

Buyers and vendors strike a balance

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The clearance rated lifted back in to the 70s this week, from 66 per cent last week. Photo: Meredith O'Shea

Agents keep vendor expectations in check as market normalises.

Melbourne will see a flood of properties come onto the market over the six weekends before Christmas and it's prompting some buyers to hold fire and stare down sellers.

With the weight of listings and an uncertain interest rate environment on their side, auction bidders on Saturday appeared more content to stick to their budgets and walk away.

This was clearly the case where properties were viewed as overpriced.





The family home market, particularly for renovated “move-straight-in” houses and for redevelopment sites within 12 kilometres of the CBD, are attracting more above-reserve results than the unit market. Photo: Meredith O’Shea

On Saturday, the Domain Group posted an auction clearance rate of 70 per cent from a total of 864 sales results reported to the group.

The clearance rate lifted after last week’s year-low 66 per cent clearance.

However, Saturday’s results reflect a “normal” market in which the tug-of-war between buyers and vendors is more finely balanced.

[Tap here for Saturday’s auction results.](#)

[Tap here for the Market Snapshot.](#)

“Today was a big day in terms of revealing the market dynamic for the season,” Domain Group senior economist Andrew Wilson said.

“The market is holding, but at year-low levels.”

Real estate agents are increasingly hosing down vendors’ price expectations. The message is: buyers will have a go and bid against other buyers but they won’t bid against the vendor.

Of course, demand varies by area and by property. The family home market, particularly for renovated “move-straight-in” houses and for redevelopment sites within 12 kilometres of the CBD, are attracting more above-reserve results than the unit market.

Joanne Royston, of Hocking Stuart’s Williamstown office, said open-for-inspections for sub-\$1 million inner-west properties on Saturday were well attended.

between eight and 15 groups visiting.

“These are similar numbers to what we were experiencing a month or two ago.”

Jellis Craig’s Alastair Craig said his company was averaging about two bidders per auction.

He said the family home market was strong, which was reflected in the above-80 per cent clearance rates achieved by Jellis Craig this weekend and last weekend.

More than 8000 residential auctions are likely to be held between this weekend and December 19-20, and the pool of buyers will contract the closer it gets to Christmas.

A report released last week by Carlton North-based property advisers Secret Agent points to an early-November spring listings spike for inner city houses, with supply increasing by 22 per cent.

“Increased supply gives buyers the upper hand and this should put pressure on sellers to consider more reasonable offers,” Secret Agent’s Paul Osborne said.

“Local markets are also performing differently. The median for the inner south is now less than it was a year ago due to declining apartment prices in South Melbourne and Port Melbourne. The inner east has been the best performer over the past 12 months with a 21.4 per cent increase for this period.”

Low interest rates fuelled the buoyant sales conditions in 2014 and the first half of this year.

In the past six months, the benign borrowing environment has seen the competition for properties in the north and west of the city start to mirror the highly competitive conditions seen in some eastern suburbs and parts of the inner city.

The game-changer may prove to be the Reserve Bank’s decision last week to keep the cash rate at 2 per cent. Variable mortgage-holders will now pay higher interest because the big banks have increased their interest rates independently of the RBA.

“When interest rates go up, it creates a new dynamic,” the chief economist of AMP Capital, Shane Oliver, said.

“Buyers think: ‘There are probably more rate hikes ahead – we have turned the corner and there is no need to hurry’. At the same time, the sellers are thinking, ‘We’d better sell soon’.

“The sense of urgency reduces for buyers.”

The market will be aggressively tested next weekend, when more than 1300 auctions are scheduled.



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