The Real Estate Wrap

With Leanne Pilkington

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Mercury rising

The Reserve Bank meets tomorrow ahead of the race that stops the nation and most punters believe that, while another interest rate cut may be on the cards in the future, last month's cut will suffice for now.

It's becoming less clear what interest rate cuts mean anyway. More and more economic think-pieces are emerging which question the impacts of fiscal policy and whether lowering interest rates is solving problems or actually creating them.

Senior business columnist at Fairfax, Stephen Bartholomeusz, during the week pondered whether low rates solve low growth or cause it? His point being, that more business doesn't necessarily get done in "an ultra-low interest rate environment" if stock exchanges "are concerned about the shrinking pools of listed companies."

As is often the case, perhaps the broad economic impacts of the most recent round of interest rate cuts will be best understood with hindsight. From a real estate perspective, however, the impacts are rather obvious.

House prices in Sydney are rising. Last week, CoreLogic released its latest Home Value Index which showed that nationally, prices rose 1.2 per cent during October, the fourth consecutive month of rises.

Sydney prices were up 1.7 per cent to lead the way with Melbourne (up 2.3 per cent), a result CoreLogic research director Tim Lawless put down in part to "the stimulatory effect of the lowest mortgage rates since the 1950s."

While the economy on a whole continues to walk the tightrope, 2019 will go down as a year when residential real estate flexed its muscle as an investment class. Whether another interest rate cut will have any further bearing on this view is perhaps beside the point.

Clearance rates: steadily strong

CoreLogic recorded a preliminary auction clearance rate of 79.4 per cent across 832 auctions held in Sydney last week, which should settle in a similar spot to the final clearance rate recorded for the week prior of 74.3 per cent. Another week of impressive results.

Final thought

If your home has first home buyer appeal, time may be running out for you to tap into that market.

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That's because house prices, having now seemingly turned the corner, are on the way back up. As a general rule, those who have purchased property before will be in a stronger position to purchase again.

Unfortunately, some first home buyers will have that all-too-familiar feeling of being priced out of the market. Especially as properties they're interested in rise above the price points that trigger first home owners grants and stamp duty concessions.

There are other reasons that the market may be swinging against first home buyers. Low interest rates may mean finance is more affordable for a property purchase, but this again favours those with property, as low rates make it harder for people to save that first deposit.

Of course, no property can be viewed strictly as first home buyer stock, nor the sole domain of any other buyer category, for that matter. But properties that would in the current climate attract the interest of first home buyers may not do so for long if prices rise beyond their capacity and other buyers leverage their advantage.

The Sydney Morning Herald highlighted the auction of a Cronulla apartment over the weekend whereby a cashed-up "apartment hopper" out-bid hopeful first home buyers by exceeding the reserve by a substantial $157,000. It could be a sign of things to come.

Once first home buyers take a step back, demand for all those properties that fall into the category broadly defined as "first home buyer stock" diminishes to an extent.

If your property fits this category, now's the time to speak to an experienced local agent. It may not be purchased by a first home buyer, but the fact they're interested in it will hold you in good stead.