

# The Real Estate Wrap

## With Leanne Pilkington

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### The flight to value

Often in property circles, you'll hear market commentators talk about a flight to quality. The concept is simple: when conditions are uncertain, an investment in quality real estate is the best and safest course of action. So much so that all investors start seeking out quality as a priority.

In the current climate, while quality properties are most definitely in demand, we're seeing a flight to value.

Buyers are seeking value in terms of both what they're willing to pay for property, and what they're willing to pay in finance costs to buy property. They are keen and willing to transact so long as the numbers stack up.

For vendors, this provides a clear course of action. Work with an experienced local agent to come up with a good campaign underpinned by a reasonable – not discounted – asking price, and all the signs suggest you'll generate a good amount of interest.

For lenders, the picture is also clear, though you could argue the majors are making it difficult for themselves.

In a story last week on the current perspective of mortgage brokers, *The Australian Financial Review* reported "First-time property investors are driving a surge in home loan approvals, lured into the market by low interest rates and loosening credit rules, particularly from smaller lenders."

First home buyers are active, upgraders and downsizers likewise, and now we have a new wave of investors mobilising.

With interest rates at their lowest historical level, this point should be instructive for the major banks, which chose not to pass on the most recent interest rate cut in full.

Treasurer Josh Frydenberg has now increased the pressure on the banks to pass on future interest rate cuts to mortgage holders, with the Government initiating an ACCC inquiry to investigate the banking sector's conduct on pricing. It will consider whether the banks are actually penalising those customers who remain loyal.

Even asking the question is a pretty damning indictment on what the Government thinks of the major banks' conduct. Whether the banks care what the Government thinks is another matter entirely.

But they will care if customers start investigating cheaper options from smaller lenders in greater

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numbers. And given the appetite among buyers to seek our well-priced property at the moment, for those smaller lenders, the time is right to target some of the majors' market share.

### Clearance rates: action aplenty

Lots of people and plenty of bidders flooded Sydney auctions over the weekend. As *Domain* put it, it was all about securing "a pre-Christmas move-in date". The continuing confidence in the market has been given a clear boost by recent interest rate cuts, even if they weren't the full 25 basis points.

According to CoreLogic, the preliminary clearance rate in Sydney rose to 82.3 per cent last week, a strong result seemingly unaffected by the fact volumes more than doubled over the previous grand final weekend. There were 729 homes taken to auction across Sydney last week compared to 317 the week before. While the final result will be revised down as more results come in, it was nonetheless another outstanding result.

"The big story is we've seen the market tested with increased supply and haven't seen clearance rates wavering at all," CoreLogic's Kevin Brogan said.

It goes to show the strength of demand in the lead-up to Christmas and should really put vendors on notice that now might be the ideal time to list.

### Final thought

With demand for real estate seemingly ramping up as we roll on to the end of the year, it seems every available listing is attracting strong interest.

It's true that most are. But it's not a foregone conclusion. Recent stories of price growth may tempt vendors to overplay their hand and raise their asking prices to an unjustifiable level.

Instead of getting you the best result, such a move will typically limit the appeal of your property. It will shrink the pool of buyers interested in it.

Now is the time to seek the advice of an experienced local agent and set a fair price that will attract a larger buyer pool. Then you can let the competition among buyers for your property do the heavy lifting in terms of seeing the best price achieved.

