

## The Week in Real Estate



### Share Volatility Good For Property

Real estate markets can expect to grow in 2016, says Raine & Horne chairman Angus Raine, because the falling share market is driving investors towards the safety and higher yields available in property.

So far this year share markets have declined, with Chinese shares falling 14.6%, US equities 5.2%, Eurozone shares 6.2%, Japanese shares 9.5% and the Australian market down 6.8%, according to research from AMP Capital Investors.

Raine says this should put focus on the solidity of property markets like Sydney's. "Many of the same fundamentals remain in play, such as Sydney's continued population growth, as well as our strong economy, improved employment figures and low interest rates," says Raine.

"Around 50,000 people move to Sydney annually and they all need somewhere to live, while there is a good chance we'll see more rate cuts in the middle of the year."

### National Top 10 Best Buys



### Melbourne Has Best Price Growth

Melbourne's median house price rose 11% over the past year, surpassing Sydney to become Australia's best performing capital city for home prices, according to CoreLogic RP Data's latest Home Value Index.

The index shows dwelling prices in Melbourne rose 11% in the 12 months to the end of January, compared to 10.5% in Sydney.

Melbourne's median home price was \$595,000 at January 31, while Sydney's was \$776,000.

In January, home prices in Hobart and Canberra grew 4.7% and 2.8% respectively, but Hobart remained Australia's most affordable capital with a median home price of \$332,500.

### Top 5 Melbourne Hotspots



## Official Interest Rate On Hold

The Reserve Bank of Australia has left the official cash rate – 2% – on hold for the ninth consecutive month. Mortgage Choice chief executive officer John Flavell says the decision was unsurprising.

“While there is still scope for the RBA to cut the cash rate over the coming months, the trigger for an immediate cash rate cut was not there this month,” he says. “Property values continue to climb fairly steadily across most capital cities, with values increasing 0.9% over the month of January. In addition, business confidence and conditions remain surprisingly robust, while underlying inflation remains within the RBA’s target band range.”

New data from the Australian Bureau of Statistics found the key measures of inflation rose 0.55% in the December Quarter, while annual inflation remains below the RBA’s 2%-3% target band range.



## Low Inflation Good For Home Owners

The December 2015 Quarter CPI figures confirm that inflation is contained, says the Real Estate Institute of Australia.

REIA President Neville Sanders says “this means that we can expect a sustained period of low interest rates which is good news for home owners.”

The CPI experienced a quarterly rise of 0.4% and an annual rise of 1.7%. These figures are well below the RBA’s target zone of 2-3% and should ease any pressure on interest rates.

The housing group increased 0.1% for the December Quarter and 2.2% annually.

Rents increased 0.2% for the quarter and 1.2% for the year – the lowest annual increase since March 1995.

“With inflation under control and a moderating housing market, home buyers can expect a stable outlook,” Sanders says.

## Discounted Rates for Higher Deposits

Data from RateCity. com.au shows that owner-occupiers with at least a 20% deposit are enjoying rates that are up to 0.55% lower than other mortgage holders.

Sally Tindall, money editor at RateCity. com.au, said that deposits were becoming an important factor for the banks when deciding whether to offer someone a home loan.

“The five lowest variable rates on our site are only for people with deposits of 30% or more,” she said.

Risk-based pricing is an important factor for the banks because it allows them to lend to stable borrowers.

But the banks prefer new customers. “These special discounts are great news for someone looking to enter the property market but next to useless for an existing loyal customer,” she said.

## Report of the Week:

### Top 5 Brisbane Hotspots 2016

Brisbane is poised to challenge on price growth in 2016. There is growing momentum in residential markets right across the Brisbane metropolitan area. To learn which Brisbane locations are tipped to excel on property prices in 2016 and beyond, buy the Top 5 Brisbane Hotspots 2016 report. It details 5 recommended hotspots and explains why each demands attention from investors seeking superior capital growth.

[Top 5 Brisbane Hotspots 2016](#)

## Quote of the Week

*“It’s the rate cut that’s been six months away for the past nine months, a forecast that just keeps being extended.”*

*- Michael Pascoe, BusinessDay columnist, commenting on economists’ forecasts of a future rate cut that doesn’t happen.*

