

FINANCIAL REVIEW

SE Property
HD Is it time to sell?
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WC 1,391 words
PD 20 September 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 23
LA English
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Property Letterboxes are crammed with real estate pamphlets luring us to list. Rebecca Thistleton weighs the pros and cons of putting up the 'For **Sale**' sign.

How many real estate brochures and agents knocking on the door does it take before you ask yourself: Should I sell?

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Prices are rising, sentiment is strong and interest rates are low. So the temptation is there, but what about finding another home to move to and the dangers of having to buy at the market's peak?

If thrashing it out over the dinner table hasn't offered a solution, perhaps the experts and a look at the data can.

Potential sellers need to bear in mind that conditions vary greatly in the capital cities and regional centres. And while the decision to sell relies on macro drivers such as price growth, economic sentiment and interest rates, knowing the market at street level is also key.

Low stock levels mean vendors can confidently negotiate on commission, but, as with any service, quality comes at a price. Commissions vary and depend on the agent, local competition and the price bracket of the house. Agents depend on turnover – selling as many homes as possible. This can mean a willingness to accept an offer.

A good agent is one who works for the vendor, not just the **sale**, and pushes hard for the best price.

For such a frothy market, the number of homes for **sale** is low. That means competition is high and top-notch properties are drawing multiple bidders.

This is the dream scenario for a seller. A successful **sale** needs only one good offer. A good auction needs two bidders. Multiple bidders generate great auctions and above-reserve prices.

Successful sales campaigns are evidenced in strong auction clearance rates, which have tracked between 75 per cent and 83 per cent in Sydney and Melbourne.

Around the other capitals, where auctions are not as popular, days-on-market numbers have fallen and vendors are selling their homes faster. Agents around Sydney, Brisbane and Melbourne's inner suburbs are hopeful more sellers will list once the school holidays have passed.

However, before getting carried away, remember the market is patchy. In cities such as Perth and Hobart, and in regional towns, vendors wistfully watch Sydney and Melbourne's clearance rates as local sentiment remains sluggish. In those areas, low stock levels reflect a lack of vendor confidence.

RP Data figures show that new listings rose only 0.7 per cent in September compared with August – just 0.1 per cent, seasonally adjusted. The rate of new listings in Sydney has fallen.

"We had a late spring last year due to the federal election, and I think we'll have a late spring again this year," says Belle Property principal Tim Foote, who expects new listings to lift later this year.

For now, the Sydney-based agent, who sells around the lower North Shore, says most winter stock has been absorbed and listings levels are below expectations for this time of year.

As more stock comes to market, the reality of whether or not a shortage is driving competition will be tested.

Picking the top of the market is a dark art, and there were suggestions in May this year that price growth had run its course.

However, prices continued to creep higher during the cooler – and generally quieter – months. SQM Research's Louis Christopher, who bullishly tipped last year's price gains of 15 per cent to 20 per cent in Sydney and 10 per cent nationally, says there is more room for capital gains. He predicts prices will rise 8 per cent to 12 per cent in Sydney in 2014-15 if interest rates are unchanged.

He expects Melbourne prices to rise 5 per cent to 9 per cent, and Brisbane 5 per cent to 8 per cent.

The ongoing growth has sparked debate about a possible housing bubble, which Christopher dismisses. On Tuesday, Treasurer Joe Hockey called the bubble talk "lazy analysis". Regardless of whether prices are keeping pace or behaving erratically, reports of homes selling for \$100,000 and \$200,000 above reserve are encouraging for anyone considering a **sale**.

Modest homes in Sydney's inner-west and bigger family homes in Melbourne's inner-east have shot the lights out at auction this year.

Vendors must weigh up whether to sell for a great price now or possibly an even higher price next year.

Melbourne buyers' advocate Mal James says there has been talk from agents encouraging buyers to take advantage of low interest rates, leading some to warn of a looming bubble. But around his stomping ground, the **million**-dollar-plus inner-east of Melbourne, interest rates are not the driver.

"From our experience of buying 100-plus homes every year, we see that very few inner-Melbourne multimillion-dollar homes are bought on 90 per cent debt ratios," James says.

Houses in the **million**-dollar-plus market tend to follow sharemarket trends and reflect broader economic drivers rather than interest rates.

Industry leaders agree a rate rise is likely in 2015, which impacts on everyone in a different way, but overall sentiment towards the market could shift as a result. Those thinking of selling need to consider the needs of the buyer and take a forensic approach to the market.

Low interest rates have encouraged investors to buy.

Investor-priced stock will sell well in areas where supply is low, while apartments in over-supplied markets such as Melbourne's CBD will struggle as the influx of new apartment stock dilutes the buyer pool.

A flurry of buyer activity is good news for sellers, but Neil Smoli, director of property investment and research **firm** Aviate, warns against blindly following the herd.

Sellers wanting the best prices tend to be around the same popular areas – developed suburbs, close to transport, with open space. Smoli says buyers need to hunt out the lesser-picked pockets to avoid paying a premium.

"Often it is those suburbs neighbouring hot-spot suburbs, which enjoy similar benefits and investment prospects but aren't yet awash with properties at inflated prices, that offer the greatest potential upside for investors," he says.

Homes in inner suburbs near schools, transport and services priced up to \$2.5 **million** have attracted strong interest from families wanting to upgrade.

Given the popularity of going to auction in Melbourne, James tracks bidder numbers and says there have been more than two bidders per auction each week for quality family homes.

"That says to us the bidder depth should be able to soak up this first wave of spring stock – meaning buyers will have to compete," he says.

Demand from **Chinese** buyers for prestige housing is healthy and should encourage potential vendors. **Chinese** property portal juwai.com reports Sydney, Melbourne, Brisbane and the **Gold Coast** are all among the top 10 cities searched for internationally.

That demand may lift the top end of the market, which James says is relatively soft and not as consistent as the lower and family home market, priced from about \$750,000.

In Perth, agent Scott Banister-Jones says apartments are plentiful and may be harder to shift, whereas homes on big blocks are strong sellers.

One Melbourne vendor who picked the right time to sell was Chris Mitchell, who sold his one-bedroom apartment in Port Melbourne for \$615,000 – more than \$10,000 per square metre.

His agent, RT Edgar's Gerald Betts, says the property sold well because it was in the landmark HMAS building with water views and big floor plans.

Mitchell says he will rent for the next year and then look to buy. This may be a wise move, as RP Data analysts note early signs the market may tip back in the buyer's favour. RP Data reports vendor discounting has risen, showing buyers have a slightly better position when negotiating on price.

Choosing the time to sell is a weighty decision most people make just a handful of times. The same can be said for buying a new home. Regardless of market sentiment, there will always be a need for people to buy and sell. The difference comes down to the right month and year to make that call.

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