

The Real Estate Wrap

With Leanne Pilkington

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Resilience amid turmoil

The coronavirus has impacted and will continue to impact every facet of the economy. Real estate is not immune to the effects but if the fundamentals are generally sound, which they remain, the capacity for bricks and mortar to weather the economic storm is increased.

Housing transaction activity has taken a blow in recent days but the demand is still there, quality properties are still attracting good prices, and deals are still getting done. A strong clearance rate proves the point.

It's foolish to look too far ahead at this stage. What the immediate future holds is unclear. Live-streamed auctions might become the norm. It may not be unusual for buyers to proceed sight-unseen. Perhaps this is the opportunity for virtual reality inspections to really make their mark.

In these uncertain times, it's prudent to revert to what the data is telling us.

Last week we flagged renewed affordability concerns for first home buyers as existing property owners and mortgage holders with the advantage of equity were outbidding those looking to make their first property play.

But something is keeping first home buyers interested - and active.

ABS statistics released during the week showed first home buyers have returned to the housing market at the fastest pace in 10 years. Nationally, the value of new home loans granted to first home buyers was \$4.19 billion in January, a 46.2 per cent jump compared to a year earlier.

Falling interest rates have no doubt played a part in the strong uptake. Incentives, too. There are stamp duty exemptions and concessions for lower-priced properties in NSW as well as the federal government scheme to help first-timers secure modestly priced homes with a 5 per cent deposit.

But it's no surprise that the first home buyer rebound was most pronounced in the ACT where a full stamp duty exemption applies if their annual household income is less than \$160,000.

Then there's FOMO. "First home buyers have been trying to get into the market before prices rose too far, particularly in Sydney and Melbourne," was Domain economist Trent Wiltshire's take.

Then he offered this subsequent warning: "But the first home buyer activity also has the effect of pushing up prices as well. In that sense, the First Home Loan Deposit Scheme is not well timed, as it will contribute to price rises at the lower end of the market."

Nevertheless, for now, first home buyers remain willing to test the waters. It's good news for vendors at

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a time when good news is in short supply.

Auction watch: crowds ease but results remain strong

It's no surprise more people are choosing to stay at home at the moment. It's obvious to anyone out and about in their local community. It's a bit of a ghost town.

But at auctions around Sydney, crowds were only slightly down and though clearance rates eased a little, the hammer still fell on some impressive sales after some competitive bidding.

Nationally, according to CoreLogic, the preliminary result for the weekend's auctions was a clearance rate just above 70 per cent.

In this respect, Sydney outperformed again to record a preliminary clearance rate of 74.6 per cent from 749 auctions, up from 54.2 per cent for the corresponding week last year. There's that resilience in action.

Final thought

The global situation is fluid. It's everyone's business because it's affecting us all. Your job, your super, your shopping list, changes to school routines, day care closures...it's likely that change is coming no matter what your situation. We can only hope it's temporary.

It's not our place to talk about the health impacts here. That's not our domain. The only thought we can offer is to echo what the medical fraternity tells us: look out for the symptoms, practise good hygiene and take care.

If you're a vendor, how the global situation translates to your local community is perhaps playing on your mind as well. Normally we'd say drop into your local real estate office to discuss the fall out. During this time, you might feel more comfortable making a phone call instead.

Do so. Perspective is important at times like this and perhaps that might be achieved by carrying on with the things still within our control. Like maximising the value of your most valuable asset. In collaboration with an experienced local agent, of course.

