

The Real Estate Wrap

With Leanne Pilkington

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Real estate: it's a cycle. Someone's always pedalling.

Next week is December, though in true retail style, the Christmas decorations have been up for some time.

But the countdown is nonetheless on and those in the market to buy property can be expected to keep a keen eye on opportunities until mid-December then, if they don't make a play, go quiet until the new year. For vendors, it pays to consider what these buyers are looking for now, and what they'll be looking for when 2019 gets underway.

We're hearing a lot about entry-level properties. Price matters. When evidence of softening prices began to emerge, it was speculated that first home buyers might re-emerge in greater numbers. To some extent, this has occurred. The new finance environment caused a shock to the system but the rules of engagement are now set. Banks will only lend to those people they deem good risks. We think first home buyers who can access finance will be increasingly active in the coming weeks - and more likely, months - as prices stabilise.

Where prices stabilise will be keenly discussed. The boom is over but there's no going back. There's few distressed sales at present, so panic is not taking hold. We see no reason vendors will have to accept anything below true value for their property, and the fact is property remains a valuable commodity. Families on the grow recognise this, and the current market is suited to an upgrade move. For those who entered the market comfortably in the boom years, a shift to a larger home to accommodate the next phase of their lives might be even more comfortable now.

Last week we touched on the next few months being, potentially, a prime window for investors looking to secure a property before any changes to negative gearing have a chance to take hold. Softer prices and low rates are an important factor here.

In our view, vendors can and should be optimistic. Demand from buyers remains strong. Different buyer categories have been active in recent times, and could become more active in the weeks and months ahead. The property market works in cycles, and irrespective of which point in the cycle we're at, there's always someone on the move. The wheels keep turning.

Clearance rates: optimism's turn

Week on week, the auction market is performing consistently. The factor that seems to fluctuate the most is how the media reports the action. Optimism, it seems, is the flavour of this week, at least.

Consider this from *The Sydney Morning Herald* as an example of hedging one's bets: "*The prime markets of the lower and upper north shore, the inner west and the eastern suburbs tended to produce above-market results. This was particularly the case when a property was quoted at a price point being chased by a large pool of buyers or was in one of the most desirable pockets of a suburb.*"

To paraphrase: quality properties attracted strong demand and good results were achieved across the city. Stands to reason. Onto the numbers.

Continued....



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Sydney recorded a preliminary clearance rate of 52.4%, according to CoreLogic, up markedly from 48.5% seven days earlier. A total of 1,021 homes went under the hammer across the city, up from 874 a week before. Last week the preliminary result was revised down to 42.8% but it's unlikely to drop to that level when this week's numbers are finalised. All in all, the optimism seems warranted.

Final thought

It's interesting that, even though every property is unique, so many people have preconceived ideas of what type of property they would and wouldn't live in.

For instance, some families would simply never consider apartment living. Ditto for some retirees. But it makes no sense in the current context. Dwelling sizes are shrinking. Global cities – as Sydney claims to be – include a high proportion of apartments, and what developers are doing today is vastly different to the apartment blocks of old. Even the emotional attachment to the Aussie backyard is being addressed and re-interpreted for modern living, with new developments typically integrating open space and parks, with other community facilities like pools, gyms and retail precincts.

The view of researchers is that preconceptions will change. People will – must – embrace apartment living in greater numbers. Owners of apartments should take note. What they potentially bought as a way to enter the market may become a family's future home or someone else's retirement plan. For people in larger homes looking to downsize, buying a quality apartment now may prove a major windfall in the long run.

What about established properties with the capacity to accommodate multiple dwellings? Opportunities exist for these owners too. Zonings can be expected to be increasingly reviewed as density is embraced more broadly. Apartments will become increasingly in favour among buyers. Established freestanding homes will coincidentally become more rare.

As the market is changes, every property will still have its own unique place. The best local agents will know how to find it.

