

Real Estate News

Information to Help You When Buying or Selling

Issue 064

Supply crisis

Sales and rental volumes dry up as housing demand surges

By Peter O'Malley, author of *Inside Real Estate*

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The Federal Government's migration policy is pushing housing supply to the brink.

In a set of updated forecasts Treasury revealed that it expects net overseas migration in Australia to reach 400,000 this financial year and 315,000 in 2023-24, thanks to a strong rebound in arrivals.

In the October 2022 budget, the forecasts were for net overseas migration of 235,000 this financial year, with the true number looking likely to overshoot this by 165,000.

International students account for about 50 per cent of the migration intake this year. The reality is these students land in Sydney and Melbourne, absorbing rental stock in locations

around universities such as Randwick, Camperdown and Newtown.

The surge in demand for both sales and rental stock has come at a time when construction companies are failing on a near weekly basis, tight finance conditions, lengthy development approval processes and a lack of residential construction during COVID.

In short, the Government is inviting overseas migrants to come and play without having a place for them to stay. Unsurprisingly the imbalance is playing out in the rental market, now.

If residential yields continue to rise and interest rates stabilise, investor demand will soon play a critical role in the sales market.

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Why Excessive Advertising Costs Are A Trap



The real estate industry's greatest fear is that home sellers will work out how easy it is to find a buyer for their property without using a real estate agent.

How do you find a buyer without a real estate agent?

Just do what the agent does. Put an ad on the internet, an ad in the paper, a signboard on the property and list it with a fair price guide. These marketing strategies will have buyers beating a path to your door. It really is that simple.

Real estate agents have two primary roles when employed by a home seller.

The first is to find interested buyers. Different agents use different strategies to achieve this objective. They will focus on a combination of newspaper ads, underquoting, internet ads, just listed cards, signboards, databases, brochures etc.

The second objective of the agent is to negotiate the highest possible price with the best terms for the home seller. Some agents can achieve this objective, some can't. However, some home sellers could also achieve this outcome and

some can't. For the home sellers that could competently negotiate for themselves, the real value a real estate agent can offer is one of saving time and effort.

Undersell Properties

Most agents spend excessive amounts of money finding buyers and then use selling strategies, such as auction, that undersell properties. The excessive amounts of money being spent by agents looking for buyers is the home seller's money, not the agents. So, if the home seller is paying upfront for advertising and carrying the risk to find a buyer, what is the home seller really paying for?

Answer; the agent's negotiation skills or lack of it in some cases...

The excessive amounts of money being spent by agents looking for buyers is the home seller's money, not the agents.

Find out the value of your property and see comparable sales, suburb performance and more. It takes seconds.

GET INSTANT PROPERTY ESTIMATE

If you feel comfortable that the agent does not possess a high level of negotiation skill to sell your home, do it yourself. To pay an agent \$10,000 nonrefundable in the hope of finding a buyer in this day and age of the internet is absurd. Furthermore, when the agent does find you a buyer they want to charge a full commission on top.

Cut through questions

In most cases, there are two magnificent cut through questions that home sellers have not asked themselves before "investing" \$10,000 toward an advertising campaign.

Firstly, who pays for the advertising if the best offer is below the price the agent quoted and/or below the vendor's reserve price.

Secondly, can the same outcome be achieved using a cheaper and much more effective marketing medium?

Given the auction clearance rate has hovered around 40%, 6/10 homesellers have learned the above through regrettable experience. ■

Buy, Sell or Wait?

By Paul Kounnas,
Hudson Bond

Edwards
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If you are like most people you're probably wondering, what is the right thing to do in the current property market!

Identifying the best time to buy or sell real estate is difficult because the property market is influenced by numerous factors and can be unpredictable at the best of times. However, here is some general knowledge and information that may help you make an informed decision.

Don't fall for media fearmongering. Property investment is a long-term game, focus on the bigger picture. Despite negative media coverage the Australian property market remains one of the best places in the world to invest in. Property markets across Australia appear to have bottomed out and are now on an upswing.

Learn to differentiate between noise and media reporting, by understanding that they are a business, and for business reasons, they may not always provide the full story.

It's natural to fear the unknown and the media knows this. That's



why they are always reporting on the latest crisis or the latest disaster, the next big threat or impending doom. There's been countless sensational headlines warning the imminent collapse of the property market for as long as I can remember.

This kind of sensationalist reporting is their bread-and-butter way of reaching a wider audience which generates more revenue for their business. Welcome to journalism.

Here's the bigger picture.

Australia has a housing shortage, and it will get worse as our population is projected to grow substantially over the next few years. The increase in population will create strong demand for property.

This is why the property markets are up, driven by the dynamics of supply and demand. Interest rates are near their peak. But high interest rates and growth in property values have historically moved together at the start of the upturn in the property cycle. We are at the cusp of a new upswing!

Real estate is one of the best hedges against inflation.

Although property prices may go up or down over the short term, the market has always trended upwards over the long term.

Finally, your personal circumstances and financial goals should always play a significant role in determining when to buy or sell.

Supply Crisis *Continued from page 1*

The Greens, who have the Balance of Power in the Senate, have put 'rent caps' back on the political agenda. The lack of housing relative to surging demand is a Government induced issue. Government at all levels, Local, State and Federal have failed to have a coherent policy to deal with population growth.

If Government looks to pass the buck for their systemic failure to ensure adequate housing supply onto landlords, in the form of rent caps, they will create horrendous unintended consequences.

Any form of rent cap, without an appropriate concession to landlords, will be a market-based disaster and probably a colossal political mistake for the Government.

Rent caps in other countries have ultimately driven rents higher, due to the unintended consequences. Essentially, the more the deck of cards are stacked against landlords, the more existing landlords sell out and potential landlords park their money in other asset classes.

Rent caps do offer the politicians who approve them a chance to feel good about themselves though. This lasts up until it is obvious the rent cap makes the rental crisis more acute.

Whilst landlords are often demonised, most residential tenancies are a private investor leasing to a private tenant. For the Government to intervene in such a transaction and aim to control or set the price whilst the landlord

then pays for the maintenance, council rates, water rates, land tax bill, income tax on the rent and the increasing mortgage rates is preposterous. The end result would be disastrous for all concerned.

Escalating Land Tax bills are already playing a critical role in the number of investors selling out of property and acting as a deterrent for incoming landlords.

Any further impediments on landlords will simply shrink the pool of landlords at a time when Governments desperately need to be enticing landlords into the market to create the necessary dwelling supply.

Stressed about selling
this Christmas?

Don't be.

Our team has the negotiation strategy
to get you the highest possible price.

Until you sell, you pay nothing.

That's Smartre

*Learn more about
Smartre here...*



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