The Real Estate Wrap
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New decade, new challenges, new opportunities

A mindset of cautious optimism seems appropriate as we kick off a new year and new decade in real estate.

The summer selling season is now returning to full swing, as evidenced by the pick up in the number of homes offered under the hammer on the weekend just passed. There'll be more going to auction this Saturday.

How long the supply tap is turned on is up for debate. We expect the market to resume this year in the same way it ended last – with positive levels of activity and good prices secured.

It will be interesting to see if activity levels can continue once the warmer months subside. Certainly the pool of buyers looking for property is not shrinking.

The Reserve Bank meets for the first time this year tomorrow and there's a chance rates could drop again. For those on variable rate mortgages, irrespective of what happens tomorrow and later this year, the low interest rate pattern we've been in for the past few years is set to continue for a few more.

For what it's worth, we think the RBA will leave rates on hold. It's running out of wiggle room on the rate front. Another 25-basis point cut would take the official cash rate down to 0.5 per cent and given some banks have dropped their own rates independently in recent times, the RBA may be able to stay put for the time being.

But if it's not now, some commentators believe it's a matter of when. The unemployment rate is key. The RBA has openly stated its objective to see this rate lowered to 4.5 per cent for inflation to pick up once again.

Professor of economics at UNSW, Richard Holden, wrote in *The Australian Financial Review* last week that "the best hope of achieving this is to cut rates once more. Measured against these objectives, the cuts in the last half of 2019 have been showing promise."

Employment figures will also be a key driver for housing this year. Demand for available homes is strong and so long as people have jobs, this will continue. There's still an under supply of available homes which should keep prices buoyant and give vendors confidence.

Auction season resumes

Domain reports there were 138 homes offered under the hammer across Sydney last week with an impressive clearance rate of 77 per cent, a drastic increase compared to 49 per cent this time last year

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when auction season resumed.

In addition to the increasing auction clearance rates highlighted by Domain, CoreLogic also put Sydney the best performing capital city over the three months to January 2020, with a 5.6 per cent increase in housing values.

Last month, CoreLogic reported that the December 2019 quarter delivered a significant increase in clearance rates and higher auction volumes across the capital cities. In Sydney, we're talking a 74.9 per cent clearance rate from 9,546 auctions.

During the quarter, CoreLogic data shows Sydney prices rose 6.2 per cent, capping off the year's recovery in a strong way. It sets the scene for a positive start to the new year but, as ever, there are some caveats.

Broader economic challenges remain, global uncertainty persists, the ramifications of a devastating bushfire season are yet to be fully felt and now we are dealing with a global virus outbreak that will have flow-on impacts to many industries, most notably the tourism dollar.

The housing market shift in 2019 saw the price decline cycle stop, stabilise and rebound to a place where growth is now a strong possibility. Just don't expect a sharp spike in the short term.

Final thought

This early on in the new year it's difficult to say whether it's a buyer's market or a seller's market. It doesn't really matter in the context of your own individual circumstances.

We mentioned earlier the potential for new listings to ease once summer ends. There's no definite reason that this should occur, but history suggests it might.

It will pique the interest of savvy vendors. Fewer homes on the market at a time when rates are low, employment levels – all things considered – are relatively strong and buyer demand is robust, means a good result is well within reach.

But properties are not selling themselves at the moment. Vendors must demonstrate value. And, in markets like this, the value of an experienced local agent comes to the fore.