

# Interest rates predicted to rise

**A**LTHOUGH interest rates in Australia are currently at their lowest point for almost 50 years, with a cash rate of 3.0 per cent, signs suggest the current record low interest rate environment may soon be over. PRDnationwide Townsville research manager Dean Dederer said that while the Reserve Bank of Australia (RBA) held the cash rate steady at its August meeting, for the fourth consecutive month, the average variable home loan was already creeping up. "The major lenders have indicated that they will be raising interest rates independently of the RBA, due to allegedly higher lending costs," Mr Dederer said. The RBA has all but ruled out any future rate cuts as the Australian economy has performed much better than expected during the global financial crisis. "Financial markets certainly believe that rates will not fall any further, with the interest rate futures yield curve showing that rates are expected to rise by 0.25 per cent in November or December and continue to rise another 1.25 per cent on top of this over the next 12 months," Mr Dederer said. "If the major lenders apply their own increases on top of this, we may see the average variable rate back up to

around 7.5 to 8.0 per cent this time next year, from 5.8 per cent as of June 2009." While this is historically still a favourable level, Mr Dederer said that consumers needed to factor in slightly higher interest rates now. "The RBA suggests that banks should test if a borrower could cope with a two percentage point increase, therefore borrowers should be conducting this test themselves to ensure they will be able to comfortably service their loans," he said. "Meanwhile, borrowers should take advantage of the current low rate environment to make some headway in paying off existing loans. "Money supply is still tight and lenders have tightened their lending criteria accordingly, choosing to lend to those who represent the lowest risk." Mr Dederer said this had resulted in a higher fall over rate of contracts, which had been witnessed in the local market. "Agents need to diligently qualify buyers in order to protect their sellers," he said. "Buyers should also shop around and consider using a mortgage broker in order to secure finance. A pre-approval is always a good bargaining tool and provides additional credibility when it comes time to negotiating a contract."

Housing Loan Interest Rate



Prepared by PRDnationwide Townsville  
Source: RBA Bulletin F05, last updated August-09

## Townsville's land of opportunity

**BUYERS** who are ready to build their dream home or investment property are in the box seat when it comes to picking up land at the right price. The number of vacant land sales fell to one of the lowest levels in a decade at July last year before starting to rally back slightly over the past six months. A recent *Townsville in Focus* report by Herron Todd White reveals that the number of land sales dropped by about 70 per cent after the peak of activity two years ago. However, median prices held relatively firm and the market has since started to recover with about 100 sales recorded during both March and April. Townsville real estate agents said the higher volume of supply on the market gave buyers greater choice when it came to negotiating prices or conditions.



RE/MAX Excellence agents Rohan Banning and Lyn Griffiths said building costs had also shifted in favour of consumers. "Based on historical trends, it is hard to imagine there will be a better time to buy land and build

a home as far as prices or choice go," Mr Banning said. "Not only is there a wealth of new residential estates, but there are vacant lots that have been subdivided or cleared in established residential areas. "When the number of lot sales slowed dramatically last year, so too did construction activity, which has given buyers more options when it comes to the cost of building new homes. "Developers reacted quickly to the decline in demand by slowing or postponing the release of new land stages. "But developers and agents have more recently reported an increase in sales of vacant land and house and land packages." Ms Griffiths said there was evidence to suggest vacant lot sales would return to healthier levels. "While vacancy rates for established properties

are higher than the long-term trend, Townsville will still rely on new housing to help accommodate the above-average population growth," Ms Griffiths said. "The volume of unit development also slowed significantly over the past 18 months which has helped to push more people towards buying vacant lots. "We would encourage anyone who is thinking of building a home to look at blocks in established suburbs as well as new estates because there is a lot of variety when it comes to price, size, location and surrounding amenities."



### Ray White's August Auction Event

Tuesday 25 August, 6:00pm – Ray White Rooms: 71 Eyre St, North Ward

|       |   |                                      |              |
|-------|---|--------------------------------------|--------------|
| Lot 1 | 4 Coen Street, Douglas                  | Naomi Theodossio                     | 0407 573 358 |
| Lot 2 | 5 Beagle Court, Kirwan                  | Kimberley Orr                        | 0415 038 321 |
| Lot 3 | 12 Cassia Crescent, Port Hinchinbrook   | Robert Boothey<br>(Ray White Ingham) | 0427 078 129 |
| Lot 4 | 2/17 Stanton Terrace, North Ward        | Simon Clayton                        | 0415 196 270 |
| Lot 5 | 17 Weaver Street, Heatley               | Malcolm Thomson                      | 0400 545 664 |
| Lot 6 | 2 Alexander Court, Rasmussen            | Simon Clayton                        | 0415 196 270 |
| Lot 7 | 53 Keith Williams Dr, Port Hinchinbrook | Robert Boothey<br>(Ray White Ingham) | 0427 078 129 |

Please note: Order of Sale subject to change



Call the team who make Auctions Work:  
Townsville City 4781 0500  
Thuringowa 4755 6100

Ray White

0811024492

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