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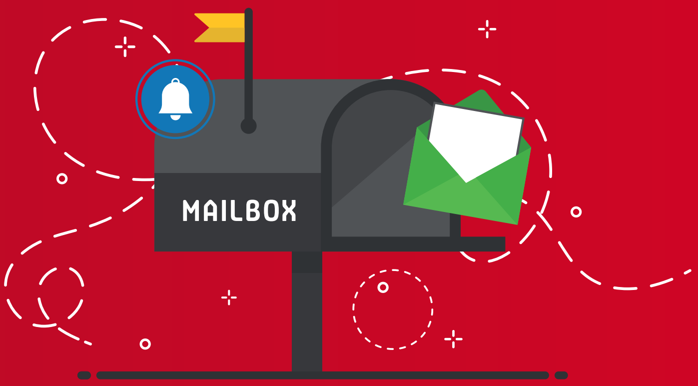

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AUSTRALIAN PROPERTY MARKET UPDATE

As the year makes its way to a close, it's a good time to look at how the property market has been performing.

Here are some of the most up-to-date statistics from the property data and analytics experts at CoreLogic.

Australian property market update

There are 11.1 million homes in Australia, with a collection value of $10.2 trillion.

In the three months to October, national home values rose 2.3 per cent, easing slightly from a recent high of 3.1 per cent in the June quarter.

Home values increased by 5.6 per cent in the year to October, and the month of October saw a 0.9 per cent increase for dwelling values across the combined capital cities.

To break things down, in the three months to October:

- Perth saw the highest average home value increase of 4.6 per cent
- Adelaide: 4.2 per cent
- Brisbane: 3.8 per cent
- Sydney: 2.5 per cent
- Melbourne: 1.2 per cent
- Canberra: 0.7 per cent
- Hobart: 0.3 per cent
- Darwin: 0.3 per cent

Perth is now up by 10 per cent year on year, and Sydney 9 per cent. However, CoreLogic reports that the growth trajectory for housing values across the combined capitals has slowed from a peak of 1.3% through June.

Listing volumes and sale times

Close to 41,000 homes were sold in Australia in October. This is less than the five-year average of 44,813 but does reflect a gradual lift over the last six months.

CoreLogic reported that new listings advertised are now trending notably higher in some capital cities compared with this time last year. However, total listings remain lower than a year ago across Brisbane, Adelaide, Perth and Darwin.

The number of days a home takes to sell (on average) also increased in the three months to October, to 30 days.

This may indicate a swing closer towards a buyer's market, especially if investors and homeowners decide to sell in the new year due to persistently high interest rates.

Rental market statistics

Housing values have been rising faster than rents over recent months, which means rental yields have dropped slightly to an average of 3.69 per cent, down from 3.71 in September.

Regional areas are still seeing higher yield than capital cities, with an average of 4.4 per cent versus 3.5 per cent in metropolitan areas. The Northern Territory and WA regional areas and capitals are leading the charge in terms of yield.

What's going on with interest rates?

The latest inflation figures resulted in the Reserve Bank of Australia announcing an interest rate increase, to an official rate of 4.35 per cent.

The goal is to have inflation back to 2 - 3 per cent by the end of 2025, so Australians may continue to feel interest rate 'pain' over the next couple of years.

Should you buy or sell in 2024?

The figures above indicate a relatively steady market with no dramatic changes, but some homeowners are becoming worried about higher interest rates leading to lower property prices.

Experts point out that high numbers of international immigrants, limited housing stock and low numbers of new housing approvals caused by construction industry challenges will combine to offset the impact of high interest rates, so if you are planning to sell, you should find a knowledgeable local agent can help you achieve an excellent result.

Thinking of selling your home in 2024? Contact your local Professionals representative to put together a strategy.

ARE YOU IN A SELLER'S MARKET?

The real estate market swings like a pendulum, with some years favouring buyers and sellers having the upper hand at other times.

While property always gains value over the long term, if you're sitting on the fence about whether to sell right now, it's good to have an idea of whether or not your postcode is a 'seller's market'.

The majority of the country seems to be a seller's market at the moment. Here's what this means:

What is a seller's market and a buyer's market?

Put simply, a seller's market favours the seller, and a buyers' market favours the buyer.

In a buyer's market, buyers have:

- More choice because there are plenty of homes for sale
- Less competition from other buyers
- More time to make a decision
- The edge when it comes to negotiating

A buyer's market will see properties for sale for several weeks or even months. Homes will fail to meet reserve at auction and sellers will have to drop the price or be flexible with sale terms to drum up interest.

In a seller's market, buyers have:

- Less choice due to a lack of available stock
- More competition from local, interstate and even international buyers
- Less time to make up their mind
- Less negotiating power

It's a matter of supply and demand. When supply is high, buyers are on top and can keep prices under control. When supply is low, the buyer with the most money will win and sellers have the advantage.

If you're wondering what type of market your suburb or town is in, here are a few things to research:

- **Sales time:** If properties are being snapped up quickly and are not languishing on the market for months, it's a strong sign of a seller's market. Generally speaking, a home in a seller's market is only up for sale for between four and six weeks. If you do some research into local averages, you'll see how your postcode is faring.
- **The number of interested buyers:** The more buyers are out there, ready to buy, the more likely it is to be a seller's market. However, more than sheer numbers, it is about ratios and the number of interested buyers in relation to the number of available properties.

  For example, in November 2023, the Sydney suburb of Drummoyne had 20 houses available and realestate.com.au showed there were 1450 interested buyers. In the southern suburb of Narellan, there were 14 homes for sale and 873 interested buyers. So you can expect both suburbs to do well but there is definitely more competition in Drummoyne.
- **Price creep:** When average prices start to increase, it is another sign that a seller's market is emerging. It shows sellers are receiving higher bids from people who want to secure the property.
- **High auction clearance rates and bidding wars:** Another element to check is auction clearance rates. When they are strong, it's a seller's market. Generally, more than 70 per cent clearance indicates the sellers are in charge.

If you're trying to decide whether or not to sell, take a look at some statistics for your suburb and speak to your real estate agent. They will be able to give you an idea of whether or not you'll have the upper hand and be likely to receive multiple offers from interested buyers.

Want to know how quickly your home will sell? Reach out to your local Professionals representative today.

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COOLING OFF PERIODS EXPLAINED

If you're getting ready to make an offer on a property, you might be wondering about the cooling off period and what this involves.

This clause may affect how quickly you need to sign a contract, so take a look at what you need to know.

What are cooling off periods in Australian real estate?

A cooling-off period is a set period of time in which you can change your mind about a property purchase without financial repercussions.

The standard cooling off period is two to five business days, so if you change your mind after having an offer accepted or realise you can't get finance to buy the house, you can withdraw from the sale without losing your deposit or being forced to go ahead.

Note that different rules may apply, depending on the state you are in.

Why do cooling off periods exist?

The cooling off period is designed to protect you from making an impulsive decision and regretting it. It also provides a crucial buffer, allowing you to conduct due diligence, make sure you can get the finance you need to buy the home and request a property inspection to confirm whether or not the home is structurally sound, pest-free and compliant with local council regulations.

In other circumstances, you may find a different, more suitable property, or a vendor may come back accepting an offer you made that they initially rejected. The cooling off period will give you those few days to be 'extra sure'.

The cooling off period can benefit the seller as well, particularly if they have a sought-after property and feel as though they could still get a better offer.

Why are cooling-off periods often waived?

There is an option to waive the cooling-off period. In NSW, for instance, there is a document called a 66W certificate that allows the buyer and seller to waive the cooling-off period, and other states have similar options.

66W is often applied in a hot market; buyers are keen to ensure a higher offer isn't placed during the cooling off period so they push to waive the waiting period and get everything locked in.

Waiving the cooling off period can feel like a lot of pressure, so speak with your real estate agent and conveyancer to make sure this is the right decision.

Auctions

Unlike private treaty sales, auctions do not come with a cooling-off period.

When the auctioneer's hammer falls, and you've made the winning bid, you are legally bound to the purchase or you will risk losing your deposit. This highlights the importance of thorough research and due diligence before participating in property auctions. Have inspections carried out before the big day and work with your lender to ensure you have the funds available for the loan.

Should you waive the cooling off period?

In a 'hot' market, home sellers will often push to waive the cooling off period. Sometimes this can be a relief if you want the deal done and dusted but don't be afraid to speak up if you want the extra couple of days to make sure you have made the right decision.

Ready to buy a home? Get in touch with your local Professionals real estate agent today.

PROPERTY INVESTOR TIPS TO MANAGE HIGHER INTEREST RATES

Property is regarded as a secure investment but if you grew your portfolio during the pandemic, you may find the pressure caused by high interest rates is pushing you towards the exit door.

Generally speaking, the longer you hold an investment, the more potential you have for capital growth. If you can make it through this period, the returns will come.

Here's an outline of what's going on with interest rates and how to minimise the holding costs as a property investor.

Why are high interest rates in Australia?

After dropping interest rates to record lows during the pandemic, the Reserve Bank increased them repeatedly during 2022 and 2023. This came from the need to control inflation; rising living costs were affecting Australians and higher mortgage rates are used as a 'tool' to curb spending and settle down those soaring prices.

Because many homeowners' fixed low interest rates expired and their variable rates increased over the last twelve months, the average loan is now far more expensive than it was in 2020 and 2021. This puts pressure on family budgets and finances.

How to hold onto your investment property when interest rates are high

On the fence about keeping your investment because of high interest rates? The first thing to do is assess the reason why you bought it in the first place.

For most investors, rental income is a way to offset the holding costs. The real 'prize' is the equity and the financial gain when the property is sold. If you are worried that the property is currently paying for itself and nothing else, you might not be seeing the bigger picture.

Before you sell, sit down with your accountant or financial planner. Look at the capital gains you already have in the property and at the forecast for the future. You may realise it's not worth throwing in the towel at this point in time.

If this is the case, there are options to reduce the pressure of holding costs. This includes the following:

- Revise your household budget. Is there money that can go towards your rental property costs while rates are high?
- Talk to your property manager about increasing the rent. If your tenant's contract has expired, you may be able to do so very quickly.
- Look at investing in some renovations that could increase the yield, for example by adding an additional bedroom to the property or redoing the kitchen and bathroom.
- If you have a larger investment property; could it be subdivided and have a granny flat added or even an additional house? This isn't a quick fix but it could make your investment more worthwhile.
- Speak with your broker to see if you can consolidate other debts or refinance to a more favourable rate.
- Make sure your accountant has included every possible tax deduction so you get some money back.
- Find ways to earn more money, for example by selling things you no longer use or being an Uber driver on the weekends (you won't have to do this forever).
- Lease a spare room in your current home for a few months to have some more funds coming in.

Keep in mind that interest rates will eventually drop and you will have more financial breathing room. What's more, property prices will probably increase once this happens, so you will be able to see your persistence pay off.

Need to sell your investment property?

If it is the right time for you to sell your investment property, your property manager will be able to connect you with a reliable real estate agent who can walk you through the steps to achieve a price you're happy with.

Need to connect with a reliable property manager who can help you increase yield and returns? Talk to the Professionals today.

Disclaimer: This article is not intended as personal financial advice. Please consult a financial expert for more detailed information.

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