

BEST OF SPRING

Home values under pressure

Distressed sales will have a greater bearing on the market now, writes **Robert Harley**.

The best sale of spring happened last month.

David Coe, the founder of crippled Allco Finance Group, sold his magnificent Sydney home on the waterfront at Vaucluse. Neither the price, nor any special conditions, have been disclosed. Most put the figure at \$47 million, others at closer to \$45 million.

Either would be an Australian record. And either would be a great price. One of Australia's trophy residences has changed hands with its value virtually unaffected by the financial turmoil roiling around the globe.

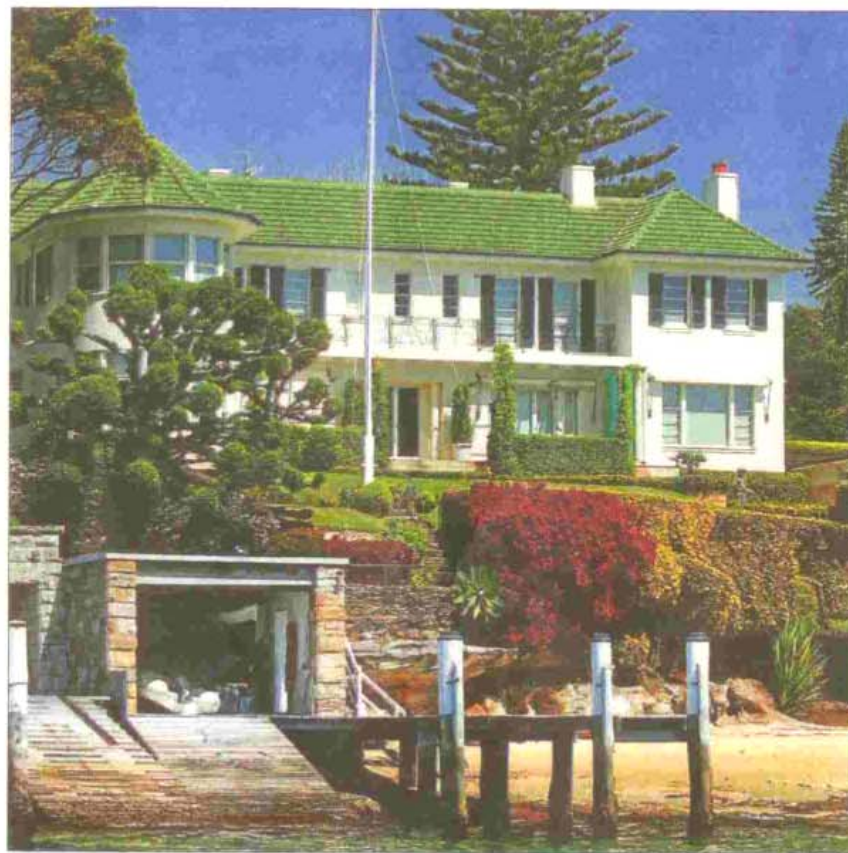
Unfortunately, the Coe sale does not reflect the broader market. Sales are down and values are under pressure. Spring 2008 is very different to the upbeat October and November a year ago.

"This spring is a buyer's advocate nirvana," says Melbourne buyer's advocate David Morrell. "I have seen my first mortgagee auction and that is the tip of it."

Let's put this into perspective. Australia is not the United States. There are no suburbs of empty repossessions. Australia is chronically short of housing – which is why rents are rising – and Australian home buyers cannot walk away from mortgages as borrowers can in the US.

But housing is not just about the demographics of supply and demand. Money, its availability and price, converts those underlying fundamentals into buying and selling.

The last interest rate rise doused the enthusiasm for Australian housing. On Bureau of Statistics numbers, the weighted average price of an established house in Australia's capital cities fell 0.3 per cent during the June quarter. Only Darwin showed growth – of about 1 per cent. In Melbourne, Perth, Hobart and Canberra, prices actually dropped.



On the waterfront . . . Allco founder David Coe's Vaucluse home probably set the Australian price record for a home in spring. **Photo** Michele Mossop

contracts. The Reserve Bank estimates 17,000 borrowers are behind on their mortgage payments by 90 days or more, up 13 per cent in the year.

Westpac senior economist Matthew Hassan nominates the level of distressed sales as the key short-term factor that will affect house prices. "The critical element for that is labour market conditions," he says.

Scott McGeever, president of the 25-member Real Estate Buyer's Agents Association, and principal of south-east Queensland-based Property Searchers, says October and November will be a time to seek good buys in quality areas.

"At the moment, we are advising buyers to stick to key locations," he says. "You can go to the outer suburbs and pick up a mortgagee sale but the educated buyers are sticking to the good areas because when the market does turn, that is where you will get accelerated capital gains."

McGeever says that across south-east Queensland, from the Sunshine Coast to Kirra, demand for homes between \$1 million and \$2 million was "pretty quiet".

"And we really like northern NSW. You can go down to Salt – the new development on the Tweed Coast – and take your pick. There is a lot still coming on the

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Interest rates are now on the way down. But all of a sudden it is not as simple as it used to be.

The banks may not pass on all of the drop in the Reserve Bank of Australia cash rate. And the amount of money for housing has contracted. Non-bank lenders are on the ropes, and the big banks are more cautious.

Importantly, more owners are under pressure, a position that will worsen as employment

NOOSA



Hill-top sellers seek peak price

A house in a unique location is expected to defy the doom and gloom of the market, writes **Lisa Allen**.

Slowing turnover and price reductions on Queensland's Sunshine Coast are not expected to hurt the sale of Noosa's highest house come November.

Despite the downturn, real estate agents expect the mansion, overlooking the Pacific Ocean and the Noosa National Park, to achieve up to \$6 million.

The 27 Bayview Road, Little Cove, property is just up the road from tennis ace Thomas Munster's mansion. "It's a very influential street," says selling agent Doug Macdonald of Noosa-based Tom Offermann Real Estate.

"The most important thing is this is the last house in the street on the top of the hill - it's next-door neighbour is national park. There's an uninterrupted view looking out into the national park, magnificent gums, koalas and

bush turkeys. Looking north, we can see Little Cove and Double Island Point."

Built for an engineer, the four-year-old house has four bedrooms and four bathrooms as well as an L-shaped lap pool. The master bedroom features a private rock waterfall. The vendors, retired company director Ross Styles and his partner, Lesley Styles, are selling up so they can buy two houses in Noosa and Sydney.

Some people are negotiating 10 to 15 per cent off to achieve sales.

Tom Offermann, agent

Bird's-eye view . . . 27 Bayview Road, Little Cove, is Noosa's highest home.

Photos Patrick Oberem

"I am sure you have heard this from every agent," McDonald says. "I have been in real estate and in Noosa for 30 years . . . But it's the perfect location and view."

But Tom Offermann, also of Tom Offermann Real Estate, admits Noosa's residential market is having fewer sales than normal.

"There's less volume of sales. Some people are negotiating 10 to 15 per cent off to achieve sales in the worst cases," he says.

"We have a market that is counter-cyclical."

But Offermann also claims that despite the doom and gloom, Noosa is still attracting buyers.

An on-site auction of 27 Bayview Road is set down for November 9.

market and a lot in the early millions," he says.

On the other side of the country, Perth has had a very downbeat start to spring with prices in the city's upmarket western suburbs falling 14 per cent this year, according to the Real Estate Institute of Western Australia.

"From a buyer's point of view, it is certainly more affordable than a year ago," says Rob Druitt, president of the institute. "But interest rates are on the way down, and there is a feeling that the market is at the bottom now, with prices unlikely to fall away further."

Peter Kelaher, a director of PK Property in Sydney, agrees spring 2008 is very different to 12 months ago, but says the present pricing is "probably the bottom of the market".

"Next spring we will be coming out of this. And I have seen no evidence of distressed selling. We might see some more, but it is very small."

Back in Melbourne, David Morrell is advising patience. "Cash is king. If you are astute and fully informed, you'll do well," he says. "A lot of agents have been overquoting. Come auction day, there is no interest and the owner, not truthful about their financial position, has to sell. We are seeing transactions fall over at \$4 million and we can buy them at \$3.7 million."