



The Week In Real Estate



You Should Be Paying Under 4%

Home loan customers across Australia should be paying an interest rate under 4% - or they're paying too much, according to one specialist. Some lenders are even offering variable rate mortgage deals with a "2" in front.

Financial comparison website Mozo's analysis of the mortgage market showed the gap between principal & interest loans for owner occupiers and investors is 0.42 percentage points. The average owner-occupier rate is now 3.99% compared to 4.41% for investors.

The site's spokeswoman Kirsty Lamont says borrowers need to be proactive and demand a better rate from their bank, otherwise they should switch.

"The new magic home loan number is 3.5%, if you are paying anything above that you are paying way too much," she says. "It's time to compare some of the lower rates on the market. You can get variable rates now below 3% so there's some big savings on offer." The major banks continue to reduce mortgage fixed rates. The Commonwealth Bank, ANZ and Westpac are all offering owner-occupiers paying p&i a three-year fixed rate of 3.28%, while NAB is offering 3.29%.

Quote of the Week

"It remains to be seen if future growth in demand will be sufficient to put pressure on supply capacity and lift inflation. It is certainly possible that this is the outcome. But if demand growth is not sufficient, the RBA is prepared to provide additional support by easing monetary policy further."

Reserve Bank Governor Philip Lowe



Low Rates Here To Stay: RBA

The Reserve Bank has indicated it is open to cutting official interest rates even further while committing itself to keep them at ultra-low levels for an extended period. Governor Philip Lowe says that although the economy's fundamentals remain strong, the RBA is prepared to produce faster growth by taking the official cash rate below 1%. Lowe says the recent back-to-back cuts in interest rates, a reduction in tax rates for low- and middle-income earners, higher commodity prices and stabilisation in the big-city housing markets will all support the economy. But if they fail to generate enough activity, the bank is willing to take rates lower. Markets put the chance of a rate cut at the RBA's August 6 meeting at just 20%, but they expect the cash rate to be reduced to 0.75% by its November meeting. They also put the chance of the cash rate reaching 0.5% at 50:50 by the middle of next year.

Westpac says the official rate will go to 0.5% by early next year. Westpac chief economist Bill Evans says the RBA will struggle to meet its targets on the jobless rate and wages growth without a further easing in monetary policy.





Property Market Set For Rebound

Commonwealth Bank, the nation's largest property lender, says there are clear signs that big-city property markets have bottomed and are set for a rebound.

Property prices are expected to begin climbing back into positive territory in the second half of the year and should generate positive returns in 2020.

Interest rate reductions, tax cuts, easier borrowing, rising population and improved sentiment are combining to boost market activity and offer early evidence of sustained improvement. The federal election result has removed fears of changes to negative gearing and capital gains tax.

"Home buying intentions have been negative since 2018, but current readings suggest the market is finally turning," CBA chief economist Michael Blythe says. "The big question, with interest rate cuts in place and tax cuts coming, is whether policy makers have done enough."

CBA research predicts higher lending growth to property investors that will support dwelling prices, particularly as rental yields are higher than term deposit rates, which are sliding towards zero as cash rates are cut.

New Home Sales Stabilise

Sales of new homes in the June Quarter rose 0.8% on the preceding quarter - the first quarterly improvement since the December Quarter in 2017. New home sales rose for the June Quarter compared to the previous quarter in Victoria (+5.1%), Western Australia (+2.9%) and South Australia (+2.6%).

The HIA New Home Sales report - a monthly survey of the largest volume home builders in the five largest states - is a leading indicator of future building trends. HIA chief economist Tim Reardon says that over the year to June 2019 new home sales fell 12.4%, but expects them to continue to improve.

"The small improvement in the June Quarter suggests the decline in new home sales has started to ease," he says. "The upside of the current building downturn is that activity levels have synchronised across the east and west coasts, making it easier for policy makers to coordinate policy settings.

"Two interest rates cuts, a tax cut and repeal of regulatory restrictions will encourage increased activity in the home building market."

Victoria Takes Economic Top Spot

A healthy jobs market and a growing population have helped Victoria take sole possession of top spot as Australia's best performing economy, according to CommSec's latest State of the States report.

NSW dropped from equal first, while Tasmania nudged ACT out of third. Queensland has risen to fifth spot.

Victoria tied with NSW last quarter but has cemented its position at the top of the leader board after coming in first for economic growth, the job market, retail spending, and construction work done.

CommSec chief economist Craig James says it is Victoria's economy that is strengthening rather than NSW's weakening, with little separating the top two.

Tasmania continues to markedly improve its economic performance. With Tassie maintaining its hold on third spot with strong population growth creating demand for home purchases and new construction work, Mr James told AAP "it's possible that any one of the three economies could take the top spot" in the next survey.

