The Real Estate Wrap

With Leanne Pilkington

President of the REINSW
Managing Director, Laing+Simmons Corporation

Published 2nd March 2020

Summer signs off

In the background of other more pressing and troubling news was another week of outperformance by residential real estate.

What began in mid-2019 as a sooner-than-expected recovery blossomed over spring and summer into a boom-like resurrection.

Is the speed of this recovery sustainable as the cooler months arrive? Time will tell. Some vendors have the tendency to postpone campaigns once the peak season ends. And there are broader concerns at play.

We think rates will remain on hold tomorrow but the economic impacts of various macro events may force the Reserve Bank's hand in coming months. The bushfires took a significant toll on many fronts, including economically, and at this stage no-one knows how big a toll coronavirus will take.

But another interest rate cut in the scheme of things is unlikely to generate much of an impact anyway. For many people, even some mortgage holders, a rate cut represents bad news at this juncture. The banks, never ones to miss a trick, have already moved to reduce their interest rates on savings accounts in recent times anyway.

And while the cost of borrowing may have decreased in recent times, the would-be silver lining of improved affordability in the housing market appears to have fallen by the wayside. The impact has been an unexpectedly sharp return to price growth.

This from *The Sydney Morning Herald*, quoting Grattan Institute research fellow Brendan Coates, over the weekend: "We're seeing a growing divide once again between the housing haves and have nots, especially in Sydney. Home owners' wealth has surged again recently due to rising house prices... Younger people and those with lower incomes who have missed out on buying a house are again being left behind."

It appears the buyers' market was short-lived. AMP announced last week its expectation that national home prices will increase by around 10 per cent in 2020.

But, to date, the areas where the price rebound has been most pronounced are largely blue-chip suburbs which are unlikely to be the domain of first home buyers anyway. The buyers' market may have come and gone – quickly – but there is still value for money on offer in established and emerging suburbs where premiums aren't attached.

Vendors need to remain realistic even though they appear to be holding the best hand.

Continued on next page...

President of the REINSW
Managing Director, Laing+Simmons Corporation

Published 2nd March 2020

Continued from previous page...

Auction watch: another 80-plus result

CoreLogic numbers showed both volumes and clearance rates were up on the prior week's impressive result, as Sydney's auction market delivered again.

From 1,045 auctions across the city, a preliminary clearance rate of 81.4 per cent was recorded to put an exclamation point on the end of summer.

Final thought

The summer selling season has ended and autumn is upon us. The market is facing a test: can the spike in recent listings, albeit from a low base, be maintained now that what is traditionally the busiest selling period of the year is over?

If you're weighing up a sale, perhaps the best advice is to forget what season it is. After all, do you think the many interested buyers out there will simply abandon their plans now that the calendar has ticked over?

Buyers won't abandon their plans but many vendors will. Many will succumb to the temptation of hibernating over autumn and winter then hoping spring will bring them greater riches.

Prices may well have increased more by then. This means that vendors will have to spend more to buy back into the market. It also means that, as ever, there will be more competition among vendors to find a buyer.

Right now, committed vendors are facing somewhat of a perfect storm: a prevailing undersupply of housing and a large, active pool of buyers in an environment of rising prices – with the potential for competition to actually decrease on account of the seasonal change.

Now is the time to pick up the phone to an experienced local agent, because other vendors might be putting it down.