

Don't Let The Market Hype Fool You!

By Meighan Hetherington

Boom, bust, doom, and gloom. No matter which paper you pick up at any point in time you will see various opinions about the state of the market. Selling agents will talk up the buoyancy of the market. Researchers will interpret their statistics as good and bad – as confusing and contradictory as they are! And financial advisors will tell you to stick to shares. So here is the reality of the current market. But firstly a quick review of the recent history of the Brisbane property market.

The property market moves in cycles. Between 2001 and early 2004 was generally referred to as a 'boom' period. During this time the market had a strong period of growth. Seller's held the upper hand and many buyers competed for too few properties. In mid 2004 the tide shifted back to a slightly more balanced market with growth across the year around 14.5%*. In 2005 supply and demand became relatively balanced and house prices grew at a very moderate 1.4%*. Moving into 2006 the balanced shifted slightly with demand only slightly outweighing supply leading to growth around 3.4%*. We saw the cycle tick over into upswing mode in the last week of October 2006, although the media only reported the shift in January 2007. Although not quite as strong as the previous upswing cycle, 2007 delivered strong growth across the board with the Brisbane median increasing 15.6%* to December 2007 as demand once again outstripped supply. The type of buyer behaviour we saw from the majority of buyers during the most of 2007 was what we would consider 'frantic'. Buyers were once again afraid of being priced out of the market, and for good reason.

Anyone who was waiting for prices to go down would have looked back on 2007 and wondered why they hadn't bought at the end of 2006. So what is happening now? As reported in The Courier Mail on Saturday 23rd February there has been a 62 per cent increase over the previous four weeks in the number of properties available for sale. During this period the number of buyers has remained constant, but at the same time sellers' price expectations have increased above the market equilibrium. Now, instead of selling within a day or two of being listed, properties are starting to remain on the market for 1-4 weeks. The overall effect has been to pull back the sense of urgency of the behaviour of buyers. Buyers are now able to take a few more days to consider their decisions and also able to be firmer in their negotiations because they have more options.

Most buyers are telling us that they have already taken into consideration the potential for another 0.5% increase in interest rates before the end of the financial year so they are comfortable with their buying decisions.

Rather than rush into a poorly thought through decision or post-pone their purchase in hope that prices will drop, the challenge for buyers now is to take advantage of the current increase in supply and take the time to find the best property and negotiate the best deal.

*source: RP data, Brisbane LGA median house price growth

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