

Hilton Parkes

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The Week in Real Estate



Investors Back In The Market

Investor lending rose 0.5% to \$11.842 billion in July, the highest level since August 2015, says the latest data from the ABS.

This is the third consecutive month investor lending has risen while increases have been experienced in five of the last six months.

However, the total of housing finance fell 1.8% to \$31.788 billion, 2.4% lower than the same time last year. Loans to owner-occupiers fell 3.1% to \$19.946 billion, while total new lending (excluding refinancing) declined 4.5% to \$13.047 billion.

Borrowers seem to be shopping around for better rates with the value of refinancing up 10.4% from a year ago.

National Top 10 Best Buys 2016



Housing Affordability Improved

The latest Adelaide Bank/REIA Housing Affordability Report shows that the proportion of the median family income required to meet average loan repayments is 29.4%, which is the best level since the June quarter 2009.

Victoria recorded the greatest correction with the loan repayment-to-income ratio decreasing 1.7 percentage points to 31.0%."

Rental affordability improved as the proportion of the median family income required to meet median rents declined from 25.1% in the March

Quarter to 24.8% in the June Quarter of 2016. The Northern Territory saw the best improvement, followed by South Australia and Tasmania.

Low interest rates and increases in income are largely responsible for the improvements in affordability.

Top 5 Cheapies With Prospects: City Edition



Economic Milestone Reached

Australia has enjoyed 100 consecutive quarters of economic growth but will need wages to grow in order to maintain the momentum, economists say.

The 25-year milestone is -expected to be followed by - another next year (beating the world record of 26 consecutive years of growth achieved by The Netherlands).

Growth has been driven by public sector spending, public investment at state and local government levels – an increase of 15.5% in the June Quarter – and consumer spending on goods and services.

Detracting features were the 3.5% fall in mining growth, the worst quarter for the sector in a decade, and the continuing retreat in non-residential construction as major liquefied natural gas projects were completed.

Rents Falling As Over Supply Continues

Weaker rental market conditions are expected to continue over the coming months as overall housing supply grows, according to the latest CoreLogic Rent Review. Combined capital city median weekly rents are sitting at \$481 per week, the lowest rate since November 2014.

“As long as wages growth continues to stagnate, coupled with historically high levels of new dwelling construction and slowing population growth, landlords won’t have much scope to increase rents,” says CoreLogic’s research analyst Cameron Kusher. “On the flipside, renters are now in a much better position to negotiate.”

Over the past 12 months, rents have increased in Melbourne (+2.9%), Hobart (+6.8%) and Canberra (+2.6%). Rents remain unchanged in Sydney and have fallen in Brisbane (-1.1%), Adelaide (-0.3%), Perth (-9.4%) and Darwin (-14.1%).

Report of the Week: Long Shots

An investor with a crystal ball might have bought a house in the Northern Territory town of Humpty Doo five years ago. In the next three years, the median price grew at a rate averaging 17% per year. Today the median price is \$650,000. If only you’d know. But there are places around Australia where Humpty Doo growth rates may happen in the future, if something special happens. If a promised rail link happens, the country towns along the route will be transformed and its property values with it – but if the project plans are scrapped, an investment property there may have little value. These are “the Long Shots”, the places that investors should consider only if they have the financial capacity and willingness to take risks.

[Long Shots](#)



Loan Rates are Rock-bottom

Home loan interest rates are currently as low as 3.35% and website Canstar shows there are 130 variable rate loan deals below 4%. Many fixed rates are in the 3% range.

Canstar’s spokeswoman Justine Davies urges borrowers not to be complacent and to avoid paying more than they need to because there are so many good offers available.

“Home loan rates are reasonably low across the board at the moment so it’s easy to decide that you’re already on a good deal and to sit back and do nothing,” she said.

“On a \$300,000 mortgage even half a per cent difference equates to a saving of around \$84 per month.”

Canstar’s database shows that, on a \$300,000 home loan, the average standard variable rate is 4.47% and the monthly repayments are \$1,515.

Quote of the Week

“The proportion of the median family income required to meet average loan repayments is 29.4%, which is the best level since the June quarter 2009. Affordability has improved through more favourable interest rates and modest increases in income.”

- REIA president Neville Sanders, commenting on the Adelaide Bank/REIA Housing Affordability Report

