The Real Estate Wrap
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Published 29 April 2019

Rate cut on the immediate cards?

Not too long ago, it was unthinkable. Even when it became clear that the real estate boom had subsided and that prices were easing, most economic experts and seasoned property pros couldn't fathom that the official cash rate would be cut again from the historically low 1.50 per cent it has hovered at since August 2016.

But last week's release of surprisingly weak inflation figures – headline Consumer Price Index (CPI) was worryingly flat in the March quarter - has put the case for a rate cut firmly on the cards. As soon as next week. At the time of writing, it really could go either way.

But will a rate cut improve the economy? There's an argument that the two rate cuts in 2016 helped fuel the property boom as buyers were encouraged to take on more debt, inflating house prices.

Of course, now, prices are falling. A cut might ease the downward pressure on prices and help build confidence in the market. For mortgage holders, lower repayments may encourage them to spend extra on other goods and services, contributing to an economic recovery in that way.

On the other hand, employment numbers are robust, single rate cuts take time to wash through the system before they have a material impact, and the current rate remains extremely low. Perhaps the limits to the impact that one rate cut can have will be enough for the RBA to sit tight and wait for a more compelling case for a downward shift emerges.

Either way, the banks will play an influential role. Even if rates are cut next week, the major financial institutions have shown an increased willingness to operate to their own agenda and not simply pass the savings on.

It adds another level of complexity to a real estate market that is in a state of 'active limbo'. New listings are trickling through and agents are reporting strong enquiry, which is leading to some fair and encouraging results. But it still feels as though something will soon give.

And as the country prepares for an election with major implications for the housing market, we can expect more intense scrutiny than usual when the RBA meets next Tuesday.

Clearance rates: strong despite disruptions

Easter has come and gone and the auction market, at least in terms of the preliminary clearance rate, bounced back over the weekend. Though there were only 329 auctions in Sydney, according to CoreLogic, the city recorded the highest preliminary clearance rate of the major markets at 57.1 per cent – a number up from the corresponding week last year.

Nevertheless, there's disruption to regular auction programming expected over coming weeks.

CoreLogic national auction commentator Kevin Brogan was quoted in *The Australian*: "After Easter we do see it taking two or three weeks to get back into that rhythm, but with the federal election coming up we should expect

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this market interruption will likely continue until after May 18."

Final thought

If you're a property owner who at some stage will look to upgrade or downsize, whether you plan to be in the market now or in 12 months' time, the current conditions provide some common ground for everyone: it's the ideal time to plan your next move.

The variables we know about. But whether there's a rate cut or not, and whether the Coalition or Labor forms Government, there are some fundamentals at play that demand the attention of everyone planning on being active in the real estate market in the next few years.

Finance is cost efficient at present. It will remain so for the foreseeable future. Prices are either near or at the bottom of the cycle. It might take some time but they will inevitably rise.

That's because demand remains strong. More people needing more roofs over their heads. Investments in infrastructure are playing out. This means more jobs, providing greater means for those people looking for homes.

The current market is a rare opportunity for people to take a clean slate view of their future real estate needs, unimpeded by unsustainable price booms, well-funded foreign purchasers, speculative investors and other variables that can muddy the waters.

Look around your place. Do you still plan to be living there in two, five or ten years' time? Unless the answer is a definitive 'yes', you need to speak to an experienced local agent now.