The Real Estate Wrap
With Leanne Pilkington

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Published 18 December 2018

Some price perspective

In our final weekly wrap for the year, we think it's time for some perspective on house prices.

Whereas words can be persuasive, numbers can be more powerful. In December 2006, Domain data shows the median price for a house in Sydney was a touch over $529,000. In December 2017, it was $1,181,000.

That's more than double.

Yes, prices have trended down since. The current decline has reached 10% - cue panic-stricken headlines – and they may yet fall a further 5-10%, depending on who you listen to.

Either way, the historical growth in property prices over the last decade dwarfs the impact of the declines we've experienced in 2018, and those that 2019 will most likely hold.

For what it's worth, many economists including Domain's Trent Wiltshire expect prices to show some growth again in the latter part of 2019. For others, the return to price growth is expected in 2020. Either way, the consensus says the end is in sight.

Next year shapes as a time to buy at the low point in the cycle which, as we described above, with a little perspective, is really not that low at all. Buyers know this and vendors should too.

We expect transactions to continue to flow at a steady pace heading into the new year, unless the NSW Government takes the necessary step of genuine reform when it comes to stamp duty.

It's no point Government simply hoping transactions pick up. Its refusal to implement proper stamp duty reform is stifling transactions, leading the Treasurer to earmark an $8 billion budget shortfall over the weekend.

Still, Government appears to believe that the problem will magically become the solution. Fewer sales means less stamp duty for the Government to collect. But stamp duty means fewer sales. As we begin a new year with the market contending with various challenges, it would seem the opportune time to address one of the biggest obstacles of all. But we shouldn't hold our breath.

Clearance rates: no end of year surprises

The last real weekend of auction action produced pretty much what was expected.

According to CoreLogic, Sydney's preliminary auction clearance rate was 43.6% from 717 auctions recorded last week, down on the preliminary estimate of 48.1% for the week before. A higher reporting rate this time should see any revision be comparatively minor when the final numbers come in later this week.

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Nevertheless, it was an unspectacular if not unexpected result to wrap up the year.

Final thought

Irrespective of where you stand on house prices, the timing of the recovery, buyer and vendor confidence and any of the factors influencing real estate, the reality is the landscape has changed.

Restricted access to finance has ensured it. A new era of risk aversion is upon us. It should be welcomed. For most of us, when buying and selling property, minimising risk is our top priority.

But this new lending environment means we need to lay more cards on the table. For example, the service economy is largely viewed as a win for consumers but there are reports of mortgage brokers querying transactions on peoples' statements for services like Uber Eats and Afterpay.

It's not up to anyone else to tell you how to spend your money. And everyone's budget is different. But the point is, you're increasingly likely to be asked to justify that budget. Financiers want a deeper understanding of your capacity to meet repayments.

So be prepared to justify your expenditure. Rather than the bank manager or mortgage broker, this justification should start with you. If you're buying or selling property in 2019, the enduring advice remains as relevant as ever: do your homework thoroughly, crunch your numbers carefully, and choose your agent wisely. And above all – good luck!

Seasons greetings from the Laing+Simmons family.