

Bank Lending The Problem, Not Interest Rate, Say Experts

This week's decision by the Reserve Bank to leave the interest rate unchanged has been described by property experts as "expected", but not entirely bad news.

Andrew Golding, chief executive of the Pam Golding Property group, said the interest rate reductions since December had lessened the financial burden on homeowners.

"What we are currently seeing in the marketplace is that where aspirant purchasers are able to obtain mortgage finance, there is greater activity between willing sellers and serious buyers.

"However, the market remains underpinned by cash buyers at virtually all levels.

"At present they form the bulk of the market and are capitalising on the good buying opportunities currently available."

Golding said the market had improved when compared with the same trading period last year.

"And despite the tough economic situation and seasonal impact, the very top end of the market continues to surprise us, with real and relevant prices being achieved."

However, Golding said winter was a quiet season for residential property sales.

He added that the recovery of the residential property market was dependent on the banks injecting more liquidity into the market.

Keith Wakefield, chief executive of Wakefields Estate Agents, said although reducing slowly, inflation was still at a high 8 percent for May, down from April's 8.4 percent.

Wakefield said without a significant change in inflation, it was unlikely there would be interest rate reductions "for some time".

However, he added that a prime interest rate of 11 percent was not negative for the property market. What was making it difficult was the reluctance of banks to provide home loans.

Colliers Residential managing director Brian Falconer said the Reserve Bank had missed an opportunity to help stimulate the economy by leaving the interest rate unchanged.

"Given that this is the last rate cut for two months, and possibly the year, we would have hoped the Reserve Bank would have been bolder in helping stimulate the economy," said Falconer.