

AMT Economic and Property News – Issue 11.08

Economic Update

- The RBA has dropped the official cash rate by 0.75% to 5.25%, attempting to restore some market confidence and bolster the Australian economic outlook. They also intervened in the foreign exchange market to avert a free-fall in the Australian dollar. Market expectations are for the delivery of further cuts in the official cash rate by the RBA.
 - The unprecedented decline in the Australian dollar over the past few months suggests a degree of stress emerging in our balance of payments. As global markets normalise these stresses should abate and allow for a modest rise in the Australian dollar over the months ahead.
 - The government has released its modeling of the impact of the planned Emissions Trading Scheme. The economic impact is small, with real GDP per capita projected to fall by an average of 0.1 to 0.2% p.a.
 - After last month's \$10.4bn stimulus package and trimming tax revenues, the Mid-Year Economic and Fiscal Outlook slashed this year's forecast budget surplus from the May estimate of \$21.7bn to just \$5.4bn
 - The federal government still expects the economy to dodge a recession, but Treasury has lopped 0.75 of a percentage point off its growth estimates and now expects GDP to expand by 2% this year, and 2.25% next year.
- Source: ANZ.com.au; The Australian Financial Review

If you find this issue helpful, or if you want to know more about any other topics, please let us know by emailing to emilywu@assetmanagement.net.au

Property Market Update: building approvals hit 7-year low, more rate cuts to come

A fall in monthly building approvals to a seven-year low reflects a faltering economy and increases the pressure for more interest rate cuts, economists say.

Building approvals fell by a greater than expected 7.2 per cent to 11,167 units, seasonally adjusted, in September, the Australian Bureau of Statistics (ABS) said. It was the lowest level since April 2001 and the third consecutive monthly fall in the data. The market had forecast a fall of 1.2 per cent.

Commonwealth Bank senior economist Michael Workman said the data reflected the large fall in detached dwelling approvals and the flow-on effects. "That, of course, has the biggest impact on commencement data later on and GDP (gross domestic product) figures for the next few quarters," he said.

However, Mr. Workman said he expected building approvals to lift for November and December as interest rate cuts by the Reserve Bank of Australia (RBA) since September and an increase in the federal government first home owner's grant flow through.

The RBA has slashed its key overnight cash rate by two percentage points to 5.25 per cent since September in a bid to prop up a flagging domestic economy.

"We will see a recovery in the approvals data," he said. "The \$21,000 grant for first home buyers to build or buy a newly built home has technically had a very short impact

on the market over the year or two."

CommSec chief economist Craig James said the data indicated the NSW economy was in a dire state. "NSW continues to remain the basket case for the Australian economy, with approvals at a staggering 43-year low," he said.

Nab Capital senior markets economist David de Garis said the data added to the weak economic outlook and the case for lower interest rates. "We look for at least another 50 basis points in December from the RBA with the likelihood of more next year," he said.

Citi group co-head economic and market analysis Paul Brennan said the data backed up recent signs of an economic slowdown. "The level of starts is now close to previous cyclical lows even though there is a significant undersupply of housing," Mr. Brennan said.

Housing Industry Association (HIA) chief economist Harley Dale said the release of more land for building, better planning laws and less red tape was necessary to boost residential building activity. "Trying to kick-start housing activity with interest rate cuts and first home buyer stimulus needs to be matched by greater efficiency in planning administration and an associated reduction in charges and levies applied to new developments," Mr Dale said.

Source: AAP

Latest interest rate cut to further boost property market

The cash rate cut of 0.75 per cent together with the \$21k first home grant will be a stimulus for the local property market. It will be a welcome relief for many Australian household budgets.

Warren McCarthy, LJ Hooker Managing Director, said that he was pleased with the Reserve Bank's decision to reduce interest rates, and that he believed the market stimulus it will deliver should help ensure Australia steers clear of global recessional conditions.

"This 0.75 per cent cut to interest rates is excellent news and should be the catalyst for an increase in both buyer and seller activity across the Australian property market," McCarthy said.

"Encouraging buyer activity is not only an important step towards boosting the property market, but will also deliver valuable benefits to the broader economy."

"The freeing up of more disposable income will help stimulate spending across the economy and, potentially, put the brakes on unemployment growth," McCarthy said. Mr. McCarthy also outlined the additional amount of

money each household will now enjoy.

"With the average national home loan currently sitting at around \$243,800, today's reduction will deliver to households a saving of \$120.88 on monthly mortgage repayments".

"It goes without saying that there has been a collective sigh of relief from Australian homeowners as their often onerous monthly mortgage commitments have moved down to a more manageable level."

Mr. McCarthy also said that the combined effects of the interest rate cut and the Federal Government's new, attractive inducements to First Home Buyers will ensure the property market gets a kick-along in the coming months.

"There will be a sense of urgency among first home buyers as they look to get a foothold in the property market before the enhanced version of the First Home Owner's Grant finishes in June next year," he said.

Source: Lending Central

Register now for upcoming workshops!

As the financial crisis progresses, Governments of developing countries such as China have reacted with fiscal rescue solutions. An \$855bn spending plan has been announced recently by China. **Will this big spending help Australia avoid recession?** How does the market perceive this extraordinary action from the Chinese Government? The Australian dollar has shed some 40% of its recent peak value. **How will the Australian dollar perform in the future?**

AMT will provide discussions and insights with **2 workshops, free of charge, presented in Chinese**. Please see below for details of **times and venues**. We welcome the attendance of you and your friends.

Hot topics include:

- \$855bn Chinese rescue plan's impact on Australia's economy
- Weakening Australian dollar, pros and cons?
- Will Australia go into recession?
- As investors, how do you adjust your strategies?

Register now for your chance to win a **\$100 David Jones gift voucher** or **Australian Property Investor Magazines (issue 6-10/2008)**

Call 9286 3288 or email to [Emily Wu](mailto:emily.wu@amt.com.au) with your contact details.

Eastwood: The Eastwood Club, 6A Hillview Rd, Eastwood, **Sunday 23/11/2008, 3-5pm**

Burwood: Burwood Boronation Club, 86 Burwood Rd, Burwood, **Saturday 29/11/2008, 7-9pm**

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Inspect: Every Saturday and Sunday, 12pm – 2pm
Contact: Lance Liang – 0411 743 303, 9286 3288 for a viewing time
Email: lance@assetmanagement.net.au



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Property for Investors

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CITY OF MARGATE

Margate is one of the most picturesque seaside suburbs of Redcliffe. It is only 24km to Brisbane CBD and 12km to Brisbane Airport.

It owns stunning views of Moreton Bay and the Glasshouse Mountains. Safe, sandy beaches and scenic parks span 22km of glorious coastline. It has attracted around 1.2 million tourists to the peninsula each year to soak up its magic and is home to approximately 50,000 people. The new bridge connecting Brisbane and Redcliffe is to be completed by the end of 2009, and will make the area an even more convenient place to live.



MARGATE ON THE PARK

These unique 10 Penthouses offer two or three levels of contemporary living. 100m to the shopping centre and 300m to the ocean!

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- Security car parking
- Minutes access to Margate Park, Margate Beach and Woolworth

Contact: Lance Liang – 0411 743 303, 9286 3288 for more information