The Real Estate Wrap

With Leanne Pilkington

President of the REINSW
Managing Director, Laing+Simmons Corporation

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Housing: a scapegoat?

The housing downturn is responsible, at least in part, for Australia's subdued economy.

That's the view of Thomas Helbling, the lead economist for Australia at the International Monetary Fund, no less, who last week said the housing market contraction is worse than first thought, leaving the economy in a "delicate situation."

He called for a ramp up in infrastructure spending to counter the downturn. More "demand forces" are needed to pull the economy along, he said.

Such an investment would of course be welcome news for the housing market. New infrastructure projects are critical to maintain and strengthen property values in the areas that benefit from them.

Yet, while fingers are being pointed at a weakened housing market, recent signs on the ground have been positive. Readers of *The Sydney Morning Herald* were greeted on the weekend by the headline: "Confidence returns to April auction market in Sydney."

The article pointed to "a new trend" of "a growing number of homes and units ... selling before auction." Some Sydney agents are reportedly seeing more than double the amount of pre-auction sales compared with last year.

Private treaty sales are likewise encouraging. Some suburban markets are better suited to a private sale strategy. Similarly, while new supply has undoubtedly slowed, some suburban markets are seeing new developments commencing.

Select local Government areas that enacted rezonings in recent times, to cope with the forecast increase in demand at a time when the market was hot, are now seeing the first projects come out of the ground, despite the broader challenges.

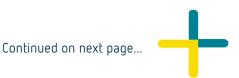
It all begs the question: is it fair to blame a subdued economy on the challenging housing market?

Perhaps the ongoing spotlight on the housing market owes something to our nature. Amid head-scratching commentary about weakening demand forces, sober commodity price forecasts and the struggle the Government – incumbent or new – will face in maintaining Australia's 30-year run of economic growth, the intrinsic value of a home is a more tangible concept to grasp.

And while economists – rightly – will point to correcting prices as a sign of a housing market contraction, it's important not to lose sight of the fact that agents around the traps are succeeding in getting deals over the line.

Clearance rates: shades of 2018

Sydney's auction market performed well again last week. According to CoreLogic, there were 740 homes offered up, showing a preliminary clearance rate of 61.9 per cent. By way of comparison, for the corresponding week last year, the 795 auctions held in 2018 returned a preliminary clearance rate of 62.9 per cent.



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While the final figure will be revised down once all the results have been collected, the auction clearance rate in Sydney has held solid above 52 per cent for the last five weeks.

Final thought

While clearance rates have been impressive, tempering the optimism is the concurrent trend of vendors withdrawing their properties from market if the feedback leading up to the big day is not as positive as they'd hoped.

Data from Domain Group suggests the proportion of homes being withdrawn prior to auction has increased to about 20 per cent, about double the decade average.

This skews clearance rate data, though the strength of the housing market has never relied on this alone. It's part of a bigger picture. Just like setting an auction day is part of a bigger campaign to find the right buyer.

Setting an auction date is not giving the buying market an ultimatum. An agent with real local experience may suggest an auction campaign with a firm plan to sell your property beforehand. It might be a strategy to encourage people through the doors. It might just be a way to entice more competition.

So, by all means, study the data and track the results. But more important than this, understand the factors behind the numbers. To do this, talk to an agent with real local expertise.

