

RealEstateNews

INFORMATION TO HELP YOU WHEN BUYING OR SELLING | Issue 045 |

Key Market Indicators

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A change is coming



"The reason these analyst's competing views are so compelling is it's conceivable either the market pessimist or optimist's view could turn out to be correct."

Interest rate movements are normally the key to understanding where the property market is heading in the short term. But these are not normal times. To read the current property market is to accept normally quoted market indicators such as interest rates, auction clearance rates and home loan applications. These lack precision and broader perspective.

The media is littered with commentators and analysts that are mostly credible, well researched and emphatic. Each one is convinced that their forecast of the housing market is the correct one.

The key challenge is that, many of these analysts often contradict each other, leaving most of us confused.

The reason these analysts' competing views are so compelling is it's conceivable either the market pessimist or optimist's view could turn out to be correct.

Upswing or sugar hit - The current market could be described as a tug of war between positive and negative market forces. Finding a forecast that is balanced is rare, so it can pay to be your own analyst. Forming an opinion too quickly can create a misread. This is why the

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Key market indicators

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The RBA has called on the Government to do more to support the economy and employment

TESTIMONIAL

“Buying a family home and turning it round for rental for a year is tough. Mark Cobern (Edwards Windsor Business Development Manager) has been outstanding. From a Friday afternoon inquiry email, there was return phone call within the hour from Mark followed by immediate proactive help, support and action. Clear, concise and outcome focused, Mark has been courteous, prompt and utterly professional which has been so rewarding.

Thank you Mark. ”

Julia

current market rally (since the Federal election) is so hard to quantify between a 'sustainable upswing' or a 'sugar hit'.

Employment – low interest rates only benefit those that have a job; a stable one at that. The unemployment rate is creeping up, underemployment is well above what is deemed healthy and further weakness is on the horizon. Employment trumps interest rates as a key market indicator. To prove the point, take a look at Perth (WA). Record low interest rates have had next to no impact on the housing market as prices have fallen for over 6 years whilst unemployment remains stubbornly high, well above 6%.

The Government promised job security during the Federal election and the electorate now needs them to deliver.

Government intervention – interest rate cuts have seen the RBA cash rate drop to 1%. That's four more rate cuts before they hit zero. Further stimulatory and/or supporting options for the economy need to be considered. In late July, the RBA flagged that they are willing and able to cut rates below 1%, if necessary. The RBA has called on the Government to do more to support the economy and employment in an acknowledgement that interest rate cuts alone cannot do all the heavy lifting.

Globally, governments want inflation and are seemingly determined to create it. Relative to asset values, deflation increases debts in real terms and inflation shrinks debt levels as a percentage of the asset value. Governments are attempting to inflate their economies out of trouble to avoid experiencing Japan's 'Lost Decade'. See below on Japan's experience with deflation.

Up until late 2016, Chinese investment in Australia was creating all the inflation we needed. As capital controls in China take hold, the impact is being felt far and wide.

Economy – if the economic performance of Australia stays reasonably healthy, the housing market will avoid the savage downturn being spruiked and predicted by many doomsayers. There could still be pockets of pain for the market though – such as poorly built high rise apartments in suburbia.

When the U.S and Europe's housing markets imploded in 2008, it was caused by the evil twins - excess debt and nationwide job losses. Most Australians would acknowledge that our debt levels are alarming. A resilient economy that has avoided recession for nearly 30 years has been a saviour allowing households to trade out of trouble time and time again.

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 head toward 2020, markets become more susceptible to a similar event. The largest bubbles tend to pop first as happened with corporate debt in 1987, Thailand's currency in 1998 and the US mortgage market in 2008.

There are wheels within wheels when it comes to predicting the property market. Following auction clearance rates (that are fudged by real estate agents) won't cut it from here. Hopefully our miracle economy keeps producing more miracles.

The Lost Decade

*The Lost Decade was a period of economic stagnation in Japan following the Japanese asset price bubble's collapse in late 1991 and early 1992.

Broadly impacting the entire Japanese economy, over the period of 1995 to 2007, GDP fell from \$5.33 trillion to \$4.36 trillion in nominal terms. Real wages fell around 5%, while the country experienced a stagnant price level.

The economic effect of the Lost Decade is widely acknowledged and Japanese policymakers continue to grapple with its consequences in 2019.

*Source: Wikipedia

It's the season for buying and selling

Is Spring the best time to buy or sell a home?

There are quite a few answers to this question, with replies relating to the state of the market your finances, your requirements, interest rates and other such matters.

While it is, of course, best to buy or sell when it suits your individual needs, there's something about Spring that seems to start the market ticking over.

And this "Spring effect" has flow-on benefits for both buyers and sellers alike.

Buying in Spring

The weather has a lot to do with it, of course. If you're planning to buy, there is much more incentive to get out and about now that the weather is warmer, rather than shivering through inspections in the winter cold. This anticipated increase in inspections during Spring encourages people to put their homes on the market, providing you with many options to choose from.

Selling in Spring

Planning to sell in Spring also makes sense from the point of view that this is usually the time when your house and garden are looking their best. It is also the time when people are keen to buy because they hope to be able to move and settle into their new home before the kids go back to school, so there is more chance of attracting genuine buyers.

One well-known real estate principle is that it is wise to be a buyer when other people are selling, and to be a vendor when other people are buying. The great thing about Spring is that this applies both ways. It's a time when some people are selling and others are

buying, resulting in it being the prime real estate season.

So whether you plan to buy or sell property, make up your mind to make the most of Spring and look forward to an outstanding result!

If you are thinking about selling and taking advantage of the Spring Real Estate Season, the first thing you need to do is find out just what your property is worth in the current market.

If you would like to get an honest opinion of the likely selling price of your home call the Team at Edwards Windsor today for a free no obligation market appraisal.

Article by Paul Kounnas, Director Hudson Bond

HOW HOMESSELLERS CAN LOSE

\$20,000

**... and
not even know it !!!**



**Financial loss when selling property
can be hard and fast, or so subtle that you
don't even realise it's happened.**

Talk to Edwards Windsor about the right strategies
to get you the highest price for your property.

After
35 years
in business

A change
is coming

Watch
this
space