



In this issue:

- Australian Property Market Update
- Should You Make an Offer Above the Asking Price?
- Buying a House in a Seller's Market
- Incentives for First Home Buyers

AUSTRALIAN PROPERTY MARKET UPDATE

The property market has been as fascinating as ever this year under changing economic conditions, rising interest rates and the construction industry slowdown.

The following are some updates and statistics from the last quarter and twelve-month period.

Overall property figures in Australia

Did you know Australia has 11 million homes? With a population of 25.69 million, that means there are around 2.3 people per household.

In the three months to July this year, average property prices in Australia rose by 2.9 per cent.

If you split July figures by region/capital city, combined capital growth was 3.5 per cent, while regional areas rose by 1.2 per cent.

The cities that rose in value the most over the last quarter were Sydney and Brisbane, while South Australia and Queensland were the top regional performers.

Looking at year on year figures, overall values are down by 3.4 per cent. Perth and Adelaide are the only cities to experience growth for this expanded period, while in the regions, SA and WA are the only states to have rising average values over the last 12 months.

According to [CoreLogic's](#) latest Monthly Housing Chart, the June rate hike may have knocked some momentum out of the housing market recovery, as well as a recent lift in new listings. The report also pointed out that prices have well and truly dropped below the peaks achieved before interest rates started rising last year.

In Sydney, for example, prices are now 7.2 per cent below record highs achieved in January 2022. However, they are still above where they were prior to the pandemic, and this is the case for most capital cities.

Sales and listings

Given how high interest rates are at the moment, property prices are holding relatively strong. This can be attributed to a combination of fewer new dwellings being constructed and continued interest from overseas.

CoreLogic shares that sales volumes are stabilising, despite being down from recent highs in 2021. Around 39,000 homes were sold in July, down from a historic average of around 40,000.

Meanwhile:

- The amount of time it takes to sell property has trended higher, but only slightly, shifting to 34 days from an average of 30 days in April.
- Average vendor discounts are sitting at 3.9 per cent for the quarter, which is actually an improvement from the previous six-monthly figures (discounts were -4.4% at the end of last year).
- In terms of listings, the number of properties for sale remains lower than everywhere except Sydney and Melbourne, where there are more homes on the market than this time last year.

What does this mean for the property market?

Property-related numbers could be described as relatively steady at the moment. As [Core Logic research director Tim Lawless](#) explained, further increases in listings could take some heat out of the market, unless there is a lift in buyer interest. He added that "home owners could be picking current market conditions as a good time to sell rather than waiting until later."

If you're looking to buy or sell right now, talk to your local agent about whether they see prices rising or falling in your specific suburb. They will have their finger on the pulse of local trends and be able to let you know what kind of outcome to expect.

Want local property figures? Talk to the [Professionals](#).



SHOULD YOU MAKE AN OFFER ABOVE THE ASKING PRICE?

While property prices have levelled off in Australia this year, limited stock means there is still competition amongst buyers, especially for quality apartments and family homes that are move-in ready.

If you haven't made a purchase in a while and you have pre-approval in place, you may be wondering how much money to put forward. It's tempting to come in higher than the asking price so the vendor will accept and you'll avoid a bidding war, but is this the right move?

The truth is that sometimes it can be, but here are the do's and don'ts around making a high offer:

Why bid over the asking price?

What's interesting about property is that there is never a fixed price. The final cost comes down to what is agreed on by the buyer and seller, with the guidance of any property professionals they loop into the process (real estate agents included).

The asking price, also known as the listing price, is the figure vendors set as their goal outcome and one they believe is realistic. This doesn't mean the home will sell for this amount.

The first reason for making an offer above the asking price is of course to increase your odds of winning the home. You might do this because you know there are other interested parties and you want to keep them out of the running. If the home has excellent potential to increase in value and you can afford the loan, it should be ok to pay a little more than the asking price.

The other reason to 'go high' is with the hope that by getting in early, you will discourage the vendor from seeing who else may be around the corner. It can help get the deal done faster and if you value your time and have been repeatedly missing out on other homes, this move can make sense.

For example, you may have missed out on a few homes that have been advertised online but then received a phone call from an agent saying they have a property coming onto the market due to a separation. In these circumstances, people are usually looking for a quick, no-fuss sale. If you know they want at least \$950,000 you might take a look at the home,

organise a building inspection then put forward an extra \$10,000 so the property doesn't go to market and you can secure it without other people putting their offers in.

The drawbacks of offering above the asking price

The risk of putting in an offer over the asking price is that you may spend more on the home than it is worth. This could leave you with a tricky problem if something happens and you need to sell after only a couple of months or years.

Interestingly enough, overpaying comes with more complications than simply adding to your mortgage payments.

For one thing, lending institutions will only approve a loan if they feel the property is worth that amount. Even if you have pre-approval, if you are asking for a loan that significantly exceeds the appraised value of the property, then lenders may get cold feet.

Then there is the fact that you could even be affecting the property market around you. When you pay a higher price, you set a precedent and properties in the area suddenly get more expensive.

And before you make a high offer, don't forget to factor in the ongoing costs of owning the home. Bidding high just because you love the place won't work out if you can't afford the higher mortgage as well as the running costs.

Making your offer

As for how much above the asking price to offer, every property is different.

Many agents suggest you only offer between 1 and 2 per cent more than the asking price at a time. That may not sound like much but keep in mind if you are bidding on an \$800,000 home, 1 per cent is still \$8,000. At 3 per cent, it becomes \$24,000. If your bid starts a 'war' and you jump up by too much at a time, the final outcome may swing too far in the vendor's favour.

It is important to buy with your head and not your heart. Always do your research so you know what price range you should expect to pay. You don't want to make an offer that goes too far above the actual value of the home in relation to its size, location and condition.

Before you make an offer, speak to the selling agent. They want to achieve the best outcome for their client but they will be able to provide a realistic figure for you to put forward based on the home and the number of interested buyers.

Need help to figure out your approach as a buyer? Contact your local Professionals representative today.



BUYING A HOUSE IN A SELLER'S MARKET

Depending on where you are in Australia, it is still very much a seller's market. Stock is low and demand is high so most properties are selling quickly and [auction clearance rates are holding strong](#).

If you have just sold your home and are looking for your next place, you may be wondering if you will ever be the winning bidder. Here are some tips to give you the edge over other buyers.

Tips for buying in a seller's market

- **Be prepared and pre-approved**

In a seller's market, you must be able to act quickly. Doing your homework and especially getting pre-approval for a home loan means you can make offers with confidence, hopefully before other buyers have even seen the property.

Preparation, too, will make the process easier. Figure out your 'must-haves', 'won't have' and 'nice to have's' so you can narrow down your search and save yourself from attending endless home opens.

- **Revise your criteria**

In a perfect world, we would all live in our dream homes. However, sometimes you have to switch up your strategy and take a little less than you want.

Buying in a seller's market may mean looking at a different suburb, sacrificing some garden space or choosing a place that needs cosmetic touch-ups. Being a little more flexible in these areas can deepen the pool of properties to choose from and allow you to outbid other buyers.

- **Act swiftly but thoughtfully**

In a competitive market, properties can attract multiple offers within a short period.

This means you have to act fast and be prepared to sign a contract very quickly. If you go away to think about things, you may miss out. If possible, ask if you can put in an offer before auction day; the seller may decide they are happy with it and take the deal.

- **Be flexible with terms**

When conditions are in their favour, sellers can afford to be choosy.

Being flexible with the sale agreement can make your offer more appealing. Consider accepting a shorter or longer settlement period, handing over a larger deposit, or being prepared to get rid of rubbish around the property. These could all mean more to the seller than a few extra thousand dollars.

- **Avoid making low offers**

When it's a buyer's market, you can afford to put in a low offer and see how the seller responds. In a seller's market, while you are trying to negotiate, you may have someone come in to trump your offer completely and win the home.

If you do want to put in a low offer, talk to the agent about how much interest there has been in the property. It may have been on the market for a while; this could be a hint that others have overlooked it.

- **Get to know local real estate agents**

Real estate agents are your friends, even in a seller's market. Their objective is to achieve a swift sale and a great price so if they know you are purchase-ready and have a great budget, they may offer you a preview of a home before it is advertised publicly.

An agent can also guide you to make an offer that will be accepted. Stay and have a quick chat when you come to see a house, and let them know what you are looking for. The more they know about you, the better placed they will be to help you secure a home.

Ready to buy a home? Contact your local Professionals office today.



INCENTIVES FOR FIRST HOME BUYERS

First home buyer incentives and grants are designed to help young buyers start their property ownership journey. However, these initiatives are different in every state, they change regularly and there always seem to be discussions about ways to do things better. Because of this, it can be difficult to know what is available and what you qualify for

First, it helps to be aware of the different incentives for home buyers, which generally include:

- Paying less or no stamp duty on homes under a certain value
- Receiving a grant to put towards buying or building a new home
- Accessing government support to make up a deposit and avoid paying lenders mortgage insurance

Take a look at some of the latest updates around these initiatives for your state.

NSW

For a brief period, NSW first home buyers had the option of choosing between paying one-off stamp duty or ongoing land tax under the [First Home Buyer Choice](#) scheme. However, this has been rolled back as of the new financial year and replaced with the [NSW First Home Buyers Assistance Scheme](#).

Under this initiative, first home buyers who pay less than \$800,000 will be exempt from paying stamp duty, and buyers who pay between \$800,000 and \$1 million will pay a reduced stamp duty amount.

Meanwhile, under the [First Home Owner \(New Home\) Grant](#), home buyers who build or buy a newly built home may be eligible for a \$10,000 grant to put towards the purchase price.

VIC

[Victoria's offerings to help first home buyers](#) are as follows:

- The Victorian Homebuyer Fund shared equity scheme
- Stamp duty concessions for existing homes (depending on purchase price)
- Stamp duty concession for off-the-plan purchases
- A \$10,000 First Home Owner Grant when you buy or build your first new home.

Currently, there are talks to scrap the [First Home Owner Grant](#) entirely in Victoria. Dr Michael Fotheringham, Managing Director of the Australian Housing and Urban Research Institute (AHURI), recently spoke out about the grant, saying it has been a leading cause in skyrocketing house prices. "The simple calculation here is if you give all first-home owners a grant of \$10,000, the price of properties they are competing for goes up by \$10,000," he said.

In light of this, if you are getting ready to buy or build a brand new home, talk to your broker about how quickly you can take action.

QLD

The [First Home Owner Grant](#) gives eligible first-time home buyers \$15,000 towards buying or building a new home in Queensland.

Meanwhile, first-home buyers do not pay stamp duty on homes worth up to \$450,000 under the [First Home Owner Concession](#).

However, with forecasting that the vast majority of suburbs in Queensland will have a median house price well above \$450,000 before the end of this decade, first-home buyers may be priced out of the majority of the state if they can't afford stamp duty.

It remains to be seen whether Queensland will step in line with NSW and increase the threshold for stamp duty exemptions in the near future.

WA

[Calls are also being made](#) to increase stamp duty exemption thresholds in WA, which currently start to kick in for properties valued at under \$530,000.

Along with this, there are requests to reintroduce the \$7,000 grant for first-home buyers buying established properties. As it stands, a [First Home Owner Grant](#) is available to put towards the purchase of a new home but not an existing one.

SA

In South Australia, the government [scrapped stamp duty](#) for first-home buyers buying new homes worth up to \$650,000 as part of its state budget announcement.

The plan is intended to boost the number of first-home buyers and support the construction industry by encouraging the building of new homes.

ACT, TAS and NT

In the last three states and territories, advocates are echoing calls for increased stamp duty exemption thresholds.

You'll find more information here:

- [ACT First Home Buyer Concession Scheme](#)
- [Northern Territory First Home Owner Grant](#)
- [First Home Owner Tasmania](#)

National changes

The biggest change nationally that was introduced as of July 1st this year was an expansion of the [First Home Buyers Guarantee](#), which enables an eligible home buyer to buy a home with as little as 5% deposit, without paying Lenders Mortgage Insurance.

This scheme has been expanded to include not only single people and married or de facto couples but also siblings, other family members and friends.

Individuals who have not owned a home for ten years may also be eligible for this initiative.

Before you buy

If you're in the market for your first home, your real estate agent and mortgage broker can help you determine what you are eligible for in terms of grants and exemptions.

Are you getting ready to buy your first home? Get in touch with your local Professionals office today.



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