Real Estate News

Information to Help You When Buying or Selling

Issue 048

7 Tips for buying During Covid-19

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Pay Nothing Until SOLD

BY PETER O'MALLEY Author - *Inside Real Estate*

In the blink of an eye, the housing market has gone from rising to falling. Buying in a falling market is often described as catching a falling knife. This is not always an apt description when it comes to falling property markets though. Unlike stocks and shares, you can gain a benefit from property beyond its short term price performance. Home is where the heart is and during the early stages of COVID-19, we have seen continued buyer demand and little to no panic selling.

In this edition of our monthly newsletter, we outline ***"7 tips for buying during COVID-19"***.

The market could move in any direction. Both market bulls and bears can passionately and persuasively explain why their forecast for the property market is sound. The only challenge being, they are at complete odds with each other. The deeper we can go into this COVID-19 world, two points become clearer by the day.

Firstly, life as we knew it has changed forever. Secondly, Australia has fared significantly better than many other countries. How this plays out across the Australian economy and housing market into 2021, remains to be seen. The Government has introduced unprecedented support packages to assist the economy during COVID-19.

Early on, many mistakenly referred to these support packages as stimulus packages. Expect an economic stimulus to come from the

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Edwards Windsor

How's the market? Covid-19 dominates

BY PETER O'MALLEY Author - *Inside Real Estate*

The 2019 post-election property boom officially ended in April 2020, with the advent of COVID-19. As with all booms that end, some pundits will suggest that it represents the start of a crash. Without doubt, the risks lurking in this current market exceed anything in recent memory, including those risks experienced in the 2008 Global Financial Crisis (GFC).

No Panic selling – unfortunately for bargain hunters, there has been a distinct lack of panic selling so far. The Government's Job Keeper, Job Seeker and other fiscal economic support packages, have done a great deal to shore up the economy. The four big banks have been directed to provide bridging finance for eligible companies to help them to continue to pay wages while they wait for their Job Keeper payments to begin. Also, banks are offering mortgage payment holidays for up to 6 months. This has meant that home owners, who have lost their jobs, been stood down and/or closed their businesses, have been granted crucial relief.

Therefore, we can only see a scenario where increased selling may occur across the spectrum if unemployment remains stubbornly high when bank mortgage holiday repayments cease in late 2020. However, that is six months down the track.

Stock levels - we have noticed one interesting side effect in the market. Stock levels have dropped faster than buyer demand. While buyers are still around, many sellers have opted against coming to market. In the long run, all markets will revert to trend lines, but in the short run, markets are always subject to short term supply and demand.

Because housing stock (or supply), at the moment is quite low, there is a good opportunity open to those who would like to sell now. This opportunity for vendors to sell has come about because some vendors have mistakenly felt that the market has shut down because of COVID-19.

Competitive buying – in support of the above-mentioned situation, some sales during COVID-19 have been buyer competitive. This is a by-product of low stock levels and buyers remaining confident about the future.

Transaction numbers – the number of sales did drop in April. Primarily, the reason being low stock quickly leads to lower transactions. Social distancing rules also reduced the number of people who could attend open inspections and auctions. Normally, when stock is low, active buyers tend to absorb available stock very quickly for the Fear of Missing Out (FOMO).

However, low sales on low stock levels can also suggest that buyers and sellers may be struggling to agree on a fair market value. While buyers are still prepared to make offers, those offers don't always meet the vendor's expectations.

Enquiries – fortunately, enquiries have remained very healthy. Even during the 2017-2019 credit squeeze, interest in real estate remained high. The desire to act is not muted by circumstances such as these. This highlights the fact that buyers have not disappeared. If coming out of the COVID-19 pandemic, in Australia at least, is forthcoming before too long, long term damage to the economy will be avoided.

Rental market – this is definitely the softest segment in the current property market. The pain of job losses being experienced in the labour market has flowed quickly into the rental market. Vacancies and arrears are up, leasing periods are longer and only some landlords are providing rent relief. If the economy can get back to normal in the near future, worse pain in the rental market can be avoided. Unfortunately, the rental market has borne the brunt of the COVID-19 property market thus far.

7 Tips for buying During Covid-19

(contiued from page 1)

Government as they aim to kick start the economy and get people back to work. Only time will tell whether they can succeed.

Some sales will still be buyer competitive. Don't confuse the lack of transactions during April and May as a lack of buyers in the market. Admittedly buyers have gone to the sidelines and are watching events. Once the impact of COVID-19 can be quantified into the market's thinking, buyers will return with an eye for quality property. Some of the sales we saw during April were competitive. There were a few parties who were almost disbelieving that a sale could be competitive and mistook it as an agent bluffing with the 'there's another buyer' card. The agents weren't bluffing.

The best homes are the least negotiable, even in tough markets. During market downturns, it is common for buyers to focus on the price of a property rather than the attributes of the property itself. If you focus on purchasing the best property within your budget, you are likely to do better than if you are looking for a desperate seller so you "can grab a bargain". The best homes rarely sell for a bargain price, even in downturns. Many buyers and agents were surprised at how resilient the market was through April. Prices were off between 5% and 10% but they certainly did not reflect the price drama experienced in other asset classes.

There are two types of properties – those with COVID-19 priced in and those that priced at the pre-COVID-19 market highs of February 2020. Before asking a vendor to drop their price via a lower offer, compare the asking price to the rest of the market. Many vendors have already done the negotiating upfront and priced to sell.

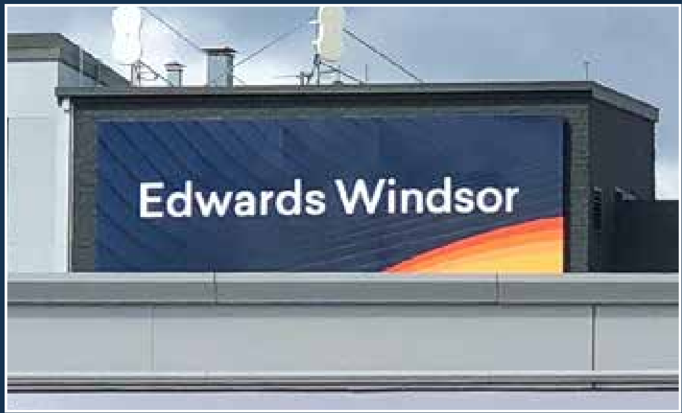
Keep an eye on the rental market, if you are purchasing an investment. Rents have dropped dramatically during COVID-19. How the rental market responds is probably directly linked to the unemployment rate. The number of foreign workers that have now returned home has left a dent in rental demand too. If you would like to purchase a leased property, the question is not what it leased for last time. The question is what will the property lease for next time, once the current lease expires?

Focus on the trade within the cycle – if you own a property and plan to sell it to buy another, focus on the overall trade, not just the selling or the buying. The best time to upgrade is in a down market. The best time to downgrade is in a strong market. In May 2019, the Sydney market was at the lows for the 2017-2019 downward cycle. This represented a terrific buying opportunity. Between June 2019 and February 2020, the Sydney market rose nearly 20%. Clearly this represented a terrific selling opportunity. If you are buying for the long term, property does well. But yes, the price could go down before it goes up. Selling high and buying low in the one market is seldom achieved. The reality is, one side of the trade will be easier than the other and vice versa, depending on respective market conditions.

Mortgage rates are at record lows and look set to remain low for some time to come. Gaining a home loan below 3% is a distinct possibility in this environment. In the past 6 weeks, buyers have benefited from a softening in property prices and record low mortgage rates. One of the key points to property is not what you pay the vendor. The key price is the amount you pay the bank in interest and associated fees. Admittedly property prices are not exactly cheap; at least mortgage rates are.

Both market bulls and bears can passionately and persuasively explain why their forecast for the property public auction that achieves a sale under the hammer will stall at the underbidders highest price. The only challenge being, they are at complete odds with each other.

Our new building signage has been installed, we think it looks great!

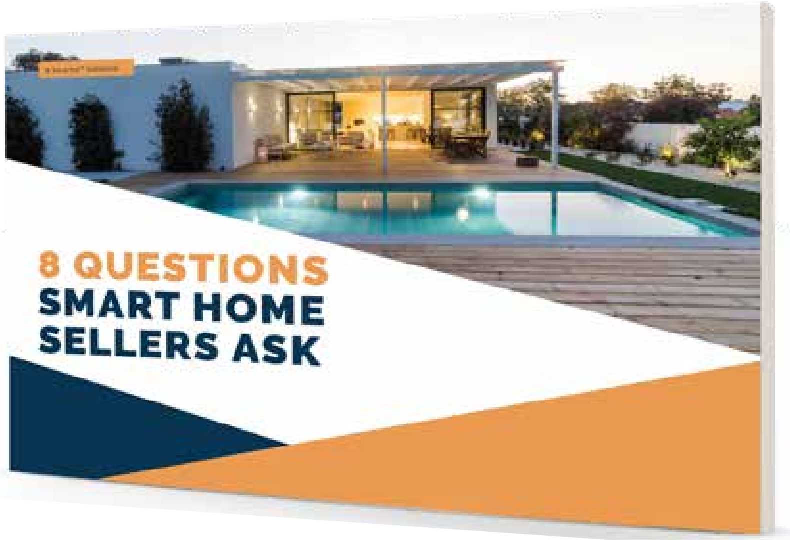


TO GET THE RIGHT ANSWERS, **YOU NEED TO ASK THE RIGHT QUESTIONS.**

When choosing a real estate agent, the questions asked will dictate the information you uncover and hence the agent you hire.

This short hard copy booklet will offer you some of the key questions that smart home sellers ask real estate agents.

To receive yours, please contact us or come into our office and we'd be happy to give you a hard copy with our compliments.



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