

House prices leave units in their wake

THE gap between Melbourne's house and unit prices has reached a record level.

And the difference is expected to prompt an increase in buyer activity for the more affordably priced units. A median Melbourne house is \$144,000 (23 per cent) more expensive than a median unit, according to RP Data figures.

The gap is the nation's third widest in dollar terms, behind Sydney (\$218,000) and Darwin (\$145,000), and just under \$50,000 higher than the national average. Houses outperformed units in Melbourne in the 12 months to December,

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with values rising \$52,300 (10.7 per cent) and \$40,000 (9.8 per cent) respectively.

RP Data senior analyst Cameron Kusher said first homebuyers and investors may favour older units in inner-city areas, as urban locations gain popularity.

"All of these benefits are in most cases afforded at much lower prices than houses in the same local area," he said.

Figures indicate 54.2 per cent of building approvals in the 12 months to November were for apartments and units.

Bank drops rate in home loan salvo

THE nation's billion-dollar home loan war has intensified with HSBC slashing its variable rate to the lowest among the retail banks.

The cutting of its variable rate loan by 0.59 of a percentage point to 4.75 per cent days ahead of the Reserve Bank of Australia's first monthly meeting on Tuesday has signalled that the mortgage war is on.

The rate is the lowest of any branch-based retail bank.

Interest rates have remained at historically low levels and just last week one of the nation's biggest lenders, National Australia Bank, dropped

its four-year fixed-term home loan rate to its lowest level in 20 years — 5.44 per cent.

Financial comparison website Mozo's spokeswoman, Kirsty Lamont, said this latest move by HSBC showed the fight between financial institutions had geared up a notch.

"The year 2014 is really shaping up as the year of the borrower, there's some red-hot rates on the market right now," she said.

"There's signs that frenzy of competition that we are seeing right now could turn into a real prolonged home loan war."

BUSINESSDAILY STARTS PAGE 53