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The Week in Real Estate



Time to Switch to a Fixed Rate

Research from financial comparison site, RateCity, shows that 11 lenders have cut their 3-year fixed home loan rates in the past fortnight.

Sally Tindall, money editor at RateCity says: "There are 142 mortgages with a rate under 4.5% and 11 under 4%, fixed until Christmas 2018."

Yet few borrowers are taking up these rates, with just one in 10 new home loans being fixed.

"Historically, Australians have missed the boat when it comes to fixing, with many tending to 'panic fix' when rates were highest," says Tindall.

When the cash rate peaked at 7.25% in March 2008, 25% of new loans were fixed. When rates fell to 3% in 2009, only 4% of new loans were fixed.

Tindall believes now is a good time to fix a home loan.

Building Strong for Next 18mths

Housing construction will stay strong over the next 18 months even though approval numbers have peaked, the Housing Industry Association says.

Un-met demand in NSW, sustained market strength in Victoria and a recovering Queensland market will ensure 200,000 new dwelling commencements - the second-highest level on record - this financial year.

Housing starts in NSW are likely to increase 7.1% this year before falling over the next two years. Victoria is likely to see a fall of 34% from 65,235 this year to 42,910 in 2017-18, but may perform better.

"You could get a stronger short-term new home building environment in Victoria than is our forecast," HIA chief economist Harley Dale said.

Growth in housing renovations is likely to be contained to Sydney and Melbourne.



FHBs Not Worried by Rate Rises

According to Mortgage Choice's annual First Home Owner Survey, which canvassed the opinions of first-home owners who purchased within the last two years, 25.3% said they could comfortably afford a 4% increase in interest rates.

"A further 36.8% of surveyed respondents said they could afford at least a 2% increase in interest rates," Mortgage Choice chief executive officer John Flavell said.

As interest rates generally rise in increments of .25%, most first home owners believe they could comfortably afford eight interest rate rises.

Of those surveyed, 59.1% had not thought about refinancing their mortgage because of recent rate rises.

NAB Charts Loans Rebound

National Australia Bank says there has been a rebound in home lending in recent weeks, following a brief slowdown in early October.

NAB's chief financial officer Craig Drummond said the major banks' decision to increase their interest rates in early October had impacted the market, but the downturn was only brief.

"Over the last six or seven weeks, we have seen a bit of a rebound back up in volumes and it is probably a bit more in the owner occupied space," he said.

"There was a period of uncertainty. I don't think it was an alarming dip, but there was a bit of a drop and we have seen that rebound."

Report of the Week:

Top 5 Sydney Hotspots

Investors hunting the very best capital growth in New South Wales need to switch their focus. It's no longer about Sydney. The big price growth is now happening in key regional cities. The rise of markets in regional NSW is now a standout event in Australian real estate. It began with locations close to Sydney and has now spread to regional cities across the state. Some have recorded double-digit price rises in the past year. The new **Top 5 NSW Regional Hotspots 2015-16** report details our picks for the boom-ready locations best qualified to deliver superior capital growth.

[Top 5 Sydney Hotspots](#)



Economy Weathers Resources Hit

Alex Heath, the head of economic analysis at the Reserve Bank of Australia, said the history of commodity price downturns meant the economy should be weaker than it is.

"While current growth in the Australian economy is not as strong as we would like, the evidence from previous terms of trade cycles suggests that we have actually done quite well in aggregate," she said.

The resource-rich economy is transitioning away from mining-led growth to other areas of the economy. The shift is being hampered by falling commodity prices and a slowdown in trade partner China. But unemployment has not increased as much as expected.

The RBA sees signs of improvement in the economy, saying that while there is scope to cut interest rates, it will sit on its hands for now.

Quote of the Week

"Right now in late 2015, housing remains a very good story for the economy. Over next 12-18 months there looks to be such a lot in the pipeline that the housing outlook is very good."

HIA chief economist Harley Dale

