

The Real Estate Wrap

With Leanne Pilkington

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Buyer's market declared

Over the last few weeks those of us working in real estate have increasingly suspected that the price decline cycle was nearing its end. Cautious optimism began to permeate the market.

Now, there are signals emerging to indicate such optimism is justified.

The election was the great unknown and it's since been resolved. While interest rate falls are an economic concern, from a property perspective, the Reserve Bank Governor's flagging of a potential rate cut next week will be welcomed by mortgagees and new borrowers.

Elsewhere, the Australian Prudential Regulation Authority (APRA) moved to relax the requirement for new mortgage customers to be assessed on their ability to manage repayments based on a 7.25 per cent interest rate.

Dr Shane Oliver, Head of Investment Strategy and Chief Economist AMP Capital, put it thus: "This was inevitable given APRA's move to focus on more fundamental credit standards and 7 per cent is way out of whack with current interest rates."

Infrastructure spending and population growth add to the positive picture, the potential for a rise in unemployment sits on the negative side. But on balance, while a property boom remains a distant prospect, a return to market stabilisation in the near term is a distinct and welcome possibility.

These factors have seen bodies such as the Real Estate Institute of NSW declare it a 'buyers' market'.

According to the REINSW, the majority of markets across Sydney and NSW have experienced falls in prices or remained flat across the first quarter of 2019. With both the NSW and federal elections now decided, the REINSW says it creates an ideal set of conditions for those looking to purchase.

"With the elections now over, we have stability at a government level, together with the lowest property prices the state has seen for a very long time," REINSW CEO Tim McKibbin said this week. "If anyone is looking for a 'go' signal, it would have to be now."

Whether buyers return quickly en masse or whether it's a slow burn remains to be seen. Either way, rising demand is a key ingredient in a property market recovery. It's also cause for optimism.

Clearance rates: all numbers up

What a difference a week makes. Nationally, more than double the number of auctions were held last week compared to the week before. CoreLogic research says in Sydney, there were 697 auctions held with a preliminary clearance rate of 69.9 per cent recorded. A pretty impressive figure that could see the final rate hold above 60 per cent. In the corresponding week in 2018, 814 auctions were held across Sydney with a clearance rate of 56.1 per cent.

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Final thought

Let's accept for a moment the sentiment that suggests that we have now genuinely entered a buyers' market. And let's face it, when it comes to real estate, sentiment is often self-fulfilling, becoming reality. The question for anyone looking to buy or sell property is 'what should I do now?'

In a buyers' market, those on the hunt for property have greater options. But vendors do too. The mass mobilisation of purchasers unlocks opportunities across the board. How people act now will determine their success down the track.

Some vendors will resolve to list their property as soon as spring rolls around. But will they experience greater competition by doing so? Some will kickstart their renovation plans with a view to a future sale. But will prices rise quickly enough to recoup the cost of a large-scale renovation?

Some owner-occupiers will embark on a property investment journey, with the certainty around negative gearing ensuring established properties remain just as attractive as an investment as new development supply, depending of course on all the usual fundamentals.

Either way, whether you're a vendor now or plan to be in the future, it's decision time. And any decision should only be made after careful consideration of all the factors at play, with the help and advice of an expert. In this case, that's your experienced local real estate agent.

