

Rate cut does not entice property buyers

Housing loans

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Before lunchtime yesterday, boutique lender Intelligent Finance's director Justin Doobov had three new clients on the phone seeking pre-approval for a home loan.

"They'd been thinking about buying a property for six months and the rate cut was the trigger point for them," he said. "They see cheaper repayments and a better price on properties."

Following the Reserve Bank of Australia's shock 1 percentage point interest rate cut on Tuesday, lenders were not overwhelmed with new business.

The August lending data, released yesterday, showed a slump in home finance figures for the seventh consecutive month.

Loans for owner-occupied housing hit the lowest since March 2001, down 2.2 per cent on July to 48,903.

Most calls to lenders yesterday were from current mortgage holders to find out how much their repayments would be, following the rate cut.

While lenders weren't run off their feet with inquiries from home buyers seeking pre-approval, Aussie Home Loan founder John Symond said people were still digesting the rate cut.

"People are still understanding what it's all about but certainly I will have a better idea in the next 48 hours," Mr Symond said.

Under the hammer

Auction results around the country

	Month	Clearance rate (%)	Value sold (\$m)	Auction median price (\$)
Sydney	June	54	537.10	658,500
	September	58	606.40	650,500
Canberra	June	45	18.80	547,500
	September	60	43.50	512,000
Brisbane	June	30	44.10	520,000
	September	32	39.40	482,500
Adelaide	June	54	55.20	450,000
	September	48	31.90	525,000
Melbourne	June	65	705.50	475,000
	September	65	651.60	486,000
Perth	June	27	8.90	680,000
	September	40	10.40	466,500



SOURCE: AUSTRALIAN PROPERTY MONITORS

"The phones aren't ringing off the hook from people wanting loans but we are getting calls from people wanting to know what their mortgage payments are going to be."

Seven of the eight states and territories showed declines in lending during August while the number of owner-occupier loans fell to below 50,000 for the first time since

April 2001. Analysts had forecast further falls in August, following July's 0.2 per cent decline.

Also released yesterday was the monthly auction data compiled by Australian Property Monitors. It showed most states had an increase in residential property auction clearance rates, however figures remain below the long-term averages.

Sydney's September auction clearance rate reached 58 per cent — its highest level since April — and 65 per cent of Melbourne property sold under the hammer.

"Auction clearance rates are volatile and if you look at a weekly basis they're even more volatile, so you can't read too much into one-off movements," APM senior econ-

omist Liam O'Hara said. "We need to see consistent results to see if it's a sustained upward movement or a one-off event."

Mr Symond is expecting further sizable cuts to be made in the next four months.

"It's certainly a huge confidence boost to existing mortgage holders, and for home buyers it gives them a reason to go out and have a look around," he said.

"I believe that it will spark some much needed interest but we need to see more drops to entice buyers. Somewhere between now and Easter I can see another 75 to 100 basis points coming off, but it really depends on how desperate things become in Europe and the US."

Housing Industry Association chief economist Harley Dale said the leading housing indicators for September continued to be weak after coming off the boil 12 months ago.

"The horse has already bolted for the 2008-09 financial year," Mr Dale said.

"We know new home building will be weaker in the new year and the tight rental market will persist as a result. We saw another negative update for building approvals for the month of August, negative results for new home sales, the housing finance indications today, the construction index, which came out yesterday, is also at its weakest level."

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