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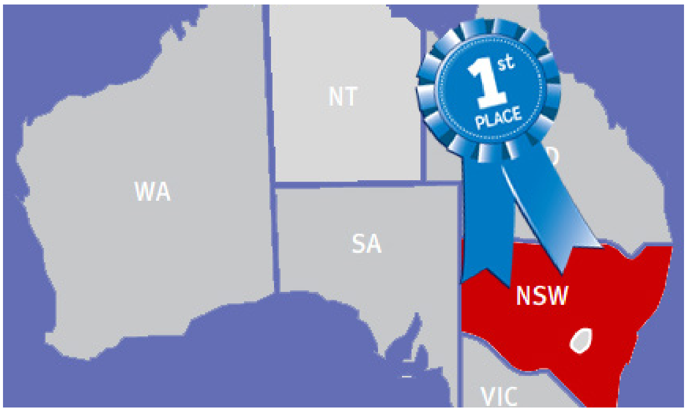
The Week In Real Estate



NSW No.1 But Top Spot Under Threat

NSW's economy has been judged Australia's powerhouse for the 14th quarter running, according to CommSec analysis. But soft spots in the state's housing market may be the first sign that its economic dominance may be peaking.

The quarterly CommSec State of the States report aims to determine how each state's economy is performing by using decade averages across eight measures of economic performance. NSW retained top spot in five of the eight indicators: retail trade, dwelling starts, equipment investment, construction work and unemployment.

Victoria is ranked No.2, followed by the ACT, Tasmania and South Australia. Western Australia remains the weakest of the state economies.

Craig James, CommSec's chief economist, says net migration to NSW, a housing construction boom and growth in dwellings approved are the main drivers of the state's growth.

Millennials Challenge Boomer Spending

Millennial spending on real estate over the next five years will overtake the spending by Baby Boomers, a real estate group predicts, with research finding that 66% of Millennials prefer property over lifestyle.

First National Real Estate CEO Ray Ellis says the next five years will see the spending power of Baby Boomers eclipsed by Millennials, with most focused on buying apartments as their first home.

"Moderate commutes to work will be acceptable, but the majority will not find the outer suburbs of metropolitan areas very appealing," Ellis says. "In essence, Millennials are driven by lifestyle. The norm is now 'I want it, I've earned it, I can have it'."

Millennials are expected to seek out homes in locations that complement their lifestyle, close to transport facilities and their employment.

They will also seek out property that is "move-in-ready" rather than renovator's specials – and that internet connectivity will be a big influence.

Quote of the Week

"It's phenomenal how reliant state governments are on stamp duty. The end goal should be to get rid of stamp duty altogether from residential property, but a very long-term structural change would need to take place."

HIA senior economist Geordan Murray

Deloitte: Interest Rates Stable In 2018

Inflation is too sleepy to drive interest rate rises in 2018, according to the latest quarterly Business Outlook from Deloitte Access Economics.

"The world is stubbornly slow to reflate and that is leaving central banks travelling pretty slowly in their quest to lift rates from what, in many places, are still record lows," says partner Chris Richardson.

"The story's the same in Australia. That's good news for property owners, as it says that the Reserve (Bank) won't be raining on their parade, or their housing prices, any time soon."

Richardson says a global backdrop of good growth and weak inflation is music to Australian prospects, ensuring a firm floor under export earnings.

"That mix of good global growth with a record low cost of capital saw Australia's growth pick up pace over the course of 2017, and we should maintain momentum through 2018," he says. "That's a pretty good outlook."

Home-owners Who Switch Save Big

Home-owners pass up $213 million per month in mortgage savings because they don't do one simple thing – switch lenders.

New analysis by finder.com.au of Australian Bureau of Statistics and APRA figures reveal that only 3.63% of homeowners refinanced last year. That equated to only 210,815 loans out of a possible 5.8 million mortgages.

Finder revealed that the average mortgage holder could save around $600 a year, or $18,000 over their life of their loan, if they refinanced from a rate of 4.25% to 4%.

The average loan size refinanced in the past year was $346,723, according the ABS figures.

As interest rates have dropped in the past few years so too have the number of mortgage holders refinancing. But the Finder analysis showed that even with interest rates at historic lows shopping around could still potentially save home-owners big time.

HIA Call For Stamp Duty To Be Scrapped

The Housing Industry Association has urged governments to consider removing stamp duty, which it claims is "one of the most inefficient taxes in the economy".

HIA senior economist Geordan Murray says first-home buyers (FHBs) would benefit most from the move.

"When FHBs are entering the market, a huge proportion of their savings goes straight to paying their stamp duty," he says.

"Stamp duty has shown to be one of the most inefficient taxes in the economy, so anything that moves to eradicate stamp duty would be a step in the right direction. They should be looking to get rid of it."

According to the recent HIA Stamp Duty Watch report, stamp duty accounted for 26.1% of overall taxation revenue, with the typical bill now sitting at around $20,587.

However, Murray acknowledged that because of government dependence on the tax, stamp duty reform would need to take place over an "extended period" of time.