

The Real Estate Wrap

With Leanne Pilkington

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Downturns and upsides

It's been called a buyers' market. By Tuesday afternoon, it may be even more so.

The Reserve Bank is better than even money to issue another rate cut this week, taking the official cash rate down to just 1 per cent. How much the banks pass on is another story, but either way the cost of borrowing looks set to go lower.

Combined with an ease in lending restrictions and soft house prices, cheaper finance makes it a clear case of a buyers' market, right?

Not strictly speaking. There's growing evidence to suggest that the end of the price decline cycle is around the corner. The bottom of any asset class, including housing, is where the biggest upside invariably lies. If that's where we are, it's not just buyers but vendors too who should be paying attention.

For instance, clearance rates, particularly in Sydney, continue their strong run. Domain economist Trent Wiltshire said in *The Sydney Morning Herald* this past weekend that the impressive clearance rate is a clear sign that Sydney's housing market is turning around.

He is specific: "Domain is forecasting prices to bottom out in spring, with modest price growth of about 2 per cent for Sydney over the next six months, then stronger growth of around 3-4 per cent in 2020," Mr Wiltshire was quoted as saying.

Now, CoreLogic's June home value index shows Sydney house prices edged up 0.1 per cent last month. It's a long way from the peak but an increase is nevertheless significant.

There are challenges in the broader economy, no doubt. But if you're in secure employment, whether you're a buyer or seller, the current market presents an array of opportunities. And if it's true that we're at the bottom of the price cycle, and if history is a guide, those who make a property play in the near term will likely be rewarded down the track.

First home buyers can enter the market at the opportune time. Upgraders can secure a future home without over-extending. Downsizers can calculate their future needs without assigning a premium to a property purchase.

And vendors can re-set their property plans at a time when the future upside is at its greatest. It's not a market solely for buyers.

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Clearance rates: strong run continues

Can we now call it a trend? It was another strong showing from Sydney's auction market last week with CoreLogic data reporting a 72 per cent preliminary clearance rate from 503 auctions held. Volumes were down on the 558 auctions held the week prior, but the figure is nonetheless a standout.

Final thought

If we are indeed at the bottom of the housing market, it's obviously good news for real estate agents. However, if there is a positive to take out of the price drops for consumers, it's that the downturn has succeeded in weeding out some of the agents who never belonged in real estate to begin with.

The housing boom saw huge growth in the number of people working in the industry. When property sells itself, the onus on the agent to add tangible value is jeopardised. Unskilled agents could still enjoy success.

No more. Never has the value of an experienced local agent been more important. They know the process that works for them, in good and bad times for the market, and this is the time to stick to it.

If you're looking to sell either now or in the future, it's not only critical to engage a local agent with real expertise and a strong track record in the local area, it's also critical to listen to their advice.

The bottom of the market is where the most fruitful opportunities lie. Best to speak to someone who has experienced a previous market downturn and who has survived to tell the tale.

