

Rural and Regional Property Focus

Bringing you the latest news, facts and figures from the world of Australian real estate.

Four simple reasons 2016 is a great year to buy a home

If you are looking for information about what lies ahead for buying property in 2016, you will find an abundance, but as someone once said, "Bad news sells papers. It also sells market research".

It doesn't take too much internet research to find a lot of information packaged to sell, focusing on negatives. Instead, it's time to take an unashamed "glass half full" look at the 2016 property market. Here are four reasons to approach 2016 with confidence when it comes to buying a property.

1. INTEREST RATES CONTINUE TO BE LOW AND ARE TIPPED TO GO DOWN

In May 2015, the Reserve Bank of Australia cut its cash rate to a record low 2%, a rate which has remained unchanged ever since.

Many economists are saying that it is becoming highly likely that on the back of global market shudders and the prospect of a weakening Chinese economy that the reserve bank will cut interest rates mid-year in 2016. Reserve Bank Governor Glenn Stevens hinted at this in November when he stated that the next rate move would "almost certainly" be a cut.

The resultant savings in interest payments could easily amount to hundreds of thousands of dollars over the life of the mortgage.

2. COST OF RENTING

Another reason property ownership is an option worth serious consideration is the increasing cost of rent (which is not a great reason to continue renting). In the past five years, the average cost of renting across Australia increased by 19.4%. Over 10 years, average rent across Australia rose by 54.1%.

In most regional centres, monthly rent is comparable to that of a typical monthly mortgage payment, and sometimes more.



For those with the means to save for a deposit, it makes much more sense to put a large percentage of your income into an appreciating asset rather than to a landlord.

3. HOME PRICES ARE STABILIZING

For the first time in years, economists and industry experts are predicting that rather than prices steadily going upwards, they will be stabilising in many regions.

Although different markets across the country will vary, as house price growth slows, buyers should ready themselves to capitalise. A slower market is particularly good news for first property buyers.

4. BIG PICTURE AUSTRALIA

Renowned social commentator, Bernard Salt, suggested that buyers need to ignore the doom-and-gloom headlines, and look more broadly at what Australia has to offer.

He argues that Australia is a young, vibrant

country with strong levels of population growth, very aspirational and rich in terms of income per capita.

"We are as rich as Americans, some say even more so depending on how you measure it. We are more egalitarian. Our cities are more attractive places to live. We are an overnight flight away from China.

Mr Salt rightly points out that if buyers heeded the headlines that inevitably circulate each year, no one would ever buy a property.

2016 will be a year to scratch the surface, to discover the gold underneath the inevitable doom and gloom.

Property will remain a great investment for those prepared to do the research and build relationships with those who may have a better understanding of property. As financial guru Warren Buffett advised, "Be fearful when others are greedy and greedy when others are fearful."

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Six things to consider before reducing your price

Lessons from Hyacinth Bucket

Hyacinth Bucket is a fictional character in an old British comedy “Keeping up Appearances”, famous for her obsession for trying desperately to appear more affluent and influential than reality.

Hyacinth would often go to extreme measures to hold over-the-top, high-status events in her home known as “high teas”. She would invite the town’s most important people, but none would arrive. Only her neighbour, under severe duress, would attend.

Hyacinth can teach us some lessons about pricing a property for sale.

If your property is in tip top condition, being presented to the market with immaculate photography, beautifully written descriptions of all the features, and great marketing and advertising, and you’re still not attracting enquiry, it may be time to adjust your price.

Hyacinth’s long-suffering husband, Richard, would sometimes suggest to his wife that she should adjust her outlook on “high teas” to something a little more “accessible”. These conversations never ended well!

Conversations between a seller and a real estate agent who suggests lowering the sales price can be equally fraught with emotion.

After all, as an owner, if you have spent years paying for a house, expending blood, sweat, tears and money into renovations, the house is no longer a house but a home. Throw in all those memories of family, friends, pets and good times, suggesting to an owner that a house may be overpriced is an emotional minefield!

So to put it bluntly Hyacinth, this is what you need to consider when discussing or considering the difficult decision of lowering your asking price:

1. ATTEMPT TO SEE THINGS FROM THE BUYERS’ PERSPECTIVE

Today’s buyers are savvy, with unprecedented purchasing tools at their fingertips. Via the internet, buyers can quickly evaluate a market, compare properties and gather other critical information that several years ago was only available to real estate professionals.

To make the best decisions to sell a property, sellers need to overcome their emotional attachment and attempt to understand buyers – at least as well as buyers understand sellers.

2. DON’T GET INTO THE BLAME GAME

The first response of many property owners presented with the option of lowering their price to sell, is to blame the real estate agent, but remember that a real estate agent also has an interest in selling your house.

The best result will come if you determine to work with your agent, and move forward based on the best information on hand.

3. UNDERSTAND THE MARKET

Understanding the market now is the key to pricing strategy, and that’s where working in with your real estate agent can enhance your chance of striking the right balance. Your agent can give you invaluable information on which to base a rational decision. This will include current information on the selling price of comparative houses in your area (as opposed to the listed price), and the average number of days houses in your area are taking to sell. Is the market sluggish or getting stronger?

If your price is above 60% of the comparative houses in the area, and/or taken longer than the

average time for properties in your area to sell, then reducing your price should be seriously considered.

4. TAKE A LOOK AT ADDING VALUE RATHER THAN REDUCING PRICE

One more option to consider before reducing your price is the possibility of increasing the value of the property through improvements. There may be renovations that can be done which will increase buyer interest. If these renovations can be achieved quickly, and at a price less than the proposed price reduction, then they should be considered as an alternative.

5. WHATEVER YOU DO, DO IT QUICKLY AND DO IT ONCE

The statistics are compelling. Fresh listings receive high levels of attention, but after about two/three weeks, buyers start to see a property as stale and lose interest. Over-priced properties take longer to sell and do not attract optimum number of potential buyers. The longer properties sit on the market the lower price they achieve.

So to increase your chances of a quick sale, at a higher price than might otherwise be achieved, setting a price to meet the market should be done yesterday!

6. DON’T WORRY ABOUT SETTING THE PRICE TOO LOW

Think eBay. If you post a product that may be worth \$1000, say a new iPad, and set the price at 10 cents, you will generate enormous interest and lots of bids. The sales price will “meet the market”. The same applies to pricing a home. A lower price will attract more buyers, and create competition which will drive up the price. It is always better to be attracting too many buyers than not enough.

So don’t be caught holding a “high tea”, sitting at an empty table eating cake!

If you are considering selling a property soon, take the time to do your own research, or talk with a trusted real estate agent, before going to market so that you start with a price that will take advantage of those first two-three weeks of intense interest.

If you have a house currently on the market, and enquiries have reduced to a trickle, determine to seek advice and make a decision quickly.

Market Facts

State-by-state – key data over 12 months to August 2015

	Total value agricultural properties sold	No. of Sales - highest % in square meterage	Number of agricultural property sales
New South Wales	\$6.7 billion	69.9% - 4-40 ha	11,059
Victoria	\$3.2 billion	78.1% - 4-40 ha	7,250
Queensland	\$1.5 billion	33.5% - 100-1000 ha	1,550
South Australia	\$819 million	52.3% - 4-100 ha	1,639
Western Australia	\$1.6 billion	65.1% - 4-40 ha	2,543
Tasmania	\$485 million	93.5% - 4-100 ha	1,424
Northern Territory	\$198 million	93% - 4-40 ha	372

Source: CoreLogic RP Data