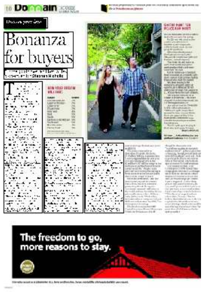
MEDIA MONITORS



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Houses preview

Bonanza for buyers

But the good times can't last, writes property editor **Stephen Nicholls**.

The midweek auctions in the eastern suburbs – where some of Sydney's most salubrious addresses are on offer – have recently been hard work for sellers and their agents.

I attended one 10 days ago where just three of the nine offerings sold under the hammer on the night. There had been 11 due to go up but two were sold before auction – the favoured choice for agents in the recent climate.

Of the rest, three were passed in with no bids, and two were with vendor bids.

And it wasn't just the eight-bedroom mansion that was left on the shelf. The $600,000 two-bedroom apartment with district views couldn't attract one bidder. Nor the three-bedroom terrace, which the frustrated auctioneer said would normally attract a $1 million opening bid "every day of the week".

"That was actually quite a good night," one of the agents said later. "It's been tough."

With auction clearance rates across the city sitting in the low to mid-50s for most of the year, selling property in most parts has been a challenge. Industry types spoke of a "woeful winter" at the recent Domain iPad launch at the Ivy nightclub.

The top end continues to be hard going, especially at more than $2 million. Upgraders have been baulking at the challenge of selling their current home. Investors aren't as active as they were in 2009 or early 2010. And first-home buyer numbers are the lowest in 6½ years.

This, of course, is all good news for spring buyers, who are firmly in the driver's seat. Yet vendors shouldn't despair, either. Good, well-priced properties always sell. Take note of recent sales of comparable properties in the area when setting price. Parts of the inner west continue to be strong and over the year, many suburbs across Sydney have had good price growth (see pages 11, 15 and 16).

The general malaise is hardly surprising, given the economic uncertainty overseas and sharemarket woes. Until recently the Australian market had been expecting further interest rate rises. And it was the Melbourne Cup day rise last year that tipped home buyers over the edge. They'd been told more were on the way. Now NAB is tipping the next rise won't be until November 2012 and some have even predicted interest rate cuts.

SO WHAT'S AHEAD?

The big unknown, of course, is the global economic situation and its impact on jobs and inflation and therefore interest rates.

As the Reserve Bank said at its September board meeting this week: "Very little hard data were available, as yet, on which to base such judgments." Yet buyers seem to have been becoming more confident as spring kicks in. Auction clearance rates, on Saturdays at least, have been nudging 60 per cent for the past two weeks.

Agents are reporting new listings are down. "I'd estimate there's about 20 per cent less stock on the market," Belle Property Mosman's Tim Foote says. "But there's definitely a sense of buyer interest and engagement this spring."

Home-hunters are hearing interest rates are most likely now on hold or perhaps dropping. That news is also making some of the independent analysts more confident about the next 12 months.

The managing director of BIS Shrapnel, Robert Mellor, says the Sydney market has underperformed and is "ready for a stronger period of demand over the next three years".

His firm is predicting 5 per cent growth in the median house price over the next year and 6 per cent a year on average (but not each year) until 2014.

The senior economist at Australian Property Monitors, Dr Andrew Wilson, is also quoting 5 per cent growth for the next year. He's also tipping growth in the $2 million to $3 million range in the north shore, northern beaches and eastern suburbs. "People could perceive there to be good buying in those areas after a subdued period over the last couple of years."

Some are pessimistic. Take the American economic forecaster Harry Dent, who is in Australia promoting a book. He says an "economic tsunami" will soon hit the world and that Australian house prices will return to late-1990s or early-2000s levels. "We do think Australia will not escape as well as it did from the last crisis [in 2008]," he was reported as saying.

The chief economist at AMP Capital Investors, Shane Oliver, says Dent's predictions are a bit off, though he does agree that "Australian housing is expensive and vulnerable". Sydney's shortage of housing, though, would limit any price falls to about 5 per cent. He is expecting the RBA to cut interest rates in November, which should spur a recovery by mid-next year.

The usually bearish Louis Christopher of SQM Research is hedging his bets on 2012, basing it all on the RBA's decisions. If rates stay static between now and next June, he's expecting 0 per cent to 4 per cent growth. If rates drop, prices could jump between 2 per cent and 7 per cent. But if rates rise 0.25 per cent, prices could decline 3 per cent to 5 per cent, he believes. "We're far more negative about other cities," he says. "But we believe that Sydney is one of the true capital cities where there is a real acute shortage of real estate and it's seen through the vacancy rates." So what does all of this mean for the spring market?

UPGRADERS

There are big discounts at the top end, which means good opportunities for upgraders at that level this spring.

Richardson & Wrench Mosman agent Richard Simeon is seeing some motivated vendors, who are on to their second marketing campaign. "They're saying, 'I want to get on with my life,'" Simeon says. That means you could pick up a property that was $9 million for $7.5 million, or one that was $11 million for $9 million.

If your budget doesn't stretch quite that far, upgraders in most price brackets will do well. You're likely to make a considerable saving on the house you're trading up to, even if your current property doesn't fetch the dream price.

The general manager of Laing+Simmons, Leanne Pilkington, gives the example of Bondi Beach where upgraders are taking advantage of a narrowing price gap between semi-detached ($1.2 million to $1.3 million) and freestanding houses. They could now step up to a three-bedroom freestanding house for $1.8 million, whereas this time last year they had been $2.1 million.

The research director of RP Data, Tim Lawless, says upgraders will be the most active market this spring, though the challenge of selling their current home could hold some back.

FIRST-HOME BUYERS

Mellor sees first-home buyers returning as the key to recovery. "That's how the cycle starts," he says "First-home buyers purchase a property off an upgrader and the upgrader moves up the ladder."

He says there could be a spring surge from first-home buyers for houses priced at less than $600,000 because of stamp duty concessions being withdrawn at the end of the year for established properties. "What happens after that is a question mark," he says, though he is expecting first-home buyer levels to return to normal – before they were boosted by government incentives – within 12 to 18 months.

Oliver says most first-home buyers will remain sidelined because of low affordability and growing uncertainty about the economy and jobs.

"Lower mortgage rates, along with possibly another boost to first-home buyer grants, should see them start to return to the market in numbers from mid-next year," Oliver says.

INVESTORS

Lawless says the catalyst for an investor surge will be lower interest rates. But investors should take a long-term view regarding capital growth, as "short-term gains are going to be hard to come by".

In his spring review, estate agent John McGrath points out: "An increasing number of young people are choosing to buy an investment property ahead of their first home."

Chasing higher yields in lower-priced suburbs in Sydney's west is one option.

"Quakers Hill and other suburbs in Sydney's outer-western corridor have established communities and good transport networks," Pilkington says. Laing+Simmons Blacktown reports a very low 0.5 per cent vacancy rate and landlords have raised rents $20 to $30 in the past year.

HOW YOUR REGION WILL FARE

Suburb	Growth
Northern beaches	3%
Upper north shore	2%
Lower north	2%
City and east	2%
Inner west	4%
West	5%
South	5%
Canterbury-Bankstown	5%
South-west	5%
Blue Mountains	4%
Central Coast	3%

Forecast to September 2012.
Source: Australian Property Monitors

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ON THE HUNT FOR PEACE AND QUIET

Arthur Matsoukas wants to make a deal with a vendor this spring.

The 28-year-old construction worker and cafe owner is back living with his parents while he hunts down his next property purchase.

Matsoukas already owns a Darlinghurst terrace but his 28-year-old stockbroker girlfriend, Katerina, doesn't approve.

"She thinks it's a bit noisy so we're looking at jumping into another place that's a bit more suburban," he says.

And he thinks now is the right time to pounce on a property, with many vendors being forced to drop their price to meet the market.

He's been looking in the Alexandria area and visited an open house in Belmont Street (being sold through Poh Ling Ee of L J Hooker Newtown) last weekend.

"We've just missed out on a couple of properties ... it's a hard slog, with constant heartbreak, but I'm feeling good about it."

He's noticed that the $900,000 to $1.2 million price bracket "still seems quite competitive" around the inner city but thinks there are opportunities in the $600,000 to $800,000 range since first-home-buyer numbers have dropped.

"There's quite good buying at that price level again," he says.

Stephen Nicholls

It's time ... Arthur Matsoukas and girlfriend Katerina. Photo: Fiona Morris

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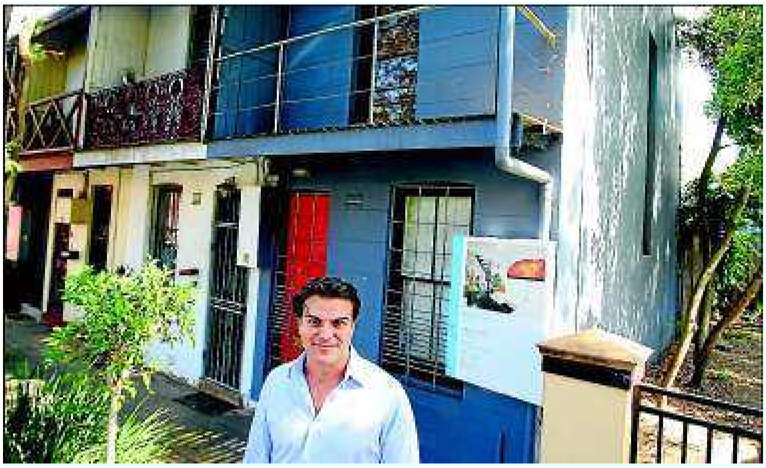

Auction stations ... there has been a lot of interest in Steven Murphy's east Redfern terrace. Photo: Edwina Pickles

LEAVING THEM GREEN WITH ENVY

Steven Murphy and his partner have had more than 60 groups through their two-bedroom terrace in east Redfern in its first two weeks on the market. They are hoping this translates into strong interest on auction day.

The pair bought the property about 2½ years ago and have renovated the kitchen and bathroom and put floorboards throughout the downstairs level where once there was concrete.

Murphy says they wanted to sell in spring because the large courtyard is awash with greenery. Another reason is the child-friendly park next door, which looks its best at this time of year.

He says when house-hunting in 2009, they were struck by the fact that east Redfern was almost $200,000 cheaper than Surry Hills for comparable properties – it was only on the other side of Cleveland Street – and their street, Rennie, has a strong sense of community. Neighbours meet in the park every Friday for drinks and many of their kids go to the same school.

Records from Australian Property Monitors show that they bought the house for $618,000 in 2009 but Murphy says they found it difficult to decide on a price guide this time.

"You can listen to 100 different people and get 100 different answers as to how the property market in the inner city is at the moment," he says. "In the end, we just have faith in our agent, BresicWhitney, which we do as they've sold property for us before."

The terrace will be auctioned on October 8.

Antony Lawes

THE YEAR IN REVIEW

Australian Property Monitors reports that the market for the past year was generally flat. The median price for houses dropped 0.6 per cent, while the median apartments price increased slightly, by 0.4 per cent.

Prices in many suburbs dropped, particularly upmarket ones. Bellevue Hill's house price median fell 13.2 per cent; Vaucluse's dropped 14.6 per cent and Rose Bay's 17.7 per cent. But Mosman's jumped 5.1 per cent.

The top-five suburbs for house price growth were Newington at 20.5 per cent to $788,000; Westmead at 19.3 per cent to $639,000; Strathfield South at 18.9 per cent to $755,000; Hurlstone Park at 18.3 per cent to $840,000; and Summer Hill at 17.4 per cent to $875,000. For apartments, the top five were Glebe, Edgecliff, North Bondi and Leichhardt, which jumped 25 per cent to $588,000, $715,000, $760,000 and $649,750 respectively, while Avalon rose 22.4 per cent to $551,000.

For more suburb data, p15-17.