HudsonBond

RealEstateNews

INFORMATION TO HELP YOU WHEN BUYING OR SELLING

SUMMER EDITION 2020

FEATURE

From Bust to Boom

The property market could not have started 2019 in worse shape and it could not have finished the year any stronger.

The turnaround in the property market in many parts of Melbourne was truly amazing, with the volatility over the past 3 years leaving many to ponder – what is true market price?

Whilst most welcome a recovery in the housing market, few believe that another boom fuelled by more debt is sensible or desirable.

The boom like conditions are not necessarily being felt throughout Melbourne either. Inner-city housing and the middle-ring suburbs seem to be performing the strongest.

The Federal election scheduled for the first half of 2019 set up an intriguing anomaly for the market. The housing market tends to be cautious during elections. Furthermore, many policies in the election were likely to directly and indirectly impact on the housing market. The events in the week immediately after the Liberal Party's shock win in the Federal election on May 18, 2019 set up the property boom we are experiencing now.

There were three significant events that turned the market:

Negative gearing would remain under the Morrison Government. The markets unease with the potential impact of removing negative gearing was apparent in the 6 to 12 months lead up to the election. Labor's policy would have distorted negative gearing benefits in favour of brand new dwellings, at a time many capital cities were facing an excess of brand new high rise apartments. Once it became clear negative gearing would remain in place, buyer and investor confidence returned almost immediately.

Credit conditions were eased in the days after the Federal election. Further easing was also implemented in July and August as the mortgage assessment rate was lowered, meaning many more prospective buyers qualified for a home loan. This would have occurred if either party won. The Australian Prudential Regulation Authority (APRA) sensed their job was done in slowing the housing market down. Any sustained credit restraints threatened to have catastrophic

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EDITORIAL

Letter from the editor

BY PAUL KOUNNAS, DIRECTOR

Dear Reader,

Welcome to our summer edition of Real Estate News.

Eye-grabbing forecasts make for easy media coverage. There is nothing wrong with following a forecast, if you understand that most forecasters are wrong. A prediction or forecast is always going to be uncertain. Anyone can have an opinion but to be credible an opinion must be backed by supportive research and evidence. Most forecasts for the property market in 2020 are optimistic.

The main article in our Summer edition of Real Estate News looks at what changed the market in 2019 and what to expect in 2020.

In this edition we also look at why sellers undersell in a strong market and how to avoid it.

Congratulations to the team for all their nominations and awards at the Australasian Real Estate Awards Gala Dinner in Brisbane.

The September quarter median house prices are also tabled for the Manningham area. I expect the December quarter median prices to be released soon would reflect the continued strength in the market.

From all of us at Hudson Bond, we wish our dedicated readers a very Happy New Year.

We would like to thank you for your support throughout 2019 and we look forward to working with you again in 2020.

Best Wishes for 2020,

Paul Kounnas

Director

FEATURE

From Bust to Boom

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impact on the market and broader economy. In fairness, APRA were probably not expecting the rapid rebound in housing that then occurred.

Interest rates– the RBA signalled almost immediately after the election they would look to cut interest rates. One got the feeling they would have liked to cut earlier, but that would have meant the RBA risked becoming political mid-election campaign. Rates were cut in June, July and October. By late November, RBA Governor Philip Lowe hinted at more cuts to come and even money printing if Global events dictated it.

Coming into the Spring selling season there was an expectation that stock levels would increase as they have traditionally done. Instead stock levels tightened as vendors held out leaving buyers with limited choice. A symptom of a soft real estate market is excess stock level. Booming prices did not tempt an excess of sellers onto the market. Buyers have had historically low listings to choose from during 2019.

The market recovery was complete when the Core Logic Index in July/August turned positive and **buyer sentiment** went with it. The fear that had gripped the market between May 2017 and May 2019 was replaced with **cheaper credit, easier access to credit and buyers more willing to take on credit.**

After the Royal Commission in 2018, banks are lending out more credit than ever before to home buyers. Credit is the reason the property market finishes 2019 in credit both literally and figuratively.

Many commentators are already speculating as to whether and when APRA, the bank regulator, will intervene to protect the market from overheating. Although we welcome the recovery, some credit tightening in over heated markets could be the best course of action.

Global/market event – major market events unofficially occur every 8 to 10 years. Remember the 1987 stock market crash, the 1998 Asian Financial Crisis and the 2008 Global Financial Crisis. As we advance through 2020, markets become more susceptible to a similar event.

It's not easy predicting the timing of the property market particularly when governments globally are determined to inflate their economies and are manipulating their markets by trying to artifically inflate them by flooding them with more money and lower interest rates.

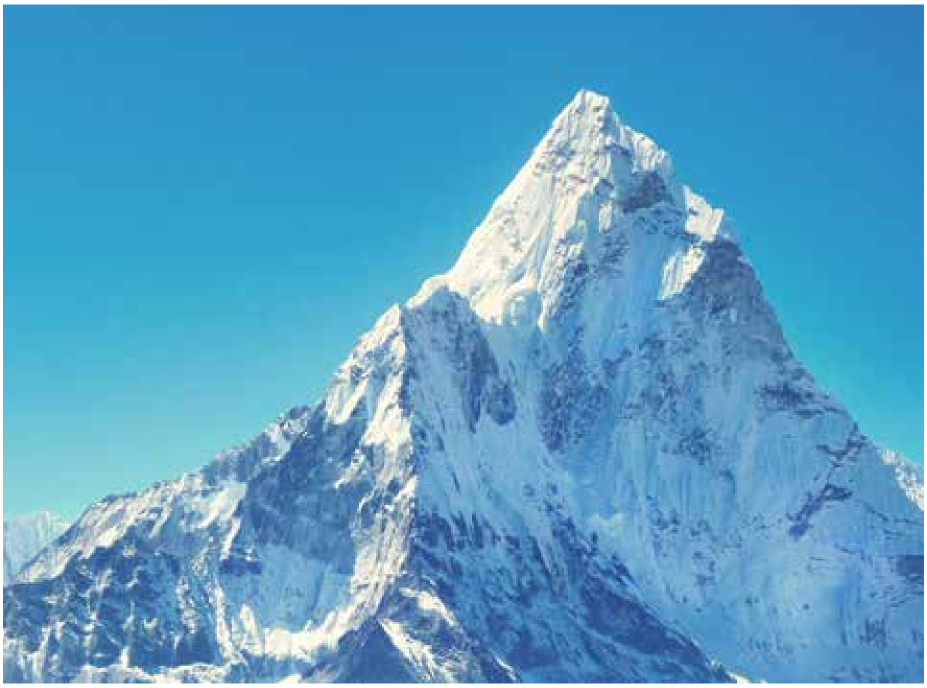
Forecasts for the Australian property markets in 2020 are overwhelmingly optimistic with the Commonwealth Bank, HSBC, SQM Research and others forecasting a year in which there will be strong growth in prices in most of Australia's major markets. The forecasts are based on the assumptions that the cash rate stays on hold, the economy recovers, and APRA does not intervene until late 2020.

The reality is no one knows how 2020 will unfold. If 2019 is anything to go by, it shows the market can experience both bust and booming conditions within a short time frame.

Hopefully our miracle economy keeps producing more miracles ■

HIGH or HIGHEST?

Why sellers undersell in strong markets



An irony in real estate is that sellers are more likely to undersell in a strong market than they are in a soft market.

The reason for this is that in a soft market, sellers tend to fight very hard to protect whatever equity they have in their property. They hold out for every possible dollar and really work towards getting the best possible result in the market.

By contrast, in a strong market, a seller's minimum price expectations are achieved quite easily, so there tends to be a lack of focus on the maximum price buyers are prepared to pay.

Sellers in a strong market need to stay focused on each interested buyer's maximum price and not their own minimum price.

Above all, keep your minimum price confidential, particularly from the real estate agent. The moment you disclose your minimum price to an agent, that may be the highest price you will achieve.

Reserve price

The most common term used to describe a seller's minimum price is the 'reserve price'.

There are two questions sellers should consider before putting their house on the market:

- Would you prefer to simply sell to the highest bidder at your reserve price?
- Or would you prefer to sell to the highest bidder for the highest possible price that bidder is prepared to pay for your property?

When an auction stops with the final bid above the reserve price, that price is unlikely to be the highest price the buyer was prepared to pay. It is simply one incremental bid above what the second highest bidder at the auction was prepared to pay.

> 'You will never really find out what price the highest bidder was prepared to pay if you sell by public auction.'

False success

If you were prepared to accept $950,000 for your property and it sold for $992,500, would you consider that sale a success? On the surface, most people would call that a great success.

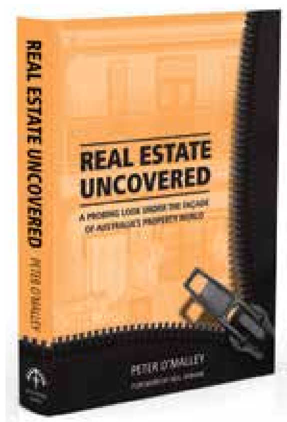
But how would you feel if you found out later the buyer who bought your property for $992,500 was willing to pay $1,025,000? (their approved limit) Would you still consider the sale a success? What seems like an initial success can become quite rubbery if a few probing questions are explored later.

To overcome this problem, insist all interested buyers confidentially submit their best offer on a signed unconditional contract with the agreed deposit.

Buyer's agents are well aware that some of the greatest value in real estate can be found at auctions. This is what Patrick Bright, a buyer's agent and author of *The Insider's Guide to Saving Thousands at Auction* had to say about the selling method:

'I attend many auctions and bid for properties on behalf of my clients. At the majority of the auctions where we were successful, we had 'money left on the table' — that is, we spent less than our authorised limits.'

As happens so often, the buyer who secured the property at the auction left with the seller's money still in their pocket ■



This article is an extract from the best selling book **Real Estate Uncovered.**

MARKET UPDATE

Median house prices

SEPTEMBER QUARTER 2019

The Real Estate Institute of Victoria's (REIV) latest data confirmed Melbourne house prices have bounced back from the slump. The Melbourne median house price has jumped 4.5% to $830,000, reversing a two-year fall in house prices.

The increase in market confidence has been fuelled primarily by several interest rate cuts, an increase in loan approvals and the return of first home buyers to the market.

The Melbourne median unit and apartment price also increased by 3.9% from $590,500 to $613,500.

In Manningham the biggest increase in median house price was in Doncaster recording a 14.1% increase for the quarter but still down about 11% for the year, as are most of our other postcodes. The break-up of all the quarterly and annual figures for Manningham are shown in the table below.

Note that Warrandyte and Park Orchards registered a decrease in median price for the quarter but the number of sales in those areas, as with Bulleen, were less than 30 for the quarter.

Median House Prices in Manningham	March 2019 Median Price	December 2018 Median Price	Quarterly Change	Annual Change
Bulleen*	$1,117,000	$980,000 #	+14.0%	-13.7%
Doncaster	$1,277,500	$1,120,000 #	+14.1%	-11.1%
Doncaster East	$1,180,000	$1,138,000	+3.7%	-11.2%
Donvale	$1,350,000	$1,260,000#	+7.2%	+0.6%
Park Orchards*	$1,425,000	$1,480,000 #	-2.4%	-2.7%
Templestowe	$1,375,000	$1,340,000	+2.6%	-8.8%
Templestowe Lower	$1,095,000	$1,000,000	+9.5%	-11.7%
Warrandyte*	$1,060,000	$1,287,625 #	-17.7%	-7.7%
Melbourne	**$830,000**	**$794,000 #**	**+4.5%**	**-3.1%**

Median House Price Data sourced from REIV
*Indicates a median price based on a small sample (less than 30 sales) # Indicates a revised median price from what was reported last quarter

Real Estate Awards Night recognises the best in the industry at the Australasian Real Estate Awards Gala Dinner in Brisbane

Congratulations Hudson Bond for winning Residential and Commercial Property Management Team of the Year 2019.

Congratulations to Emily Smart for winning a third year in a row BDM of the Year 2019.

We are also very proud of our finalists Rachel Sadikin, Bianca Wood and Hayley Byrne.