The Real Estate Wrap
With Leanne Pilkington

President of the REINSW
Managing Director, Laing+Simmons Corporation

Published 11th March 2019

Positive signs

We're certainly not calling it a recovery yet but anecdotally, at least in the past week, there have been some positive signs in the market.

Some agents in the Laing+Simmons family, in select suburban markets, are a bit more bullish about their campaigns at the moment. We're seeing quite a few properties transact before their scheduled auction.

The Sydney Morning Herald mused that the reason for this might be that only a single party is genuinely interested. If a fair price is generated, vendors should be happy nonetheless.

For those properties that make it to auction day, interest is growing. Private treaty campaigns are attracting renewed interest too. It will be interesting to see if this translates to prices holding firmer. A note from earlier in the month from Morgan Stanley's Australian Equity Strategy team provides cause for optimism:

"*Price declines in February were less than the average decline over the past few months, but still faster than the average seen over the rest of 2018*," the note read.

"*If the seasonal pattern holds, we can expect another improvement in price growth in March — typically the strongest month for price growth — even without an underlying improvement in the housing market.*"

News of stability, in the current context, should not be taken lightly. The downward trend in pricing must ease before it stops. Then, once the bottom is reached, we can talk about a recovery proper.

Clearance rates: softer result recorded

Proving that attempting to forecast the future is a thankless task, clearance rates in Sydney softened last week after posting a surprisingly robust result the week before.

In Sydney, CoreLogic data shows a preliminary auction clearance rate of 58.2 per cent was recorded from 702 auctions held, down from 61.3 per cent a week earlier when 799 homes were offered under the hammer.

Nevertheless, we can expect the final result to settle – again – just above the 50 per cent mark, which represents a continuation of the 2019 trend to date, despite the previous week's spike.

Final thought

We've established that the short-term outlook for residential housing is challenging. Maybe, then, the time is right to take a long-term view.

The investment mantra of buying at the low point in the cycle is fairly well understood. The reasons preventing people from buying in the current climate, such as reduced access to finance and the fear of not receiving enough for their existing property, are valid.

These reasons primarily apply to people who would otherwise be willing participants in the market. But what about property owners who otherwise would not be in the market to buy or sell? Those who are comfortable in their current place of

Continued on next page

Continued from pervious page

residence, whose need to upgrade or downsize is not immediate?

For people who feel no pressure to act, the current market is ideal. The price heat is gone. Competition from investors is subdued. There's still a lack of stock, so well-priced properties are in demand. But buyers are being cautious not to over-extend. Most segments of the market are feeling some kind of pressure.

If you're not, then the current market might be the best possible time to secure your property future. Perhaps using your existing equity to upgrade now, before you add to the clan, makes sense. Maybe the apartment you intend to downsize in one day might make for an ideal investment until then. In select pockets there's a whole lot of apartments available and many developers are offering some good incentives at the moment.

Or perhaps as other 'professional' investors sit tight, long-term owner-occupiers could become first-time investors.

When future economic and housing commentators look back on the year 2019, which section will be recognised as that which made the most of the market for the best long-term gains? It's a speculative question impossible to answer. But the section of the market in the most secure, pressure-free position seems a reasonable guess.