

# The Real Estate Wrap

## With Leanne Pilkington

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### A buyer's market: for how long?

We've all heard the reports that house prices are falling, that finance is cheap, that 2019 is a buyer's market. That vendors will have to settle for less.

Some of it's undeniable. The price easing in Sydney has been well documented and prices may fall a few extra per cent. Interest rates were left on hold last week and the RBA hinted that the next move may now in fact be down, not up.

Notwithstanding the underlying weaker economic factors pointing to a potential reduction in rates, a lower cost of finance is a key motivator for anyone in a secure position to buy.

Then there's the issue of oversupply. Oversupply has, in part, been blamed for the price easing in Sydney. New apartment towers have sprung up, supplemented by new communities on the city's fringe. Too much choice for buyers has forced vendors to ask for less.

When prices eased, more stories emerged of developments being delayed. Others simply won't go ahead. It's all having an impact but in the scheme of things, that impact is minor.

Consider this from Susan Lloyd-Hurwitz, CEO and Managing Director of one of Australia's largest residential developers, Mirvac, in an interview with *Your Money*: "we think we are about to head into a period of undersupply, where we will again just not build enough dwellings for the 110,000 people that come to live in Sydney and Melbourne every year."

An undersupply. Already. Lloyd-Hurwitz says we're not building close to the number of new dwellings we need to in Sydney each year. The NSW Government puts that number at 40,000 new dwellings needed for the next 20 years. Mirvac is already preparing for a recovery in house prices. And developers are notorious for being cautious, especially in reporting season.

It's not a seller's market – again – just yet. But maybe the buyer's market is running its course a little faster than we thought.

So while vendors, as always, must be realistic when setting a price, do they in fact have to settle for less? That's a firm no. If you have property in Sydney, you still have something a lot of people want.

### Clearance rates: early signs positive

It was with a degree of surprise that *The Sydney Morning Herald* this weekend reported: "Agents say buyers are shrugging off negative commentary about the state of the housing market and displaying a greater preparedness to make decisions."

While the auction market won't fully kick into gear for another few weeks – the paper acknowledged the "true litmus test" for the market is yet to come – the early signs are undeniably positive.

Especially in the context of the doom and gloom headlines we were faced with over the festive season. According to CoreLogic, the preliminary clearance rate in Sydney was 59.2 per cent last week. The final result will come back a bit, but Sydney nonetheless led the other capital city markets.

### Final thought

When you consider population increase and the number of new dwellings we need to build long-term to ensure people will have a roof over their heads, it's clear that the nature of the way we live, and the suburbs we call home, must change.

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It's unavoidable that new development will occur, everywhere, in pockets and on sites near all of us. If you live in a city, the coming decades will almost certainly see the face of your suburb change.

Some people will prefer apartment living and welcome higher density if it's done well. Others who derided NIMBYs in the past may find themselves sympathetic to the cause when faced with new projects next door.

Developers know that what they offer will be in demand for some time. Smart operators are responding with projects that offer a mix of uses: homes, parks, shops, community facilities, entertainment and the like, instead of just rows of apartment towers. It's these projects, and the homes therein, that will potentially stand the test of time, maintaining and increasing in value.

If you accept your community will change, ask yourself how you'd like to see that change occur. What's essential, what's off the table? The requirements for developers to consult with the community are becoming more stringent, so make your voice heard.

