The Real Estate Wrap

With Leanne Pilkington

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The new normal

Another worrying week for the world and another reminder of the comfort that property can provide.

Despite the impositions, however necessary, of measures like social distancing, there are still active buyers in the marketplace and vendors willing to transact at marks at or near their asking prices.

But it's a day-to-day proposition at this point. People still view bricks and mortar as a safe space but when inertia is so openly encouraged, the effects will invariably take hold.

CoreLogic research principal Eliza Owen said last week that property is well placed to hold value compared to other asset classes given its "illiquidity". It's not subject to the same volatility as the sharemarket. But a recession will undoubtedly have an impact.

Rates went down again last week in a desperate but necessary move by the RBA. These are unprecedented times and any business that consumers are willing to engage in, whether it's buying a household appliance or buying a house, is welcome news to a floundering economy.

Interestingly, in one of the most seismic announcements we've seen by the major banks ever, mortgage customers who find themselves in undue stress to make their repayments are now able to apply for a six-month 'loan holiday' on their mortgage.

So even the banks recognise that any business – especially their existing business – is worth a sacrifice to keep.

What does it all mean if you're thinking of selling?

Whether vendors are wise to proceed with their sale plans depends on their individual circumstances. A coming lack of stock may provide new opportunities for vendors, given buyer demand is still evident. But we can expect buyers who are in the market to drive a harder bargain.

Hindsight may view this period in the cycle as the best time to have downsized. Or to have upgraded. The fact is, right now, it's impossible to say. It's day-to-day.

Clearance rates: a sense of urgency

All things considered, it was a busy week on the auction front. On the ground the situation was always going to be different though.

The Sydney Morning Herald described the eerie scenes thus: "Sparse auction crowds continued to gather on Saturday morning, wearing masks and standing metres apart from each other. Auctioneers ushered only serious bidders forward and asked spectators to keep their distance."

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According to CoreLogic, the weekend's action represented a "turning point in buyer and seller sentiment." Sydney recorded a preliminary clearance rate of 64.4 per cent from 923 auctions, with 13.5 per cent of Sydney auctions abandoned late due to coronavirus fears.

This down result compared to recent weeks was balanced by some strong results those properties that did sell. There were still many examples of reserves being surpassed, and vendors can still proceed with a degree of confidence.

Final thought

The new normal is yet to be defined. How coronavirus will affect the market is one thing, but how it will affect transactions is another.

In a practical sense, the way properties are marketed and shown by agents, and viewed by buyers, will likely change, perhaps temporarily, perhaps for good.

Good agents have more than one string to their bows. They should be able to draw on their database advantages and apply technology to expose your property to a wide audience, irrespective of the changed landscape for interactions.

But there is nevertheless the chance that some vendors will stay put given current circumstances. The seasonal change is probably less relevant this time around but a supply shortage in the near term is a reasonable expectation.

The lack of stock will mean fewer options to satisfy buyer demand and will play a part in propping up prices. Vendors who stay the course with their plans may end up thankful they did so.