Raine & Horne NSW Terraine

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**Local Outlook – Government incentives to help drive up real estate markets**

**The NSW State Government’s decision to cut the $7,000 First Home Owners Grant (FHOG), has generated a variety of responses from property experts across the state.**

From 1 October 2012, the FHOG will be replaced by the First Home Owner Grant (New Home) Scheme. The new scheme will only apply to first home buyers, who will receive a $15,000, purchase or build a new home valued at up to $650,000.

“The reforms are designed to encourage new residential construction and purchases in both urban and rural areas of NSW but will do little for the majority of first time buyers who purchase existing homes,” explains Angus Raine, CEO Raine & Horne. That said, the Raine & Horne chief is urging those first timers considering a home to make a move before the grant is cut in October. “First timers have a short window of opportunity left to take advantage of the FHOG,” warned Mr Raine.

Indeed, according to Vince Labbozzetta, Principal of Raine & Horne Liverpool, the end of the FHOG is forcing more first home buyers to act quickly in order to take advantage of the $7,000 government bonus. “One of our Raine & Horne agents, Peter Catuli, recently sold seven properties with first home buyers snapping up the majority of sales.”

One such example is 17 Tallowood Avenue, Casula, a five bedroom, two bathroom brick home on 540sqm, which attracted the attentions of a first home buyer. “This buyer was eager to purchase a property before he missed out on the grant,” says Mr Labbozzetta.

While the focus has been mostly on the first buyer market, state government incentives for upgraders and investors have gone mostly unheralded. From July 1, 2012, upgraders and investors will receive a $5,000 handout from the NSW government if they choose to purchase a new home up to $650,000 or land package up to $450,000.

Stephen Whyte, Co-Principal of Raine & Horne City Living says that this legislation will be popular with upgraders and investors looking to purchase in new developments such as CBRE’s latest inner-city project, the ‘Harbour Mill’, which comprises of generous one, two and three bedroom apartments.

“The new government concessions would certainly come into play for these new developments,” says Mr Whyte. “The majority of buyers in the Pyrmont market are owner occupiers, especially at the high end. But at the lower end of the market it is a good mix including investors and some first home buyers.”

The latest figures from the REINSW showed Sydney’s residential property prices had stabilised during the three months to March 2012 and Mr Whyte believes that the Sydney property market is a great place to invest at the moment.

“With both shares and bonds not showing great returns and bank interest stagnant or in decline, Sydney property is a good long-term safe bet.”

West of Newcastle, Deborah Turner, Principal of Raine & Horne Maitland, says the grants may inspire aspiring upgraders to buy into an off-the-plan development in her region. “I think the grants for upgraders will help encourage them to build a new home for their family.” Ms Turner has just sold a brand new, three bedroom display home in Red Gum Circuit in the ‘McKeachie’s Run’ development for $370,000.

**National Outlook – RBA leaves rates on hold as positive domestic growth indicates a possible housing market recovery**

**In a move that surprised very few experts, the Reserve Bank of Australia (RBA) left official interest rates on hold at 3.5% in July. In explaining the decision, RBA Governor, Glenn Stevens pointed to better than anticipated domestic growth coupled with low inflation and some slivers of stability in Europe.**

To illustrate this point, Australia’s retail sales outpaced expectations in May on the back of lower interest rates and government tax breaks. Sales rose 0.5% in May to A$21.3 billion, according to a report from Reuters, which was a solid result, given most expected an increase closer to 0.2%. “Based on the latest numbers it looks like the stimulus applied to the domestic economy is starting to work,” Michael Blythe, Chief Economist at Commonwealth Bank told Reuters. Similarly, sales of new vehicles in Australia rose 17.1% in June, compared with the same month last year, with SUV's up no less than 46.6%.

While retail sales have started to show some improvements, Angus Raine, CEO Raine & Horne, says the real estate market is also set to enjoy the benefits of improved consumer sentiment. “There are indications that the housing cycle may have turned, particularly given that interest rates are now at below average levels and building approvals are up.” Consequently, Mattthew Hassan, Senior Economist at Westpac, said, “Dwelling approvals registered an extraordinary spike in May with a 27.3% jump taking total approvals to their highest level since Jan last year.” Although to be fair, Mr Hasson said this result could be a one off.

However, a report on the state of the real estate market in Property Observer, suggested that there are a number of standout markets according to researcher Residex. For example, in Darwin, house prices rose 3% in May, while they jumped 2% in Sydney to a median price of $675,500. Meanwhile, Perth units climbed 8% over the three months to May 2012, according to the same report. Residex CEO John Edwards told Property Observer that the Australia-wide May results were pleasing, saying the trend shows that “markets have clearly moved to the positive and adjustments are now occurring at a lower rate.”

Real Estate Institute of Australia (REIA) President, Ms Pamela Bennett, while applauding the impact of interest rate cuts and improved real estate data, conceded there was still work for governments to do to support any long term rebound. “There are a number of other measures we need to take into account before we can call it a change in direction,” said Ms Bennett, who wants to see more done to resolve issues holding back first time buyers such as inefficient state taxes, excessive red tape and land-release delays.

“Interest rates are an important consideration when deciding whether to rent or to buy, but there are still a host of other barriers for first home buyers that need to be overcome too. We can’t expect all the work to be done by the RBA,” Ms Bennett concluded.

**Questions and Answers:**

**What are my options for switching home loans?**

In the wake of the recent interest rate cuts, many financial lenders have avoided passing on the full rates to their customers. As a consequence, now is a good time to shop around for a better home loan deal.

According the government’s MoneySmart website: [www.moneysmart.gov.au](http://www.moneysmart.gov.au): one of the first steps you should take when considering a switch is to approach your current lender and tell them you are planning to move. In the interest of keeping your business, they may suggest an alternative loan at a cheaper rate, or offer to reduce the interest rate on your current loan.

That said, if you are not happy with your lender, it is wise to seek advice from a professional mortgage broker such as Your Broker. To find out how much you could potentially save by switching lenders, call Your Broker on 1300 765 774.

**What method of sale should I use to get the best price for my home – auction or private treaty?**

Selling a home by private treaty or at auction has plenty of merit. Under auction conditions, urgency is created in the market by forcing buyers to act within a limited time-frame (usually 4 weeks). This method is often a popular choice if a vendor wants a quick sale or if the market is highly competitive. There might be some additional marketing costs but if time is at a premium, then an auction is worth some consideration.

Private treaty is arguably the most popular way homes are sold in Australia with negotiation centred on an established asking price. Unlike an auction, the vendor’s price expectation is known to the purchaser. Under private treaty conditions, there is no set time frame for buyers to act, which may not suit those looking for a fast sale.

Before choosing the most suitable method of sale for you, make sure you have chosen the right agent, such as a property professional from Raine & Horne. He/she should have an intimate knowledge of your local market and a proven track record. To achieve the best result, contact a Raine & Horne agent in your region today by visiting [www.rh.com.au](http://www.rh.com.au).