The Week in Real Estate

Consumer Confidence Up

According to the Westpac Melbourne Institute Index of Consumer Sentiment, confidence rose 3.9% in November, the highest it’s been since January 2015, and bringing it 8.3% higher than in September.

Mortgage Choice chief executive officer John Flavell said a better than expected consumer sentiment result influenced the RBA’s decision to leave the cash rate on hold at 2.0%.

Flavell says consumers are upbeat about Christmas spending this year, with one in five Australians stating that they plan to spend more this year.

But some economists are predicting a cash rate rise in the not-too-distant future. So, for those thinking of buying property in the New Year, now is a good time to start looking while rates are still low and lenders are hungry for business.

Builders to be Busy in 2016

The Australian Bureau of Statistics figures showed the number of buildings approved rose 3.9% in October to a total of 19,652 dwellings, though still below July’s peak of 20,642 dwellings.

Analysts surveyed by Bloomberg had predicted a 2.5% decline.

“The number of dwelling approvals remains at record highs, with the strong pipeline of work to keep builders busy well into 2016,” Peter Jones Chief Economist of Master Builders Australia said.

“Master Builders expects the high level of approvals to translate into 220,000 starts this financial year taking the cumulative total to more than 600,000 in three years, for an increase of 30% on the previous three years,” he said.

Top 5 Melbourne

The Price Predictor Index
Borrowers Look to Fix Rates

RateCity.com.au data shows that the number of people looking for fixed home loans has increased by 58% in the last seven weeks, in line with the major banks’ decision to lift variable rates, compared with the seven weeks prior.

Sally Tindall, money editor at RateCity.com.au, said with the cash rate stagnant and variable rates on the rise, now was a good time to change to a fixed rate.

“Around 10 lenders are currently offering rates of under 4%, fixed until December 2018. That’s a pretty competitive deal in today’s market.”

The number of people looking for fixed rates rose 207% in the days following the big banks’ decision to lift variable rates, and when rate increases took effect, the number rose another 49%.

Small Cities Show Best Price Gains

Canberra residential property values have grown 2% in the three months to November.

Canberra remains Australia’s third most expensive city to buy in, with a median price of $575,000. During November, Adelaide and Brisbane also showed growth of 0.7% and 0.6% respectively, while Sydney home prices were down 3.5% and Melbourne 1.4%.

Consumers need to keep in mind that short-term (e.g. monthly) changes in price data can be misleading and that long-term trends are more relevant to charting markets. In annual terms, the price indexes are up 13% in Sydney, 12% in Melbourne, 4.5% in Brisbane and 3.4% in Adelaide, while Perth is down 3.6%.

CommSec economist Savanth Sebastian said: “Keep in mind Sydney home prices are still up almost 13% over the year. A mild correction in property prices, particularly in Sydney and Melbourne, is a good thing.”

Quote of the Week

“According to the Westpac Melbourne Institute Index of Consumer Sentiment, confidence rose 3.9% in November, which is a cracking result. The Index is 8.3% higher than in September and marks the third month where optimists outnumber pessimists.”

- Mortgage Choice chief executive officer John Ravell

Experts Say No Rate Change Until 2007

Low interest rates are expected to continue in 2016, which is good news for mortgage customers.

Last week, RBA Governor Glenn Stevens announced that he wasn’t ruling out cutting the cash rate again, but said he would “chill out” until the bank’s first board meeting in 2016 which is held in February.

ING Direct’s treasurer Michael Witts said: “They (the RBA) have just about pushed interest rates as far as they can and there’s pretty much no petrol left in the tank in terms of interest rate movements.”

The RBA has dropped the cash rate twice this year by .25% in February and May.

Report of the Week: The Price Predictor Index

The Price Predictor Index, published quarterly, allows buyers to find the areas where prices will rise in the near future. The index analyses sales in every Australian suburb or town. It finds the growth patterns - the places that will soon show price growth. It also finds markets that are going backwards – the ones to avoid. All this is analysed and presented in a report that covers the key markets in every state and territory.

The Price Predictor Index