



## MARKET OUTLOOK

### INVESTOR CONFIDENCE DRIVES AUSTRALIAN PROPERTY MARKET UP

**The trends that began to unfold at the end of 2009 have continued to dominate, as the Australian property market approaches the end of the first quarter of 2010.**

Angus Raine, CEO of Raine & Horne, said the conclusion of the First Home Owner Boost (FHOB) and higher interest rates have taken first-home buyers out of the market, creating more favourable buying and selling conditions for investors

“First-home buyer numbers peaked midway through 2009 in the rush to beat the start of the FHOB phase out in September,” said Mr Raine. “It’s not coincidental that the RBA was also tightening interest rates at this time.”

Mr Raine said while rising interest rates could prove a stumbling block, he didn’t expect further hikes to slow the Australian property market for at least the first half of 2009. “Demand is outstripping supply,” he said. “Also one of the last pieces of the property pie – consumer confidence – is now in place.”

The Westpac-Melbourne Institute Index of Consumer Sentiment increased by 5.6 in February from 113.8 in December 2009. The Westpac report also observed the highest level of consumer confidence for those Australians paying a mortgage since 1994, when data was first collected.

“Australians are confident that the economy has negotiated the global financial crisis and this is encouraging them to upsize or downsize, while mum and dad investors are also more prevalent at open homes now that first-timers are taking a breather,” said Mr Raine.

“Investors are being lured by strong rental yields and relatively healthy buying conditions.”

The Global Financial Crisis (GFC) is also mostly behind us, however some reverberations continue in the form of tight bank lending. According to research from the HIA, in seasonally adjusted terms the total number of owner occupier loans fell in every state and territory in December 2009, with the exception of the Australian Capital Territory. The number of loans fell in New South Wales (-6.7 per cent), Victoria (-4.9 per cent), Queensland (-5.6 per cent), South Australia (-6.4 per cent), Western Australia (-2.7 per cent), Tasmania (-4.3 per cent), and the Northern Territory (-6 per cent). The number of loans increased by 0.5 per cent in the Australian Capital Territory.

“Lenders are now requiring bigger deposits from first-time borrowers, which has some impact on owner-occupier demand,” said Mr Raine. “Yet it won’t hurt cashed-up investors, or those with a significant store of equity in existing properties.”

With the focus squarely on investors in 2010, the Real Estate Institute of Australia is determined first time buyers won’t be priced out of the market. The industry peak body has called for the Federal Government to increase the First Home Owners Grant (FHOG) to \$15,000, for both new and established homes. To ensure a beefed-up FHOG maintains its relativity to when it was introduced in 2000, it would be indexed against median house price movements annually.



## SALES SIGNS

### HOT START FOR NSW PROPERTY CONTINUES

It has been a red hot start for many property markets across NSW with Brett Hunter, General Manager of Raine & Horne Terrigal – Avoca Beach, indicating his office sold more properties in the first eight days of 2010 than it did in the last two months of 2009.

“Buyer confidence is back and a number of properties have attracted multiple buyers, which have all been above the advertised price,” said Mr Hunter. “It is also clear many buyers want to move quickly to secure a home.”

“Confidence to proceed without delay and the availability of property and lending information means more buyers are ready to move immediately,” said Mr Hunter. “The public is more informed about interest rate movements than ever before and this is helping fast decision making.”

In Sydney’s popular inner west, Michael Smith says the region enjoyed a massive year in 2009. “We doubled sales in 2009, compared with 2008. Investors definitely returned to the fold at the end of 2009, but the truth is that we need more properties. If we have the properties in Marrickville, we will sell them. We are looking forward to a strong market in 2010.”

David Hill, proprietor of Raine & Horne Crows Nest says 2010 has started with a bullet on the Lower North Shore. “A recent open-for-inspection at 14/84 Shirley Road Wollstonecraft attracted 73 groups in 45 minutes and seven offers,” said Mr Hill.

The two-bedroom apartment, which has a single bathroom and car space, sold for around \$25,000 above expectation.

The only potential spanner in the works, according to Mr Hill, is a shortage of quality stock. “There is not much stock around, so it’s an excellent time if you’re a home owner or landlord to be selling a home into the property market on the Lower North Shore,” said Mr Hill.

In Sydney’s south, Anthony Bouteris, proprietor of Raine & Horne Miranda, says the local market is enjoying a stirring start to 2010. “The phones haven’t stopped ringing, and in the first two weeks of the year, we nearly sold every property left over from 2009,” said Mr Bouteris, who added that the numbers of groups at open-for-inspections had jumped by 50 per cent in January.

“We had 24 groups through 4 Doris Street, Miranda, a three-bedroom original home, which sold for \$638,750. Similar homes were attracting offers of \$580,000 in December.

“We are finding investors are coming back, especially into the unit market, but there is just not enough stock between \$350,000 and \$900,000 to feed demand. Mr Bouteris added, “We had two apartments that attracted 8 and 13 groups respectively and they were all investors.”

## QUESTIONS & ANSWERS

### What does bidding at an auction involve?

An auction is an excellent way for a buyer and seller of a home to achieve a fair price. Focussing on the bidder, if you decide that you are interested in a home set for an auction, let the agent know, so that you can be kept abreast of any movements – such as an offer for the home prior to the auction.

Attending other auctions to get acquainted with the procedures is also important. At the same time, don’t leave anything to chance and get a building and pest inspection report. It is also essential that you do some research and have a sense of the potential value of the home. It is possible to compare property values in the area by monitoring local advertisements and sales in the newspapers or visiting real estate websites, such as the recently revamped [www.rh.com.au](http://www.rh.com.au). As part of your research regime, ensure you know when the home is available for inspection – and whatever you do, don’t forget to pencil the auction date into your diary.

On the day of the auction make sure you have established your limit, but be prepared to be flexible on price if you really want to acquire the property. This will involve building in a buffer that matches your financial situation.

### How do I calculate the value of a home I’m interested in buying?

Buying a home is likely to be the biggest purchase you’ll ever make and it’s important you take time to find the right property for you – this is where a ground-breaking feature on Raine & Horne’s revamped website [www.rh.com.au](http://www.rh.com.au) can assist.

Let’s assume you find a property on [www.rh.com.au](http://www.rh.com.au) that matches your requirements – such as access to public transport, schools, health services, shops, cafes, number of rooms, build quality and so on. Now, [www.rh.com.au](http://www.rh.com.au) can also show you three similar properties in that suburb, town or region which might also fit the bill. So, not only can this excellent feature help widen the search net, it also lets buyers and investors compare features against the price tags attached to similar properties to ascertain what represents fair value.