



RBA rates starting to hit housing sector

The RP Data-Rismark Home Value Index released last week showed that capital city home values increased by just 0.2 per cent during April 2010 after recording growth of 1.3 per cent in March. For houses outside of the capital cities, values fell by 0.2 per cent over the month. Despite the softening growth rates, capital city property values have increased by 11.9 per cent over the last 12 months while those areas outside of capital cities have recorded rates of growth less than half this, at 5.6 per cent over the year.

No doubt these latest results have weighed heavily on the decision by the Reserve Bank to keep interest rates on hold this month. The results certainly seem to show that the rate hikes to-date have had the desired effect of slowing the rate of growth in residential property however, evidence suggests that

these hikes are now stifling new construction.

Dwelling approvals data released this week showed a significant fall, with approvals for private homes falling by 13.5 per cent during April 2010. This was the biggest monthly fall since July 2000. Total dwelling approvals fell by 14.8 per cent, their greatest monthly fall since November 2002. Meanwhile, private unit approvals were down 5.4 per cent for the month.

Century 21 Pakenham director Craig Seymour said these results did not reflect what was happening in Pakenham where demand for land outstripped supply. Craig went on to say that from July 1, the increased government grant for first home buyers on new dwellings would add even more stimulus to the Pakenham market. "We have a number of buyers 'queuing up' to take advantage of the 1 July bonus," Craig said.