

# Property Focus

Bringing you the latest news, fact and figures from the world of Australian real estate.

## Four simple reasons 2016 is a great year to buy a home

If you are looking for information about what lies ahead for buying property in 2016, you will find an abundance, but as someone once said, "Bad news sells papers. It also sells market research".

It doesn't take too much internet research to find a lot of information packaged to sell, focusing on negatives. Instead, it's time to take an unashamed "glass half full" look at the 2016 property market. Here are four reasons to approach 2016 with confidence when it comes to buying a home.

### 1. INTEREST RATES CONTINUE TO BE LOW AND ARE TIPPED TO GO DOWN

In May 2015, the Reserve Bank of Australia cut its cash rate to a record low 2%, a rate which has remained unchanged ever since.

Many economists are saying that it is becoming highly likely that on the back of global market shudders and the prospect of a weakening Chinese economy that the reserve bank will cut interest rates mid-year in 2016. Reserve Bank Governor Glenn Stevens hinted at this in November when he stated that the next rate move would "almost certainly" be a cut.

The resultant savings in interest payments could easily amount to hundreds of thousands of dollars over the life of the mortgage.

### 2. COST OF RENTING

Another reason home ownership is an option worth serious consideration is the increasing cost of rent (which is not a great reason to continue renting). In the past five years, the average cost of renting across Australia increased by 19.4%. Over 10 years, average rent across Australia rose by 54.1%.

In most regional centres, monthly rent is comparable to that of a typical monthly mortgage payment, and sometimes more.



For those with the means to save for a deposit, it makes much more sense to put a large percentage of your income into an appreciating asset rather than to a landlord.

### 3. HOME PRICES ARE STABILIZING

For the first time in years, economists and industry experts are predicting that rather than prices steadily going upwards, they will be stabilising in many regions.

Although different markets across the country will vary, as house price growth slows, buyers should ready themselves to capitalise. A slower market is particularly good news for first home buyers.

### 4. BIG PICTURE AUSTRALIA

Renowned social commentator, Bernard Salt, suggested that buyers need to ignore the doom-and-gloom headlines, and look more broadly at what Australia has to offer.

He argues that Australia is a young, vibrant

country with strong levels of population growth, very aspirational and rich in terms of income per capita.

"We are as rich as Americans, some say even more so depending on how you measure it. We are more egalitarian. Our cities are more attractive places to live. We are an overnight flight away from China.

Mr Salt rightly points out that if buyers heeded the headlines that inevitably circulate each year, no one would ever buy a home.

2016 will be a year to scratch the surface, to discover the gold underneath the inevitable doom and gloom.

Property will remain a great investment for those prepared to do the research and build relationships with those who may have a better understanding of property. As financial guru Warren Buffett advised, "Be fearful when others are greedy and greedy when others are fearful."

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# The highs and lows of buying an apartment

Home or unit – it’s a choice that looms large in the minds of many first time entrants into the real estate market. More and more buyers are choosing apartments as their first purchase.

While the majority of Australians still live in houses, however between 1981 and 2011 this figure fell from 86% to 76%.

Undoubtedly there are cost advantages of buying an apartment over a house. For example, the same money that will buy an older house will often buy a brand new apartment. But leaving the cost factor aside, apartments are not for everyone.

Before deciding in favour of a unit, you may want to consider the highs and lows of apartment living:

## HIGH

With no lawns, no fences to repair, and no gutters to clean, apartments offer the ideal living arrangements for anyone who enjoys a full social life. Even in the event of internal maintenance issue, you can often call upon the strata appointed handyman to fix a problem in a unit.

## LOW

There’s no escape from noisy neighbours. Despite vast improvement in sound insulation technology, sound seepage through walls, ceilings or floors can present an ongoing irritant. Or, if you’re a nocturnal neighbour, you may be the pest!

## HIGH

With more and more employment being focused in the CBD of cities, apartments offer unparalleled convenience for city workers, not only to work, but to so many other city-based amenities.

## LOW

For those with a proclivity for renovation, apartment living will hamper your creativity when it comes to exterior design. You may need to be satisfied with minor tinkering on the balcony and internal improvements. Gardeners who enjoy growing some of their own food, may need to be satisfied with herbs and a cherry tomatoes on the balcony.

## HIGH

Many apartment blocks offer onsite facilities that are only available in more expensive homes. Swimming pools, spa, tennis courts, barbecue facilities, saunas and roof top terraces are often available, although shared with many other tenants and their visitors. And how many homes come with an on-site manager?

## LOW

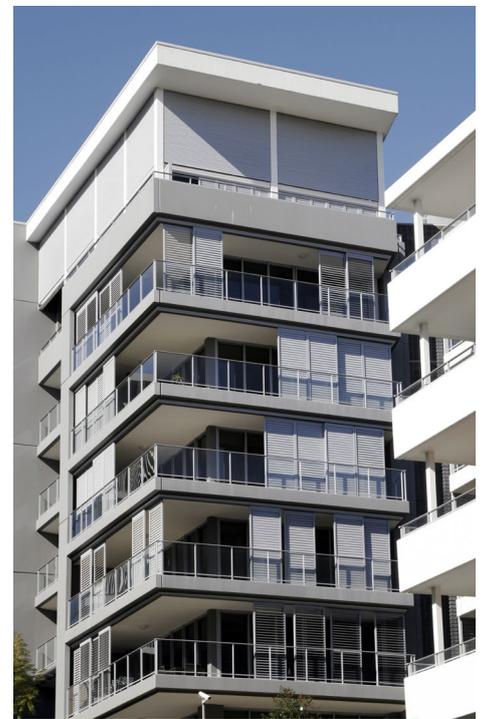
For young couples who purchase a unit early in their relationship, units present no opportunity to extend for a growing family.

## HIGH

If you do choose to renovate a unit internally – whether to increase the value of the property or for your own taste and enjoyment – you can typically achieve much more on a smaller budget than renovating a house.

## HIGH OR LOW? IT’S A MATTER OF PERSPECTIVE

When you purchase an apartment or unit, you are essentially buying “air space”. That’s because the walls, ceilings, floors, bricks and mortar are owned by the collective of owners, which depending on the relevant state laws, is referred



to as owners corporation, body corporate, strata company or community association.

As an apartment owner, you inherit the right to participate in this community of fellow owners, who together take on the responsibility of managing the overall property.

Whether you see this as a “high” or a “low” is a matter of perspective. Many people who own homes, love the freedom of making individual decisions regarding their property. Some unit owners enjoy being part of a community of owners. It’s all about preference and perspective.

On current trends, more and more flats, units and townhouses are set to become available, particularly in city areas. If you do decide that an apartment is the right choice for you, your next step is to understand what due diligence you should perform before buying.

## Market Facts

Rolling annual change in dwelling values, combined capital cities

### Median Prices



\$600,000



\$502,000

### Capital Gain

	Houses	Units	Dwellings
Past 12 months	7.5%	6.8%	7.4%
Annual over five years	4.3%	3.9%	4.3%
Annual over ten years	5.6%	5.1%	5.6%

Source: CoreLogic RP Data