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Mixed messages for real estate

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DATA released last week has direct implications for the Melbourne housing market.

The Bureau of Statistics revealed that Victorian finance commitments for owner-occupied homes rose by just 0.1 per cent over the month of July. The number of first home owner finance commitments was down by 5.5 per cent over the month.

Finance commitments, however, are up by 3.7 per cent in the seven months to July compared with the same period last year.

The Reserve Bank, as expected, decided last week to leave interest rates on hold



for the 10th consecutive month. But the prospect of an increase in interest rates sooner rather than later has been raised following the latest release of gross

domestic product data by the ABS.

With Australia's economy growing by a stronger than expected 1.2 per cent over the June quarter, the

likelihood of a strengthening economy will alert the Reserve to the risk of growing inflationary pressures and the possible need to raise interest rates.

Despite encouraging GDP numbers, the latest ABS unemployment numbers reported that the Victorian unemployment rate remains fixed at 5.1 per cent — the highest rate for the year so far. Although the latest signals are mixed, one can expect Melbourne's housing market to remain subdued but resilient for the year.

Dr Andrew Wilson is senior economist for Australian Property Monitors.