

Sharemarket holds back Sydney prices: McGrath

Ben Hurley

Real estate businessman John McGrath has backed away from his bullish predictions that Sydney house prices would climb up to 8 per cent this year, pointing to a "second bout of nervousness" due to a weak sharemarket and natural disasters.

However, the founder of McGrath Estate Agents said he was "100 per cent" sure that there will be double-digit annual price growth next year.

"What we've seen last quarter is a second bout of nervousness hitting the market which seems to be related to a correction in the stockmarket," Mr McGrath said. "I think we will

start seeing that growth at worst by the first quarter of next calendar year and in some places like Sydney price correction was creating hesitation among buyers, but there was still "reasonably strong buying up to



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John McGrath, McGrath Real Estate Agents

we could see the return of that growth cycle in the second half of this calendar year."

In his Winter 2011 market review, Mr McGrath said fear of a second

\$2 million for the right properties" and good demand for more expensive ones, despite some price reductions. Some areas such as Sydney's inner west were defying the slowdown.

He said rising rents, particularly in NSW, would spur first-time buyers back into the market.

"At the moment you can lock in a fixed-rate mortgage for 7.25 per cent over three years and you don't have to wait for too long until repayments are less than rent," Mr McGrath said.

New laws allowing self-managed super funds to borrow to invest in property would "put an enormous amount of pressure" on properties priced less than \$1 million, in the price range of those that appeal to first-home buyers, making them more expensive.

"I think this DIY super phenome-

non is the next big thing," Mr McGrath said. "The problem of people trying to get their foot in is getting worse, not better – they may as well take the plunge."

He said some wealthy Sydney areas were oversupplied with houses for sale, such as Mosman, Bellevue Hill, and Palm Beach and Whale Beach on the northern peninsula, leading sellers to lower their asking prices. But there were few forced sales.

"We're not seeing the bargain-hunter mentality from buyers," Mr McGrath said. "There's not this sense of desperation we saw a couple of years ago from vendors."