



**Harvest**

Sow, nourish & harvest  
your wealth

# HOME LOANS NEWSLETTER

February 2016

## Reserve Bank interest rate announcement

Today the Reserve Bank of Australia met to review the official cash rate. They have decided to leave the rate steady at 2.00% again this month. We expect that most lenders will leave their rates unchanged, in line with the Reserve Bank's decision.

## The latest Sydney property market news



We currently assess the Sydney property market to be at the high end of fair value. We expect that it may have peaked during 2015, and if there is a price drop in 2016 that it will be modest. We anticipate the price drop to be in the vicinity of 5%.

Our view on the key property market indicators:

**Demand vs Supply** - presently demand is still exceeding supply, however, buyers are no longer willing to pay top dollar for a property. In some cases they are not able to borrow enough to meet the requested sale price. Auction clearance rates have dropped significantly, the length of time a property is on the market has increased and latest reports show that the Sydney's median house price dropped 3.1% over the December 2015 quarter.

**Interest rates** - It looks like the Reserve Bank of Australia (RBA) will keep the cash rate stable over 2016 at 2 per cent, or there may be one more rate reduction over this period. During 2015, we saw banks raise mortgage interest rates independent

of the RBA, and investment loans had an additional rate rise in August of 2015. Overall interest rates will remain low but are trending up slightly, this reduces the amount that banks can lend.

**Credit assessment** - Since July 2015 banks have tightened lending standards to reduce the amount people can borrow. The assessment interest rate has increased and the minimum living expenses has also increased.

**Capital gains (10 year outlook)** - Considering a low interest rate period and current prices being at the high end of fair value we expect ten year capital gains to be in the range of 3-5%, which is lower than the last ten years.

### Tips for buyers and sellers

For buyers, we recommend you set a price limit and assess your ability to make repayments if interest rates happen to increase by 1-2%. Some heat has come out of the market so there is no need to be in a rush, there is less competition so you can be choosier and don't be afraid to put in a low offer to express your interest.

For sellers, we recommend you set a minimum price acceptable. If you don't need to sell and your price expectations are not being met then it may be a good idea to hold off selling. If an offer is close to your required price (within 1-5%) it may be worth taking the offer as prices could fall slightly in 2016.

### We can assist with your home loan

At Harvest, we provide independent advice about home loans based on your personal financial situation, and therefore, do not favour any particular lender. We have access to 27 loan providers to make sure you get the best value home loan by customising a package for you that best meets your needs.

## Our current best interest rates

The best home loan rates we currently have available:

- Variable rate of 4.04% pa
- 1 year fixed rate of 4.14% pa
- 2 year fixed rate of 3.94% pa
- 3 year fixed rate of 4.04% pa



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