The Real Estate Wrap

With Leanne Pilkington

President of the REINSW
Managing Director, Laing+Simmons Corporation

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First home buyers out in force

We've been told in recent weeks that residential real estate has shifted to become a buyers' market.

Over the past week and long weekend, there's evidence to suggest that it's first home buyers in particular that are emerging in greater numbers.

A decline in prices is typically what it takes to pique the interest of first home buyers. At the moment, lower interest rates and easier access to finance can provide the momentum for them to act.

Domain data released last week shows the number of first home buyers securing finance increased 5 per cent in the year ending in April, with declining prices cited as the single biggest factor helping them enter the market.

"When the market is coming down, investors lose interest, downsizers don't want to sell and therefore won't go to buy a new property ... so a downswing is the perfect time for a first home buyer to be more successful," Domain research analyst Eliza Owen said.

But, as ever, it's not as simple as this. Already, there are reports that first home buyers are being squeezed out.

This from *The Sydney Morning Herald* over the weekend: "A historic interest rate cut and potentially larger borrowing power may herald easier conditions for first home buyers to get a foot onto the property ladder....But some already feel they are being edged out, with reports of increased competition."

Affordability remains a challenge for first home buyers and, despite buying conditions being the best they've been for some time for this segment, a mortgage is still a major undertaking that will account for the bulk of most people's wage.

The added competition of other buyer segments mobilising in numbers is a threat to their ability to make a play. Of course, for vendors, it's a win.

Clearance rates: long weekend

Auctioneers took a breather over the long weekend. Though bidding across Sydney was spirited, the number of auctions was down on recent weeks and so was the clearance rate.

According to CoreLogic, there were 310 auctions held in Sydney last week with a preliminary clearance rate of 62.8 per cent reported. This compares to 674 auctions the week before.

We'd expect the final rate to drop under 60 per cent in what is effectively a blip on the radar of the recent trend, easily explained by people going away with the extra day off.

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Final thought

Those of us in the real estate industry are, quite rightly, excluded from being able to provide people with financial advice. Our specialty is property and at Laing+Simmons, it's local property.

So this week's final thought is not us telling you what you should do with your money. It's us telling you that, if your financier didn't pass on the full 25 basis point interest rate cut last week – and most didn't – that you should perhaps re-evaluate the relationship you have with your bank.

After the Reserve Bank announced its decision last week, ANZ came out first with the news that it would drop rates, but not by the full 0.25 per cent. Others followed, in spite of the Treasurer labelling such a move greedy.

The point is, interest rates have now dropped to a new historical low. They could go lower again in coming months. It's a sign of uncertainty in the broader economy. If you are indebted to a bank, you're doing them a favour. You deserve the most competitive rate possible. And we all deserved the full cut to be passed on.

Every mortgage holder should, as a matter of course, frequently crunch the numbers and investigate other options that could save them time and money off their loans. Last week's announcements from the different financial institutions should be the catalyst to re-crunch those numbers again.