



John Bongiorno



Tim Fletcher



Iain Carmichael

Saying buy-buy to the crisis

Is the economic downturn affecting confidence in the real estate market? Alison Dean investigates

While the media reports daily on the worsening financial crisis, reports from real estate agents in the sought-after eastern suburbs tell a different story. They talk of a buoyant property market, with more buyers than there are houses to sell.

Money is cheap, Tim Fletcher of Fletchers says, because interest rates are at an all-time low. This is lifting the real estate industry out of the slump it faced late last year.

"The cost of money is driving a lot of people into the property market," the property market veteran says. "It is extraordinarily low, which is why the investors out there are buying and in many cases positively gearing (the property against the rental income)." At the same time, the share market has taken a battering, forcing many to turn to bricks-and-mortar investments, traditionally seen as more secure.

"I am pleasantly surprised at the level of activity," Fletcher says. "The only disappointing thing is the shortage of properties, which is synonymous with this time of year. Supply and demand is out of kilter, which is putting a lot of pressure on prices at the moment."

Other real estate agents back Fletcher's comments about the low interest rates and the unsteady share market, but they also point to the first-home owner's grant, which has created a strong market at the lower end.

It is certainly a healthier market than the last quarter, when buyers were waiting for prices to drop further but vendors were holding their prices. The stand-off created the worst market many agents had seen in decades.

Marshall White's John Bongiorno, the man who sold Sir Reginald Ansett's estate in Mt Eliza for \$14.5 million and has been in the real estate business for more than 30 years, says now is the time to buy and take advantage of low stock levels.

"Realistically, in terms of affordability there's never been a better time to buy," he says.

"Particularly in the more affluent areas which we work in, I think now is a far better time to buy real estate than in 2007. You can lock in an interest rate that is way more affordable ... and you may end up with a major discount."

Bongiorno says it's also a good time to sell, but that expecting boom-era prices is unrealistic.

"A lot of vendors aren't selling because it's a bitter pill to swallow to expect a property price that's well down on what it was a couple of years ago."

His advice to vendors? "Take advantage of the low stock levels, don't wait. If inflation starts to creep into the economy at any stage then interest rates can only go one way and that's probably the scariest factor out there."

Iain Carmichael from Bennison McKinnon agrees low supply is driving the market. He says

buyers are frustrated there isn't a wide selection of properties to choose from.

"A lot of us thought we'd be opening up 2009 fairly negatively in the property market, but that's certainly not the way we're seeing it play out in the inner suburbs," he says. "Obviously volumes are down, but I think the better agencies have cut their cloth accordingly and realised that's good for sellers."

There are some really good opportunities. People see it as a market that's full of negatives. We've seen people capitalising on selling in Albert Park, South Melbourne, Prahran or Armadale and moving to Camberwell or Balwyn where they're getting bigger blocks and better value."

Carmichael's advice to buyers is: "The key is not to rush, look around and do your homework. Then again, if you're looking at a particular pocket, make sure you don't pass up opportunities. The last thing you want is to hold off now and realise you'll pay more in six months' time."