

Rates may stall property gains

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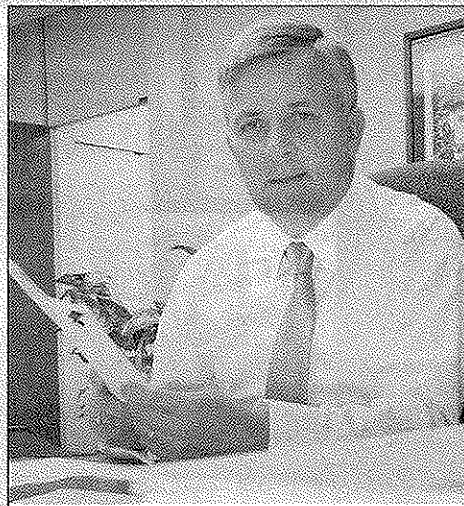
SALE numbers are improving and prices are rising, but another interest rate hike next month could stall the recovering property market, according to industry experts.

They say the Reserve Bank's response to recent positive economic data – tightening monetary policy – could go too far.

According to home loan broking service Mortgage Choice, an increase in rates of 2 percentage points would cause more than one-quarter of prospective first home owners looking to buy in the next two years to change their minds.

About one-third of those surveyed intended to borrow between \$300,000 and \$400,000.

Company senior corporate affairs manager Kristy Sheppard said 28 per cent of respondents said they would back out if rates rose 2 percentage points, but savvy borrowers should give themselves at least that as a repayment buffer each month.



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managing director Dan Molloy said the latest interest rate rise could make property investors pull back.

Property analysts fear continual rate rises will soon bite and stymie the tentative return of investors to the market.

At auctions around Brisbane last weekend, RPData monitored results of 108 of the 178 properties offered.

It reported 39 sales under the hammer. Combined with sales before and after auction, the total clearance rate was 43.5 per cent.

There are signs investors have replaced some of the gap left by

first home buyers who rushed to take advantage of government incentives.

There were 16,444 new listings of homes for sale last month compared with 13,536 a year ago, and there are now 63,292 properties for sale throughout the state.

Real Estate Institute of Queensland managing director Dan Molloy said that, while the Reserve Bank of Australia might feel vindicated in its latest rise, another could force investors to retreat.

"Investors have been more active in the market, but they are very cautious and we don't have the same number of first home buyers as last year," he said.

In its latest market report, RPData said it expected to see an increase in the number of houses offered for sale in the next few weeks.

Despite rising new listings, nationally the number of properties for sale is down 5 per cent on last year.

In Queensland, the number of properties offered for rent has increased with 23,035 properties now being advertised.

And despite figures this week showing an increase in new home turnover, tight borrowing requirements have seen a slump in approvals for new houses and units.

In Queensland, seasonally adjusted figures for January were down 7.4 per cent.

But Housing Industry Association senior economist Ben Phillips said that, in spite of the poor start, building approvals were still 47.6 per cent higher than a year ago.

The industry group forecast a boost in housing starts of 16 per cent for the year.



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