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Everyone's a winner

Buyers can snare a bargain as vendors cash in ahead of the super deadline.

It's being touted as the million-dollar bonanza for home-buyers: the sudden flood of property from vendors keen to switch their money to tax-friendly super who are often willing to sell at a discount to seal the deal in time.

With the June 30 deadline on contributions to super fast approaching, many people selling their investment properties may be ready to accept lower prices so they can cash in.

That means great deals for first-time home-buyers, many of whom are renters who've been persuaded to consider purchasing by rising rents.

Then there are those who are happy to pick up cut-price investment properties because they're a long way from retirement – and those who simply prefer to invest in property over shares.

SUPER STAMPEDE

Mortgage broker Justin Doobov at Intelligent Finance says it's a win-win situation for all sides. "We are encouraging first-time home-buyers to have their finance approved so they can go in and pick up some good last-minute bargains," he says.

"Vendors will potentially be making some huge gains by investing in super by July 1, so whether they sell for $500,000 or $490,000 or $480,000 will be pretty inconsequential.

"But for first-time buyers, those savings can be very significant and, as we get closer to the deadline, buyers who are cash-ready and willing to have a shorter settlement might be able to negotiate prices perhaps 10 per cent less."

Guy McGrath, the joint managing director of home-owner advocacy body HomeSource, says former renters are a large proportion of those first-time buyers out looking for bargains.

He says that already there are good deals out there. "But as we move on, then the market is really going to heat up, with more property coming out, and people more willing to lower prices to secure a sale by July 1. This isn't an opportunity that comes along very often."

FLOOD OF PROPERTY

Already, the volume of property on the market has started to grow. Australian Property Monitors reports that the number of homes sold through auction in February was the highest since the peak of the property boom in 2003. Greater confidence about stable interest rates is a major factor, says APM spokesman Michael McNamara.

During the past six months, excluding Christmas, the number of new listings in NSW has averaged 3042 a week, reports RP Data. But in the week to March 11 there were 3983 new listings. "That's an increase of 31 per cent," says RP Data's chief executive, Graham Mirabito.

Many are predicting, however, that the number of homes coming up for sale next month will be even higher. "Currently, we have a crush of properties that will be sold before Easter," says Peter Baldwin, chief auctioneer at Richardson & Wrench. "I would say the super changes have certainly been a catalyst, particularly since there's been some dormancy for a while.

"By mid-April, we'll see another wave of property kick off which will show the full effects of super. In terms of supply, it'll be 10 per cent up on this time in 2006.

"There's no question that super will be a stimulant for that. We'll be seeing a lot of properties that wouldn't have come on to the market otherwise. Those people will be looking for a pre-July settlement."

It will also be impossible to know, of course, the size of the discounts vendors will be prepared to accept until much closer to the cut-off date.

There's no hard data either on the number of vendors entering the market to offload their property and place their assets in super instead; most salespeople don't record the reason for a sale and often vendors may not reveal the true state of their finances.

Anecdotally, many agents are reporting a steady increase in vendors confiding that they're selling because of super.

"We noticed people starting to sell to put the money into super about six months ago," says agent Ivan Bresic of eastern suburbs agents BresicWhitney. "In the past three months, we've

sold a good number of properties, usually priced from $500,000 to $750,000, for landlord investors who wanted to contribute more to super.

"As we move towards the deadline, the numbers are only likely to increase."

A TOUGH CHOICE

Rising rents might persuade some people to keep their investment properties but this holds no appeal for Brian Lenny. "We hear about queues of people for rental property, but that's for rents of under $600 a week," he says. "For bigger properties with rents of $1200-$1300 and upwards, there's still a shortage of tenants."

As a result, he's selling his three-storey, five-bedroom property on Kareela Road, Chatswood (pictured above), backing Blue Gum Reserve through Ray White, Chatswood (0418 223 375).

"Being over 60, there's a big motivation for me to reinvest the money into super," he says, "but if I don't achieve the right price, I'll rent it out for a while longer."

There's still plenty of debate in the property market about whether it's wise to sell now and boost super. Vendors may face big bills for capital gains tax and legal costs and today's market might not provide the best prices. For buyers, of course, that can prove pure gold.

"It may be a good time to sell for superannuation and taxation reasons [but] the current stage of the property cycle represents a buyer's market," says Tim Lawless, national research director of Colliers International/PRDnationwide.

"This means selling a property now could mean sacrificing the potential capital gains that may be around the corner. Our research indicates that eastern seaboard real estate prices are now recording the strongest rates of growth since the completion of the most recent growth phase in the market back in December 2003."

Long-term, says Cristine Castle, the president of the Real Estate Institute of NSW, it may be more advantageous to hold on to investment properties.

"In Sydney, there's now a 1.5 per cent vacancy rate and rents are rising fast," she says. "As properties are taken out to sell for super, there may be even more pressure on that vacancy rate.

"It means there are a lot of people who really shouldn't be looking to sell now. Staying in property, long-term, could provide good returns."

Yet others point to the costs of keeping investment property, as against offloading it now to gain from the super concessions.

"Rents are only just starting to come back from late last year," says John Gilmovich, vice-president of the Property Owners' Association of NSW. "Many people aren't happy with the residential returns at the moment and land tax is also causing a lot of grief, so often even rising rents aren't going to cover the costs of running a property. Some people will hang on to property, but others are certainly looking at selling."

EAGER VENDORS

In Newtown, LJ Hooker's Poh Ling Ee has many clients selling investment property.

"We're getting a number of very big, rundown, unrenovated houses put on the market by older vendors," she says. "Many are selling in the low $700,000s and we sold one recently for $650,000. I think a lot of buyers are now getting some good bargains because of people's eagerness to sell."

A lack of stock, however, is stopping prices from falling far and some sellers seem to be holding off until the last moment, hoping prices will bounce back a little further before they put their property up for sale.

"We're also finding that renters, because of higher rents, are now moving into the market to buy," Ee says. "So there is the demand there if people do decide to sell."

Robert McElhone of Ray White Chatswood says his firm is selling two properties for investors wanting to move money into super. "Some people are still thinking about it, but their time is running out. They've got to put the money in by June 30, although they may be able to borrow the money to put into super now and recover the money when they sell."

He says the numbers of people now selling are still not enough to affect significantly the amount of property available for rent. "But they represent a good opportunity for buyers as it means there is more stock on the market, and stock that might not otherwise have come on," he says.

In Epping, there are a lot of people selling in order to downsize, reports Better Homes Realty's Marilla Powell, and some of those may certainly be wanting to contribute some of the proceeds to super. "Many are in their 60s and 70s," she says.

On the lower North Shore, LJ Hooker's Richard Harding in Neutral Bay is selling three properties for owners who want to invest more in super. Prices range from $695,000 to $2 million.

"It's helping, as there's always a shortage of stock in this area," he says.

Out west, there are also a lot of inquiries. "We're telling people to talk to their accountants," says Tony Cuthel of Bay West Real Estate in Concord West.

GET YOUR SKATES ON

Selling an investment property to put the money into super won't make sound economic sense for everyone. So much depends on age, income, spread of assets and comparative advantage.

Financial planner Andrew Bowring, of Maven Financial, says: "The advantages include that you're building your retirement nest egg."

But there's not much time before the June 30 deadline. Ideally, vendors should be putting their property up for sale now, to allow for a six-week marketing campaign, a sale and then a settlement period of at least another six weeks.

A house today takes a median of 66 days to sell, compared with 64 in February last year, according to RP Data.

If vendors delay, wily buyers may be asking for discounts in return for shorter settlements.