

The Real Estate Wrap

With Leanne Pilkington

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From bust to boom

Residential real estate again rose to the occasion but was perhaps outdone by rhetoric last week.

The Sydney Morning Herald economics writer Jessica Irvine invariably makes a lot sense. But even so, this reference caught us by surprise: "Australia's sleeping property giant...continued its rampage this year, with home prices now poised to topple previous records within months."

"From property bust to boom, the national conversation must now inevitably swing back to concerns about housing affordability," Irvine wrote.

Are we really talking booms again so soon? Pure numbers suggest we might. And affordability remains a concern for many buyers. Still, to think the turnaround can be so complete, so quickly, seems a little too good to be true.

Once summer subsides and listings level out, we still think 2020 will be characterised by more sustainable price growth.

Of course, those who read the Irvine piece know it was much more targeted and, in this respect, it hit the nail on the head.

Stamp duty. A tax that has truly run its course. A major barrier for a multitude of buyers. Discouraging downsizers, frustrating first home buyers and eating away at everyone in between.

Irvine calls for a land tax. It's not a new idea. Switching stamp duty for a broad-based land tax has merit but whenever a new tax is introduced, Government has a habit of tinkering with it. Raising it.

Maybe this latest round of stamp duty rhetoric will again be confined to yesterday's news like so many times before. But ideas that won't go away have longevity for a reason.

Perhaps these ideas make sense, perhaps people believe in them, perhaps our economy would benefit from them. Perhaps it's all of the above.

Auction watch: action stations

Across Sydney, auctions are drawing big crowds, plenty of registered bidders and intense competition when the action starts. Reserves are being smashed. It can't continue at this pace all year but right now, homes offered under the hammer are delivering a windfall for vendors.

In Sydney, CoreLogic reports there were 578 auctions held last week, up about 100 from the week before, with a preliminary clearance rate of 80.3 per cent achieved.

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Anything over 80 per cent is a result to be reckoned though Canberra was the outlier this week, recording a clearance rate just over 90 per cent.

Final thought

Last week, the Reserve Bank again sounded the alarm bell over high levels of household debt. If debt continues to climb, it ventured, we could see interest rates set low for decades.

There's no doubt that families - and mortgagees - are feeling the pinch of the rising cost of living combined with little to no wage growth.

Those who over-extended themselves to fund a property purchase are no doubt under pressure. But over-extending oneself leaves no room for any other alternative.

For most, the cost of living is not being exacerbated by repayments alone. Finance is cheap at the moment and for people several years into a mortgage, it has probably gotten cheaper over the course.

Consider the potential here: low interest rates *for decades*. It's feasible that a property purchase now might mean an entire mortgage period of historically low rates. If it pans out, it would be an unmatched financial advantage for a generation of people to tap into.

It's speculation to the extreme but it also explains why buyers in the current climate are so keen. As for vendors, real confidence is warranted.

