

# The Real Estate Wrap

## With Leanne Pilkington

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### Loans decline as consumers investigate alternatives

The banking Royal Commission has been part hard-hitting investigation and part soap opera. We've seen real tears from distressed customers at their wit's end, and crocodile tears from suddenly distressed executives whose questionable practices have just been exposed.

Genuine remorse or not, one takeaway the major banks cannot gloss over is the fact that the erosion of consumer trust has and will continue to hit their loan book.

The Australian Prudential Regulation Authority's quarterly banking statistics to 30 June show housing loan growth among non-major lenders outpaced that of the big four banks. Growth in approvals for smaller lenders increased 0.8% quarter-on-quarter and 4.1% year-on-year, compared to a 0.6% quarterly increase and a 3.6% annual rise among the majors.

The stats show investor home loan approvals dropped by 12.4% in the year to 30 June, representing 31.1% of new home loan approvals. APRA also reported a sharp decline in interest-only loan approvals, down 54.9% over the same period to account for 16.2% of new home loan approvals.

### So as investor numbers dwindle, who's picking up the slack?

Realestate.com.au chief economist Nerida Conisbee reckons the number of first home buyers is at its highest level in 10 years. "We can certainly see a big increase in the number of finance approvals that are going to first home buyers and there's fewer investors in the market so there's less competition for housing," Ms Conisdee was reported as saying by Nine News.

More first home buyers and less investors means a natural return to a focus on price. Vendors must listen to their agents when it comes to setting realistic prices. It's more than just coming up with a number.

### Sensational headlines can't disguise steady performance

CoreLogic reports that there were 850 auctions held in Sydney last week, 181 more than the week before. The preliminary clearance rate was 57.3% although, as ever, this will probably be revised downward as more results are collected.

So, give or take, around half of the properties taken to auction are selling. Sound familiar? Week on week, we are seeing a steady market play out. Yes, the price heat is out of the market and lending criteria have tightened, but that's not news.

Last week we had sensationalist headlines declaring a 40% price decline was imminent. This week, The Australian Financial Review says the "spring housing market has shown a degree of resilience".

Headline-wise, who knows what next week will hold. But in the real world, we can expect the steady market to continue.

### Final thought

The simple reality is that if properties are priced to meet the market they are selling. However, as we mentioned above, it's more than just coming up with a number.

It's about the whole sale strategy. For instance, is a major renovation worth the investment pre-sale? Might a few cosmetic works attract just as many buyers?

If you're planning home improvements before taking your property to market, may we gently suggest you hold fire. Talk to an experienced local agent for a second opinion.

Sometimes buyers prefer a blank canvas. You won't always re-coup the investment you make upon sale. There are many different numbers at play.

