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HD **Building on the boom**
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The outlook for the high-end market is strong, but the capital cities are playing on an uneven pitch

INTENSE competition for prestige **property** is not expected to abate next year, with the super-rich flooding capital cities for waterfront mansions, opulent penthouse apartments and prize rural holdings replete with trout-filled streams.

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"We are seeing ongoing rises in share portfolios, we have the significant investor visa program with a lot of foreign money coming into the prestige market," says Tim Lawless, head of research at RP Data, scotching any talk the prestige market could founder next year.

But after this year's frantic price growth in **residential** prices — think 14.7 per cent value gains in Sydney alone — Lawless expects the nation's overall real **estate** market will cool next year, adding big value falls in Sydney's prestige market or any of the other major capital city markets are unlikely.

"Quite often during a downturn it's the more prestige markets that don't show as much of a correction in the early parts of the down phase," Lawless says. "But it will be different from city to city; in markets where we see premium **property** values show a higher rate of capital gain it's those markets that could show a larger retraction." AMP Capital chief economist Shane Oliver reckons the **residential** real **estate** market will slow next year because the Reserve Bank will limit lending to investors, or interest rate hikes will kick in from mid-year.

"Sydney will slow down the most because it's been the hottest and I suspect we will see momentum picking up in Brisbane and Adelaide, which will be the strongest cities for the prestige end," Oliver says. "Perth and Darwin are suffering from the mining slowdown while Melbourne will do OK — it's had a fairly good rise over the last couple of years. Canberra is still affected by the public service cutbacks. It is very weak, and Hobart's prestige market might see a little bit of a pick-up following on from Sydney and Melbourne's strength." But not everyone is convinced.

On the ground, real **estate** agents in Sydney, Melbourne and Brisbane are deeply divided over the strength of the prestige **residential** market heading into next year.

"I like to be reasonably positive, but this is the only time in the past 25 years where I could not latch on to something that would be a key driver for the next run of the real **estate** market," says John Johnston of Johnston Dixon in Brisbane.

"Brisbane's business community is at an incredibly low ebb at the moment. That is our driving force of buyers. The mining sector is borderline basket case and that is obviously (also) a significant factor." Veteran agent Bill Bridges of Sydney's Ballard **Property** also declares luxury **property** values and turnover will not improve next year.

Despite the recent **sale** of several multi-million-dollar mansions in Wolseley Road, Point Piper, Bridges — who has been selling real **estate** in Sydney's wealthy eastern suburbs for more than 55 years — reckons the prestige market is not strong.

For him, the performance of next year's prestige **property** market will depend on the performance of the economy.

"My feeling is we are so reliant on **China**, if **China** falls in a heap we are in a terrible mess," Bridges says. "I want to be as optimistic as I can but I can't get excited." According to Bridges, the prestige market is also suffering as **purchasers** continue to hold off.

"The general feeling or consensus among **purchasers** is they have been waiting and waiting. They think the market will be cheaper next year because of worldwide economic problems." Ray White chairman Brian White and McGrath **Estate** Agents chief executive John McGrath vehemently disagree.

The high-profile businessmen say the east coast prestige **property** market — defined as **residential property** valued at more than \$3 million in Sydney and \$2m in Brisbane and Melbourne — will continue to fire.

For example, McGrath partner Ben Collier, a specialist in the wealthy Sydney suburb of Woollahra, says business is brisk.

Collier is selling an opulent 186 Queen Street, Woollahra, sandstone residence on behalf of artist Elizabeth Wadsworth with price expectations of \$8m. He reports interest is strong given the suburb's appeal to wealthy downsizers from Sydney's upper and lower north shores.

"Over the past nine months we have seen a significant increase in the turnover of properties in excess of \$5m," Collier says.

"At this stage I see much of the same next year provided there is no significant impact due to some world event, because confidence at this level is gaining momentum. And provided you price something appropriately there is generally a market for it." In his latest McGrath Report, the **company** founder notes Sydney sustained 259 sales of houses and apartments valued at more than \$5m apiece this financial year, up 13 per cent on the previous year.

In Brisbane, there were 80 sales of houses above \$3m — up 36 per cent across the same period.

"Political and economic stability, rising business confidence and increasing overseas demand is driving new momentum in prestige **property** after several years of post-GFC stagnation," McGrath says in the McGrath Report.

"Banking and finance executives are once again receiving bonuses and upgrading their homes. Largely due to the weaker dollar and a higher number of prestige houses coming on to the market, expats are back after years on the sidelines." It's a theme echoed by White, whose real **estate company** markets more than 140,000 **residential** properties throughout Australia each year.

"In predicting the strength of next year's prestige **property** market, the reason I am confident in this sector is the continuing resilience of the equity market," says White.

"In any period where there is good asset growth it is always reflected in an increasing desire for a better residence. It's a showpiece of one's success.

"The prestige market reflects the strength of the economy; overall it's been a pretty bloody good year for everyone. Clearly favourable interest rate settings and quantitative easing worldwide (is helping the prestige **property** market)." But not every state is as solid as NSW, according to White.

He says there have been impacts on prestige **property** in Western Australia because of the reversal of the mining industry. South Australia's prestige **property** has been affected by the state's sluggish manufacturing sector.

Luxury **property** is also taking time to sell. With a \$15m price tag the luxury Eliza penthouse on Sydney's Hyde **Park** has been on the market for at least 12 months.

"Certainly Sydney, Melbourne and Brisbane have had a very good year," White says. "A lot of pundits were writing Brisbane off last year. They certainly misjudged what was going to happen." Brisbane agent Gail Havig of Havig and Jackson, a specialist in prestige **property**, is looking forward to next year, saying there's confidence in Brisbane's higher end **property** sector.

Havig has just **sold** 14 Sutherland Avenue, Ascot, for \$10.2m for pub baron Andrew Griffiths and hints she expects to close a couple more big deals before year end.

"Most of our buyers are locals but there's some expats coming back ... although we did not have an explosion this year with Asian buyers ... we have a very good steady market in the higher end." But Johnston of Johnston Dixon says next year will be tougher than most people think.

"The political stalemate the country finds itself in is the contributing factor, as well as the talk about interest rates going up that is affecting people's sentiments and the more fundamental issue is the country is doing it tough," says Johnston.

"I think we are heading for a second wave of hurt. The first was the global financial crisis in 2008; this second wave will be driven by the mining downturn.

"It is a bloodbath out there. There is a sense of significant foreboding." Not everyone agrees the prestige market will be that dire next year. But of all the states, NSW is clearly standing out as the best housing market performer, says Lawless.

"Across the state we are also recording strong conditions in most of the regional centres, including Newcastle and Wollongong, while we are also seeing the north coast markets such as Byron Bay gathering some pace after a long slump." Graham Dunn of Byron Bay **Property** Sales says business in the \$3m-plus prestige market is booming because of a new influx of Melbourne buyers to the NSW north coast township.

"I am seriously bullish on the top end," Dunn says. "Byron Bay will go through the roof next year, with price rises of 10 to 15 per cent in the prestige market."

Top shelf October 2014 Sydney - \$960,316 Melbourne - \$712,783 Brisbane - \$587,914 Adelaide - \$520,194 Perth - \$709,775 OCTOBER 2013 Sydney - \$834,990 Melbourne - \$666,860 Brisbane - \$551,757 Adelaide - \$505,572 Perth - \$677,340 Source: RP DataMedian values for the top 25 per cent of capital city properties

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