

The Real Estate Wrap

With Leanne Pilkington

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The forgotten issue: affordability

There's a good chance we've reached the bottom of the housing market and as the saying goes, the only way is up.

Of course, it's never that simple and "up" may be some way off. As we've emphasised recently, stabilisation is what we should be hoping for in the short term.

The numbers suggest we're there. The CoreLogic Hedonic Home Value Index for July says the market has turned around. Sydney property values showed a subtle rise for the month. Lower mortgage rates, improved access to credit, a boost in housing market confidence fueled by ScoMo's win and recent tax cuts are the likely reasons.

For what it's worth, we think the Reserve Bank will hold fire tomorrow and leave itself some wriggle room for a possible cut, or cuts, in the months ahead. The previous two have yet to wash through the system; their effects not yet fully felt.

Irrespective of whether there are further cuts on the horizon, the market's current momentum suggests that property, right now, is about as affordable as it's going to get. Buyers can secure genuine value and vendors have reason to be confident. There are positives on both sides.

But what about those people who are still trying to crack the market? Many first home buyers seized on the recent decline in prices to make their play. Good for them. Yet there are many others who had similar ambitions but, perhaps due to finance restrictions or even the lack of available options, remain stuck in the rental cycle.

These would-be buyers haven't necessarily missed the boat. Nor can they afford to wait much longer. Housing affordability was a dominant topic during the boom and though it was usurped in the headlines by the correction in pricing, the underlying issue was always present.

Breaking into the market is tough. Cost of living pressures make accumulating a deposit difficult and burdens like stamp duty represent a barrier many struggle to overcome. As the market swings and price growth returns, which it invariably will at some point, it will be critical for Governments at all levels to remember that housing affordability is still a huge issue for Australians.

Clearance rates: on trend

Last week was a similar story to the week before for Sydney's auction market. Both the volume of properties offered and the preliminary clearance rate achieved were on par.

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CoreLogic numbers show that there were 381 homes taken to auction in Sydney last week, returning a preliminary clearance rate of 74.8 per cent. Again, we'd expect the final result to settle around the 70 per cent mark, perhaps just under, which is nonetheless a great result.

Final thought

If it's true that pent-up demand from first home buyers is bubbling away in the market, and that a flattening in prices may spur more of these people into action, it's worth considering what it means for vendors.

Generally speaking, first home buyers want value for money. Many realise that the house of their dreams is perhaps their second or third home. A first property is a stepping stone, not a final landing spot.

If your property has the potential to appeal to first home buyers, this should influence the marketing campaign. As well as the home's features, and the community's attractions, the marketing strategy should also convey to buyers that the property offers value for money.

An experienced local agent is your best resource here. They will be able to offer the necessary perspective. In the market context, agents can draw on historical capital growth in your postcode, proximity to essential services, transport connections, infrastructure investment and other factors that support the long-term performance of the property.

In the home itself, value can come in the form of the materials used, the flexibility of space on offer, the renovations completed, the potential for new work to enhance value, and more.

The concept of value can be both quantitative and qualitative. Either way, it should be clearly communicated in your campaign.

