



## Why is Sydney Property Such a Hit Under the Hammer

March 14, 2014 Carolyn Boyd



Source: Steve Christo

Sydney's property market has become fiercely competitive and it appears to be more than just low interest rates that have been causing the rush to buy.

The first is the move toward selling at auction, which clearly stimulates excitement in the market as purchases are made in view of the public and sometimes in dramatic fashion.

Not surprisingly then, auctions have become the most prominent mode of selling property in Sydney, with the number of them held rising 60% in the year to date, according to RP Data. In addition, the rate of sale – or clearance rate – is about 10% higher than it was at this time last year (week ending March 2).

While last week's numbers suggested a slight easing in auction sales, with Australian Property Monitors (APM) reporting 336 sales on 388 auctions for an 83% clearance rate, the auction market continues to be hot. RP Data later reported 561 sales on 712 auctions.

Buyers have certainly become more interested and demand is high. To help illustrate this, APM has posted figures that show about 38% of properties sold using an auction campaign never actually made it to the auction but sold beforehand.

This is a regular occurrence but over the last 10 years has only made up about 33% of sales on average, says APM.

Early buyers are said to pay a premium price to secure these properties, which matches up with some of the especially high prices paid in Sydney over recent weeks.

### **Investors take charge**

Anecdotal evidence from real estate agents and buyers alike suggests that investors are dominating the auction scene in Sydney, outbidding first homebuyers and even families looking to upgrade.

In February, first homebuyers made up less than 10% of all mortgages processed nationally for the first time since June 2010, according to mortgage brokers AFG. Notably, New South Wales had the lowest proportion of first homebuyers in all states at 3.4%.

Keep in mind that AFG processed 27% more mortgages in February overall than it did at the same time a year ago, representing a record for that month and equating to \$3.7bn worth of loans. So there is a lot of money in the marketplace.

As a result, the median price at auction in recent weeks has surged, hitting \$940,000 just a fortnight ago, according to APM. For anyone keeping tabs, that's more than \$200,000 above the median price of private sales, as per RP Data's numbers, and coincidentally has occurred while there are seemingly more investors in the market.

### **Lack of homes in inner west**

Much of the price lift can also be attributed to a distinct lack of homes in popular areas such as the inner city, inner west and north shore, forcing buyers to fight for properties amid very strong competition.

Co-founder of buyers' agents Finderskeepers, Lisa Bradley says many of her clients are willing to compromise on additional rooms or parking to stay in the inner ring suburbs.

"There is a big market of people who want to live as close as possible to the CBD, to shorten their commute and so that they have easy access to the cafés, restaurants, clubs and entertainment that they want to do in their non-work time," says Bradley.

"That drives high demand in the city fringe, especially within walking distance of CBD offices and in the inner city villages where people live very close to the lifestyle amenities they're looking for."

Bradley points to suburbs such as Potts Point, Elizabeth Bay, Surry Hills, Darlinghurst, Newtown, Erskineville and more recently, Dulwich Hill, Marrickville and Chippendale as

areas where both people want to live and investors are looking for reliable returns and resale value.

A quick glance at last week's auction results also show that there were very few properties available in the highly popular inner west.

There were two auction sales in Drummoyne, two in Gladesville, three in Five Dock, two in Leichhardt and one in Lilyfield, as per APM's numbers. The one bedroom house in Lilyfield sold for \$770,000.



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### **Knock-on effect of premium prices**

Additionally, high prices paid in 'premium' suburbs such as Bondi, Woollahra, Bellevue Hill and Mosman are also pushing up weekly medians and undoubtedly damaging the confidence of prospective first-time buyers.

When these sales occur at auction, they often make news headlines and end up guiding the general market discussion.

For example, last week a five bedroom house sold in Mosman for \$3.3m, a four bedroom house in North Bondi sold for \$3.8m and a six bedroom house in Bellevue Hill went for \$4m, all sales highlighted by various property sources.

These types of sales might not impact directly on a suburb 20 kilometres away but they do affect sentiment more broadly.

Chief executive of Residex, John Edwards says it's the high cost suburbs that move first in the market because they are driven by business executives whose sentiment rises and falls with economic confidence overall.

So when growth eventually slows, he expects that values in these upper price areas will be impacted first.