

The Real Estate Wrap

With Leanne Pilkington

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Morrison's miracle a market win

Well, that was a surprise.

As pollsters who had tipped a Labor win question the merits of their models, as of Monday morning newsrooms are reporting that the Morrison Government will be able to form a majority in the lower house.

Perhaps more than small business and even climate change, housing emerged as the major issue to which voters attached their allegiance. It's clear that Labor's negative gearing and capital gains reforms did not resonate with the electorate in the way Shorten had hoped. Perhaps ScoMo got the timing of his first home buyer savings scheme just right.

Either way, the ALP's internal machine will no doubt delve to a forensic level to understand what went wrong. But for most people working in the real estate industry, and those with a keen interest in it, the explanation is potentially much simpler.

Tinkering with the way property is taxed is a dangerous business politically, especially when the impacts of such tinkering can never be truly predicted. This rule of thumb is probably more apparent in times when the market is facing challenges and consumer confidence on a whole is subdued.

For what it's worth, the industry largely welcomes a return of a Coalition Government. There was significant skepticism as to what the removal of negative gearing would do to demand for established properties, and the flow-on impact on values was cause for concern.

Now, investors have clarity and with this should come greater confidence. The fundamentals for first home buyers remain strong. For upgraders and downsizers, the bottom of the cycle is often the best time to act.

And now, with the election out of the way, that time has arrived.

Auction watch: the path has now been cleared

Plenty of democracy sausages but not much auction action around local suburbs over the weekend. This was always expected and with the election now over, the path is clear for vendors and agents to implement plans and for buyers to start circling dates on their calendars.

CoreLogic reports there were 270 properties taken to auction in Sydney last week with a 60.7 per cent preliminary clearance rate recorded. In a sign of resilience, Sydney's final clearance rate has settled in the high 50 per cent range over the last two weeks so it will be interesting to see if this latest preliminary result holds up as more results flow in.

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Final thought

The views of property industry leaders and associations including the Property Council seem to be unified in terms of what the Coalition's victory means for residential housing.

The Australian Financial Review summed it up thus: "the residential market would enjoy an earlier and higher trough after the Federal election result lifted uncertainty about tax policies."

In recent weeks, even as the prospect of a Labor Government seemed likely, reports began surfacing that the bottom of the cycle was just around the corner, and that prices would soon turn up once more. Now, the market has cause for optimism that a recovery in house prices will soon be a reality.

If we accept this premise, what does it mean for buyers? There's a view that it could introduce some pressure for them to act. Low rates and low prices are two major advantages buyers currently enjoy. Invariably one, and then both, will rise.

This shift may be the green light that vendors who have been weighing up a sale have been waiting for. All of a sudden, that bank of motivated buyers has just received an extra shot of motivation. And in terms of buying back into the market, the fundamentals remain pretty strong.

The scene is set for a pick up in transactions, and it's those who act wisely at the bottom of an investment cycle who often come out on top.

