

Property values showing growth

Kirsten Craze

THERE are finally signs of life in the Sydney property market, but big-bank greed could snuff it out next week.

RP Data-Rismark December home value figures show Sydney has been the nation's best-performing capital city, with dwelling values up 0.4 per cent in December and by 0.7 per cent over the final quarter of 2011.

Economists expect the Reserve Bank board will decide to cut the official interest rate on Tuesday, further boosting buyer confidence.

"The case supporting a rate cut next week is strong," Westpac chief economist Bill Evans said last night.

If the bank does decrease the cash rate, it will be the third consecutive dip in a row.

While major lenders — including Westpac — have passed on in full the previous two cuts, they have hinted they will not do so should the Reserve reduce its rate again.

Home hunters remain hopeful that the big banks will do the right thing.

This is evident in a move away from fixed-rate loans.

Nationwide brokerage firm Mortgage Choice said the up-

take in fixed-rate home loans fell in January for the first time in eight months.

Mortgage Choice customer data for January 2012 showed fixed rate demand accounted for 21 per cent of all new home loan approvals, down from 24 per cent in December 2011.

"Interest rate cuts and generous discounting on variable rate loans could be the key drivers behind borrowers giving fixed-rate loans the cold shoulder," said Mortgage Choice spokeswoman Belinda Williamson.

John Symond of broker Aussie said a rate cut would provide a significant boost to confidence for the average Australian and provide some stimulus to the real estate sector, particularly at the lower end.

"Confidence, which has been sadly lacking in the community, is something we need to see increase and dropping interest rates is a significant lever to help kickstart it," Mr Symond said.

Potential buyers have been sitting on the fence as they wait for the market to improve according to Patrick Bright, real estate author and Sydney buyers agent. But he said he has already received an encouraging amount of inquiries this year from both home buyers and investors.

"While I can't predict if the Sydney market will strengthen or weaken in the short term, indicators such as lack of supply, low vacancy rates and anticipated rate cuts suggest that values in this middle bracket are likely to rise."

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