

THIS WEEK IN REAL ESTATE

26 December 2009.

The first-homebuyer's year

LOUISE BAXTER

This year was certainly an eventful one for the residential property market.

From the First Home Owners Boost and low interest rates to the Global Financial Crisis and increased vacancy rates, there was always a hot issue on the boil.

After the economic storm in the first few months, the latter part of 2009 offered signs of recovery with investors creeping back into the market, sales activity and house prices rising and confidence re-emerging in the top end.

Of course, at the very top was the \$57.5 million purchase by Perth businessman Chris Ellison of Angela Bennett's Mosman Park mansion earlier this month.

First-homebuyer activity underpinned the 2009 market, prompting a wave of first-time sellers into the market, said Hegney Property Group managing director Gavin Hegney.

"When the First Home Owner Grant was boosted in October 2008, it immediately increased demand by more than 200 new purchasers per month," he said.

"First-homebuyers rushed to beat the June 30 deadline and we would have had major problems had the boost ceased on that date.

"The phasing out of the boost allowed the market to adjust more gradually.

"For some, the First Home Owners Boost has been called the 'first-home sellers boost', as they took the opportunity to upgrade."

Then the Global Financial Crisis hit — reducing confidence and high-risk lending in particular, Mr Hegney said.

"The Global Financial Crisis spread fear into the marketplace.

"People were scared of losing their jobs and did not take on financial commitments.

"It also affected a tightening of lending



Gavin Hegney



Travis Coleman



Debra Goostrey

conditions making it difficult, if not impossible, for higher risk, no-doc loan borrowers."

Travis Coleman, valuations manager at Propell National Valuers, said that the current market was more positive than a year ago.

"Buyers retreated from the market and property values in the top end of the market were hit hard," he said.

"Government intervention in the form of the First Home Owners Boost helped to underpin the market, especially at the bottom end, with the result the median house price in Perth improved slightly in overall price growth.

"With the boost ending on December 31, the real estate market will be dependant on market forces to determine property values."

Mr Hegney said investors were back in the market, with wealth flowing once again in the top end, even though vacancy rates were high.

"An increase in share markets through 2009 has seen renewed wealth creation in the top

end and people tend to release some of that wealth into buying a bigger home.

"We saw a reduced demand for rental accommodation because first-homebuyers were buying rather than renting, which put some downward pressure on rents and an increase in vacancy rates. With the removal of the First Home Owners Boost, this trend may reverse in 2010."

First-homebuyers also dominated the land and development sectors and the economic downturn prompted developers to be more innovative and sustainable, said Urban Development Institute of Australia WA chief executive Debra Goostrey.

"Developers were mainly focused on providing affordable land to the first-homebuyer market with some developers reporting around 70 per cent of their sales in that sector," she said.

Next week: What to expect from the 2010 WA property market.