also has a 6.2% unemployment rate but is the worst performer because that represents a 45.2% increase in the state's jobless rate since the mining boom went bust.

Looking ahead, CommSec has NSW and Victoria maintaining their momentum while mining-heavy NT and WA are slowing.

Quote of the Week

“*It really annoys me when bank PR people get hold of some economic data and suddenly an impending drop in the property market is front-page news. Why can I say that this latest prediction will not come true? Because there is really no such thing as an Australian property market. No two capital cities perform in the same way. Even within Sydney there are dozens, probably hundreds, of micro markets. And then there are regional markets that all have their own cycles to consider. So how can anybody claim that the entire country is over-priced or ready for a fall?*"

Veronica Morgan, the principal of Good Deeds Property Buyers based in Sydney’s inner west.