Jaimie's Newsletter
from the desk of Robina Village Real Estate!

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Phone: 07 5562 2522 (24 hrs)
Facsimile: 07 5593 1044

MAY EDITION

I trust you all enjoyed a Happy Easter and took the opportunity to have some time off and hopefully had a respite from the hectic life we all seem to lead.

"What is happening in the world of real estate?" I am constantly asked. I have to confess, in the face of so much conflicting information, that I am really not sure.

The latest figures show house prices around the country to have risen by over 10% over the year, with Sydney leading the way at 15.4%, Melbourne at 11.6% and Brisbane the next best at 4.8%. Unfortunately the Gold Coast never figures in anyone's calculations so we are left to surmise.

It would appear that, to quote the famous Aussie poet Banjo Patterson " ...There was movement at the station for the word had passed around ...", interest and activity in the lower price ranges $350,000-550,000 has significantly improved in the first few months of the year. In Robina alone, since December 2013, there have been 75 sales between $450-600,000, 17 sales between $600,000-700,000 and only 4 between $700,000-800,000.

Of the higher priced sales, a significant number were sold for less than the purchase price and the belief is that there are still "good buys" to be had as evidenced by dramatically low offers being put forward. While home sellers are understandably frustrated when all they hear is that "the market is booming", they'd be well cautioned to heed the maths—a property that has dropped 30% in value needs to increase by 42% just to get back to square—just ask anyone holding shares! Just sometimes, taking a loss can be a wiser decision.

While the Queensland Government's stamp duty incentive is still allowing first home buyers some interest in obtaining a foothold in the market, it has become inordinately difficult for their counterparts in Sydney and Melbourne—unless you are prepared to live in the outermost suburbs.

Barclay's chief economist, Kieran Davies points out that Australian household debt is the highest in the world at 177% of disposable income, with house prices now 4.3 times annual income. And yet as the drive to own property in Australia remains strong (aided by the continuing low interest rates), households still do what they can to get into the market and this means diverting more income to acquiring property, leaving less for other activities. Homeowners currently spend about 32% of their income on mortgage payments compared with 16% and 17% by American and British households respectively. High and rising house prices have a deleterious effect on the broader economy as less money is available for discretionary spending. Naturally it is understandable that retail and other sectors are being negatively impacted.

Another change that has become more significant of late (perhaps more so in the larger capitals rather than the Gold Coast) has been the inevitable move towards more dense living in urban areas as people choose to move up rather than out, which has driven a proportionately greater investment in apartments than ever before.

Like Europe, the proportion of people settling for apartment living as long term renters is growing, where less personal wealth is tied up in property—and for many young people there remains the distinct spectre of not owning property as their parents did, and if they do so, it may well be with a financial millstone they could regret.

Where the market goes from here is anyone's guess. Ignore the hype of property spruikers and those with vested interests, our advice is always—Buyers, find what you can afford comfortably, pricing in at least 3% increase in mortgage rates to be safe. Sellers— look for the end result of your desire to move. If downsizing, or being close to family is important, don't worry about hanging about for the sake of a few thousand dollars—the aim is to be happy.

Best wishes,

Jaimie Juriansz

Email: sales@robinavillagerealestate.com.au **Website: www.robinavillagerealestate.com.au**