

# Taking advantage of a buyers' market



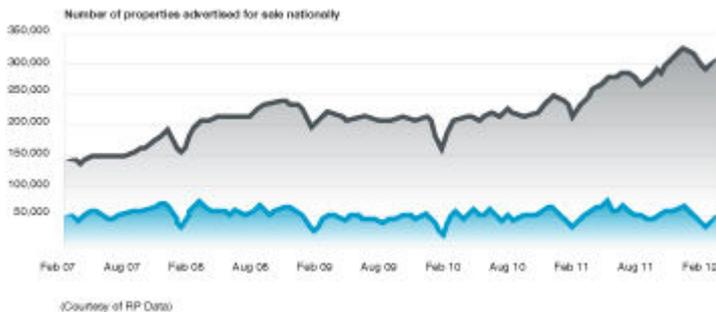
One of the most important keys to success in the property market is **TIMING**.

So how do you know when the time is right to step up on the property ladder? There are a number of factors that come into play including:

- housing availability,
- interest rates, and
- debt serviceability.

## Housing availability

During the peak of the property boom, auction clearance rates were in excess of 80% with properties staying on the market for ridiculously short periods. At present we are seeing clearance rates hovering around the 50% mark with the number of new properties in the main unchanged. This is leading to an increase in the number of properties available for sale.



The above graph indicates a large number of properties for sale resulting in the median price falling on average across Australia (down 4.5% in the year to the March quarter). Melbourne and Hobart were the hardest hit, with Darwin the only city to record a rise. There are definitely a number of bargains to be had across Australia.

## Interest rates



Following a number of interest rate cuts, we now have interest rates below the 10 year average. The cash rate is sitting only 0.75% above the lowest point since August 1990 (3.0% in April

2009). Many economists are predicting a further 0.5% reduction by the end of the year.

The decision by the Big 4 to break step with the RBA has fuelled a resurgence of the second tier banks and smaller lenders. This greater competition is perfect for purchasers. There are great rates available right now. Even better, these rates can be locked in for a number of years.

## Debt serviceability

The shock of the GFC and fear of further global economic crises has prompted increasing numbers of Australians to actively reduce their level of household debt. A quarter of all households are now saving 20% of their take home earnings<sup>1</sup>. We see that the only thing holding back buyers is the confidence to take that next step.

## What about selling my current home?

It is definitely a buyers' market at the moment, so what does that mean if you are looking at upsizing and needing to sell your current property?

The sale price on your current home is going to be lower.

However, the purchase price on your new home is also going to be lower.

	Property price	Property price	\$ Difference
Your current	\$400,000	\$408,000	\$8,000
Your new home	\$650,000	\$663,000	\$13,000

As can be seen in the table, if you decide to wait until property prices begin to rise to increase the sale price of your current home, you will also pay more for your new home. The case above shows that while you may gain \$8,000 on your sale price (assuming a 2% increase in property prices), the new purchase price will be \$13,000 higher. Also, the higher purchase price will increase the amount of stamp duty payable on the property.

<sup>1</sup> <http://discover.realestate.com.au/buying/aussies-ready-to-pounce-on-property>

If you think the time might be right to upgrade, upsize or dive into the property market, call the office to get a copy of our property checklist.