

The Real Estate Wrap

With Leanne Pilkington

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Momentum matters

In a 'normal' year - one without a state election, a surprise Federal result, a historic new interest rate low and other atypical factors at play - this is the time when the real estate market experiences a winter slowdown.

But, with the elections now behind us, it's worth asking whether circumstances are really that different in 2019? Or to put it another way, what is a 'normal' year?

Auction clearance rates in Sydney are encouraging. Lower property prices persist but the bottom has not fallen out of the market, and the consensus seems to be that the price decline cycle is either at, or near, its end. First home buyers are re-emerging. Some institutions have declared it a buyers' market.

Yes, we are in the grips of winter and yes, the volume of real estate transactions is low. But the reasons above are cause for optimism. They provide momentum.

An upward turn in the property market cycle will take some time. We're not talking about a recovery (read: growth) in house prices yet. But we are talking about stabilisation in the market. And there's evidence to suggest this can happen soon.

So, the quieter winter months, this time around, are underpinned by a growing confidence in real estate. Perhaps this year is actually rather 'normal' after all.

Clearance rates: Sydney outperforms again

Sydney recorded a 74.7 per cent preliminary clearance rate across 522 auctions last week as the city once again outperformed the other major markets. In its post-auction commentary, CoreLogic said "Even after we see the usual downwards revision over the week it's looking like this week will be the most successful result the city has seen since at least April last year, or possibly longer."

Others, too, see the glass as half-full. Domain economist Trent Wiltshire said the strong preliminary result is a sign the market is beginning to improve. He's confident winter will see a pick-up in activity, although "it won't be a huge turnaround."

"Even though there is more buyer interest, this takes a while to translate into more sales as buyers need to apply for a home loan and search for a property," he said over the weekend.

So, it's as expected. And it's positive news which continues the momentum towards market stabilisation.

Final thought

Awful news on Friday last week for the residents and owners of apartments in the Mascot Towers

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building in Sydney. Like those affected by the Opal Tower disaster in Olympic Park, the need for an evacuation had the immediate effect of causing panic and concern for loved ones. Then, after a deep breath, the concern turned to the possibility of lost homes, investments and security.

This latest example of a high-rise failure reinforces the importance of choosing the right property. Certainly, we are not suggesting apartment owners in Mascot Towers or Opal Tower are to blame. They are the victims of a breakdown in the system. Reform is underway. But as these people fight to protect what's theirs, the rest of us should ask, what can I learn from what's happened?

If you're a potential buyer in an off-the-plan development, you already know the importance of due diligence. It's about doing the right research. The track record of the builder, developer, engineer, architect and other project partners. The materials being used, from the base building to the finer points of the fitout. The suitability of the project, in terms of aspect, amenity and its environmental features, relative to the site.

These can be hard questions to answer. It's best to engage with a project marketing specialist with experience in development. They should be able to tell you which projects are expected to stand the test of time, in terms of building quality, investment security and capital growth.

If you're a vendor of a high-rise apartment, incidents like those at Mascot Towers are most unwelcome. But such incidents are also a rarity, and every property has its selling points. The Sydney apartment market is moving through its supply cycle and soon, the underlying lack of supply will again bubble to the surface.

The good news is, yours is an apartment that is already in demand. As we move through the cycle, this demand will increase. Talking to an agent experienced at the local level today is the best preparation for a sale tomorrow.

