Hilton Parkes
An Agent You Can Trust

The Week in Real Estate

Confidence up, Rates on Hold

Stronger consumer sentiment, business confidence and a new Prime Minister are the reasons the RBA has left interest rates on hold says John Flavell, Mortgage Choice CEO.

“According to the latest data from the Westpac Institute of Consumer Sentiment, confidence climbed 4.2% over the month of October,” he said.

“This bounce in confidence helped to almost completely offset the loss we saw during the previous month.

“Further, data from National Australia Bank shows there was a partial recovery in business confidence, with financial market volatility and emerging market concerns moderating from the heights of the previous month”.

He also said that as most of the major lenders have moved out of cycle with the Reserve Bank recently, property demand has started to wane slightly.

Dwelling Approvals Still Rising

Dwelling approvals rose 2.2% in September and a record 229,438 new homes were approved in the past year, says the ABS.

According to Knight Frank's Prime Global Cities Index, the weak Australian dollar, an undersupply of new homes and a strong local economy are behind Sydney's accelerating values, and to an extent Melbourne's as well.

The index shows in the year to September, Sydney recorded an increase of 13.7%, while Melbourne sits in fifth place with an annual increase of 9.4%.

Regional NSW home prices are also up 8% over the year – the fastest pace of price growth in 5½ years.

Michelle Ciesielski, director of residential research, Australia at Knight Frank said the weak Australian dollar has influenced both expats and foreign investors to buy in Sydney and Melbourne.

Borrowers Urged to Switch

RateCity research shows that the cost of staying with the big four banks over the past 10 years, rather than switching to a lower rate, was $14,215 for someone with a 300,000 mortgage, and $23,692 for a person with a $500,000 mortgage, based on a 30-year loan term.

RateCity money editor Sally Tindall said: “The big four banks will be lifting their variable rates this month by as much as 0.20%. Meanwhile, some of the smaller lenders are continuing to lower rates, particularly for owner occupiers.”

Some people were hesitant to switch from a major bank due to loyalty, hidden administration fees and a potential drop in customer service.

The average cost of upfront fees to switch is $421, while 430 loans on the market have no upfront fees at all says Tindall.
Unit Approvals Rise

The number of buildings approved in September rose 2.2% in September to 18,900 dwellings says ABS, twice the pace of economist forecasts – 1%. But the trend rate for approvals fell 6.9% in August, falling seven months in a row.

The September approvals are still below March's peak of 19,419 dwellings.

The rise in building approvals in September was driven by a lift in the approval of apartment blocks and townhouses. The figure jumped 6.1% during the month to 9,134 dwellings, after logging an 11.4% slump the month prior.

Meanwhile, the number of detached homes approved was weaker, falling 1.9% to 9,536 in September.

Report of the Week:
Top 5 Infrastructure Hotspots

Infrastructure development is the most powerful creator of capital growth in real estate. Whether it be transport, medical or educational infrastructure, the development of such factors is a potent economic driver. It generates business activity and jobs, which creates demand for real estate, both during construction and after completion. Transport infrastructure - roads, rail links, bridges and tunnels - adds to the appeal of locations by making them more accessible. Hotspotting research shows that city suburbs with rail services show better capital growth, on average, than those without.

Top 5 Infrastructure Hotspots

City Demand Tipped to Rise

The Sydney and Melbourne property markets are the nation's best performers in the current residential cycle, according to QBE’s Australian Housing Outlook 2015-2018.

QBE LMI Chief Executive Officer Phil White says that Brisbane’s median house price will continue to grow and reach $575,000 in 2018, 12% above the June 2015 median house price.

The Perth market will weaken across both houses and units due to a rising stock surplus and the slowing state economy, with an expected 10% decline in the median house price in 2018 compared to the June 2015 level.

The report noted demand in some markets over the year will ease, with the exception of Sydney, Melbourne and Brisbane.

Quote of the Week

“RateCity data shows that over 10 lenders were offering rates of under 4% – that's a lot of competition at the pointy end of the market vying for your business.
It's actually never been easier to switch. The ban on exit fees in 2012 and the emergence of new players has seen competition in the home loan space really open up.”

RateCity money editor Sally Tindall