

Houses becoming cheaper to buy than rent

BY SIMON JOHANSON

LOW interest rates and flat home prices have seen a three-fold jump in the number of suburbs in which it's cheaper to buy a house than rent one.

Residents living in apartments in Carlton, Ballarat North and Bendigo's Kangaroo Flat may be better off buying than lining their landlord's pockets, according to the latest RP Data *Buy v Rent* report.

Renters in houses in Mildura, Moe and Norlane might benefit best from a mortgage, it said.

At the same time as historic-

ally low interest rates are prompting a rising number of borrowers to take out a mortgage, the RP Data figures show there are 692 towns and suburbs in which homes are cheaper to own than rent, up from 179 at the same time last year.

A rise in home loan approvals in May was a sign the Reserve Bank of Australia's cuts to official rates were stimulating the housing market, economists say.

Rates have fallen by 100 basis points since June last year.

The *Buy v Rent* report suggests prospective house buyers will be doing their sums to determine if they are better off paying

a mortgage or their landlord.

National research director Tim Lawless said it now may be a good time to consider buying.

"In some suburbs it may actually be cheaper than renting especially where we are seeing evidence of tight rental markets resulting in rental increases and lower home values," he said.

The report analyses the difference between monthly mortgage and rental payments based on the median value of houses and units and median rents.

Property specialists have, in the past, criticised it for being too simplistic in comparing the costs of buying and renting.

Queensland, with 242 suburbs, and NSW with 193 offered the most opportunities to owners paying off principal and interest on a variable mortgage.

Victoria (45), South Australia (45) and Canberra (6) trailed behind Western Australia (78) and Tasmania (54).

The rise in loan approvals is unlikely to change expectations of an August rate cut.

Westpac senior economist Matthew Hassan said they showed the housing recovery was slower than expected.

"Given the degree of stimulus that we've seen, particularly from interest rate cuts, you

might expect a stronger recovery at this stage," Mr Hassan said.

Mortgage numbers rose 1.8 per cent in May, according to the Bureau of Statistics.

ANZ head of property research Paul Braddick said low interest rates were working, especially in NSW after eight years of struggle.

"The market forecast was slightly higher but I'd still characterise this as a pretty strong number and it stands in pretty stark contrast to the weakness we've seen in a lot of the broader economic data over the last month," he said.

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