



Sellers' pain, buyers' gain

Discounts abound as vendors decide to cut and run, writes **Antony Lawes**.

What a difference a new year makes. Whereas last year was marked by uncertainty from buyers and sellers as they tried to get a handle on where the property market was heading, it's a different story now.

What's appealing for buyers is that vendors seem to have swallowed their pride and are starting to accept the reality of lower prices. "Before Christmas [vendors] wanted more than their neighbour, whereas now they're accepting the market – the world is a different place," says the director of buyer's agency Sydney Property Finders, Dennis Kalofonos.

Another thing going in their favour is the higher-than-normal number of properties for sale. The managing director of SQM Research, Louis Christopher, says although the amount of stock on the market has dropped since November, he still believes the numbers are high.

"We're definitely elevated from where we were in 2009 and we're just a bit lower than the heights of 2008, and that was definitely a year of house price declines for Sydney."

This all points to some good buying opportunities in the coming months, particularly at the prestige end, where the discounts are the greatest.

The senior economist at Australian Property Monitors, Dr Andrew Wilson, says depending on what happens in the sharemarket, these discounts should continue for much of the year, at which time he thinks the

market will start to improve as more buyers start to return.

However, another buyer's agent, the managing director of propertybuyer.com.au, Rich Harvey, says while the discounts may be larger at the upper end, the prospects for long-term capital growth in the prestige market are not nearly as good as the lower-to-mid-priced suburbs, such as Blacktown, St Marys and Seven Hills. "The areas that I call very affordable have the greatest propensity to go up," he says.

FIRST-HOME BUYERS

The last two quarters of 2011 were a busy time for real estate newcomers, as they rushed to take advantage of the state government stamp duty concessions for existing properties before it ended on December 31. But after the party comes the hangover, and Wilson expects these buyers will be in short supply for some time. Those who are in the market will probably be drawn to apartments because of affordability but those wanting land will consider new houses, where the stamp duty concessions remain. But this will mean moving to the fringes of the city, he says.

The chief executive of property analyst Residex, John Edwards, however, warns against buying new, as "developers have got the stamp duty built into their prices already". He also recommends steering clear of suburbs that are still being built because price growth will stay low as long as there is unsold land. "What you need to do is go into suburbs that have been developed."

Harvey says the west and south-west are the only areas first-home buyers will find houses in their sub-\$500,000 price range. But the good news is these areas represent among the best opportunities for long-term growth because their affordability will make them increasingly popular.

UPGRADERS

The biggest group buying real estate, in the first half of the year at least, will be those who sold their houses to first-home buyers last year, Wilson says. These upgraders typically look for properties between \$600,000 and \$1 million, and in that price bracket Wilson nominates the south-western suburbs around Canterbury-Bankstown as the area with the best value close to the city.

The inner west used to hold that mantle, he says, but "that horse has bolted" and buyers who are now priced out of the inner west are having to look further afield.

"Bargain areas are always going to be ... where the next surge in buyers is ... and that's the south and south-west at the moment," he says.

"People might look at the Canterbury-Bankstown area in two to three years' time and think, 'I remember when you could get something for \$600,000 to \$700,000 and I can't get anything now for under \$1 million.'"

However, there is still good buying in the inner west.

In Marrickville, a two-bedroom, freestanding house in Dibble Avenue that went through four real estate agents and was on the market for almost a year finally sold for



\$725,000, an almost 15 per cent drop from its original asking price of \$849,000. Agent Richard Perry from Richardson & Wrench Marrickville says the house had initially been overvalued but the stigma attached to it being on the market for a year had also eroded the price. To bring buyers back required fresh marketing and an enticing price point, he says.

Further up the price ladder, at \$1 million-plus, many experts say the north shore has some of the best buying around. Edwards, for example, thinks the upper north shore is the most undervalued region in Sydney. It hasn't performed well in the past decade or so compared with the inner city, largely because the upper north shore market was flooded with units, he says.

However, according to Harvey, a short drive across the Roseville Bridge – in Frenchs Forest, Forestville and Narrabeena – will give buyers much more bang for their buck. To buy a house in any of these suburbs will be up to \$500,000 cheaper than Chatswood, Roseville or Lindfield “for not much loss of amenity”, he says. “Yes, there's a bus into town instead of a train but you're a bit closer to the beach.”

On the lower north shore, Kalofonos says buyers who do their homework can find houses discounted by up to 15 per cent in

suburbs such as Cammeray, which he thinks is one of the best-value suburbs at the moment.

For example, a grand four-bedroom, unrenovated house that had been in the same family for 90 years sold in December for \$1.3 million, about \$250,000 less than the original asking price and well down on the \$2 million price tag of many surrounding houses. The family who bought it paid a “very reasonable price”, says the agent, Erik Polsek of Ray White Summer Hill.

There is also good value in the inner city, if you watch for properties that have been on the market for a while. In Redfern, a two-bedroom terrace in Baptist Street sold at auction last weekend for \$980,000, down from the \$1,090,000 asking price last year. The director of Spencer and Servi First National, David Servi, says the selling price was still more than the best offer during the latest auction campaign.

PRESTIGE

For a market that usually has the biggest price jumps during good times – when the sharemarket is strong and the economy robust – prestige properties are also the ones that suffer the biggest discounts when things turn sour.

In the eastern suburbs especially, Edwards is expecting prices to continue falling this year due to the ongoing economic uncertainty.

Wilson says “there are certainly bargains in the prestige market, there's no doubt about that”, but he is seeing a “bounce off the bottom” as buyers realise some of these bargains are too good to pass up.

The director of buyer's agency Cohen Handler, Ben Handler, says there is particularly good buying in the east for between \$2 million and \$3.5 million. He is seeing buyers looking at properties in Dover Heights, Vaucluse and Bellevue Hill who would not have been able to afford these suburbs before. “For what you get for \$2.5 million in Dover Heights, in terms of house and land and aspect, you can't get anywhere else in the east for that,” Handler says, adding that values in these suburbs have dropped, in some cases, between 10 per cent and 15 per cent since about last May or June.

Kalofonos is finding discounts of a similar magnitude for most prestige houses. For example, a Bellevue Hill house valued about \$4 million was being offered at \$3.5 million, a 12.5 per cent discount.

But there are examples of bigger savings. One house in Bronte is being offered at a discount of more than 20 per cent on the price it would have fetched if it had sold a year ago, while there are houses in North Bondi and North Randwick that “have come down in value substantially”.





Safe bet ... Karen Varker and her husband, Scott, bought in Balmain for its village feel. Photo: Marco Del Grande

A \$250,000 SAVING

BUYING a house in another state is a challenge at the best of times. But when the purchase has to be made in a few weeks and the property has to have good price-growth potential, the task is more difficult.

This was the predicament facing Karen Varker and her husband, Scott, when they had to move back to Sydney from Melbourne for work at the end of last year.

They looked at more than 50 houses in two months before buying an unrenovated Balmain weatherboard at auction for \$1.2 million, a \$250,000 discount from its highest asking price, Australian Property Monitors records show.

The house is on a 488-square-



metre block opposite one of the suburb's best parks and a stone's throw from busy Darling Street.

Many would-be buyers balked at the many trees in the backyard but Varker says they were happy to keep them.

"We saw the potential where other people didn't, so I think we got a good price," she says.

The marketing manager and her husband, an engineering firm

manager, had narrowed their search to Balmain and a few surrounding suburbs, having lived there before moving south.

They had loved the village atmosphere but having so little time to look meant they were in danger of making a rushed decision and one ultimately they would regret. So the couple employed buyer's agents Brooke Flint and Veronica Morgan from Good Deeds Property Buyers for advice.

"Balmain is a lifestyle choice for us but getting into a suburb that is going to hold its value is important for us, too," Varker says.

"We could be there 20 years but we didn't want to buy something that would go down in value if we were looking to move within the next five."





BEST BUYING IN SYDNEY: SIX BIG DISCOUNTS THIS YEAR



ANNANDALE
6 Wells Street
Originally seeking \$650,000+
Sold for \$605,000
Discount 6.9 per cent
On the market 19 days
What it was This 101 sq m, one-bedroom, single-storey Victorian terrace with a modern kitchen and courtyard sold at auction after a three-week campaign.



LEICHHARDT
56 Styles Street
Originally seeking \$850,000+
Sold for \$690,000
Discount 18.8 per cent
On the market 243 days
What it was Withdrawn from auction in July and then passed in at the second auction in November, this four-bedroom, two-bathroom house had five price reductions before it sold at the start of this month.



BROOKVALE
24 Old Pittwater Road
Originally seeking \$720,000
Sold for \$620,000
Discount 13.9 per cent
On the market 272 days
What it was Built in 1960, this three-bedroom freestanding house with a car space sold by private treaty after the price was lowered seven times.



AVALON
37 Therry Street
Originally seeking \$1.15 million+
Sold for \$915,000
Discount 17.4 per cent
On the market 353 days
What it was With four bedrooms, two bathrooms and two car spaces, this refurbished house on 696 sq m surpassed the Avalon average for days on the market by 195 days.



BILGOLA
3 The Circle
Originally seeking \$1.1 million
Sold for \$990,000
Discount 10 per cent
On the market 81 days
What it was Having last sold for \$1.04 million in 2004, this four-bedroom, three-bathroom house with two car spaces and a pool was also for sale for seven months in 2009.



MARRICKVILLE
3 Dibble Avenue
Originally seeking \$849,000
Sold for \$725,000
Discount 14.6 per cent
On the market 321 days
What it was This double-brick freestanding two-bedroom house on 373 sq m went through four real estate agencies before it sold via private treaty.