Sellers get desperate as flats glut hits suburbs

By Lisa Pryor Property Reporter

The oversupply problem that has dogged the city apartment market has spread to the suburbs, with some off-the-plan buyers having trouble recouping costs when they try to sell.
At the Strathbelle development in Beresford Road, Strathfield, several off-the-plan buyers have been trying to off-load since early spring.

"Desperate vendor" is the heading of one advertisement for a two-bedroom apartment in the building, with an asking price of $399,000. The vendor paid about $400,000 off-the-plan, said Lawrence Chong, of Richardson & Wrench Strathfield.
"If they want to get it sold they really need to listen to the market and perhaps not make a profit at all," said Mr Chong, who represents three vendors in the building.
The present owners would have paid stamp duty of more than $13,000 on each unit, making it "even more difficult for the vendors to accept that they can only sell it for what they paid".
Oversupply fears that had been apparent in the CBD for a couple of years could reach middle-ring suburbs this year as more apartments hit the market, said one property analyst, John Wakefield of CPM Research. "The agents are conscious that it's a testing time," he said. As the unit market cools, an air of desperation has crept into some marketing.
"This property has been heavily discounted and will be sold," reads one advertisement for a newish two-bedroom apartment in Earl Place, Potts Point, which is wedged behind Kings Cross sex shops. The developer's asking price has dropped from $595,000 to $545,000.

In Balmain-Rozelle some buyers are unhappy about the returns on apartments bought off-the-plan in the late 1990s.
In 1999, Philip Segal bought a waterfront apartment in the area for $830,000 and says salespeople told him to expect capital growth of 8 per cent a year for a property in Balmain.
The recent $880,000 sale of a comparable unit in the same building indicated an annual price growth of less than 2 per cent. "We've just gone through a boom when property prices have just doubled in three or four years," Mr Segal said with disbelief.
If he had his time again, he would have tried to insert a clause in the contract saying ownership of the unit would revert to the developer if price growth did not reflect marketing claims.

A property analyst, Angie Zigomanis of BIS Shrapnel, said some units had been re-sold for less than the off-the-plan price.
Falling rental prospects were one reason, along with the fact that a second buyer would not benefit as much from tax deductions because the fixtures and fittings were no longer new.
"A purchaser who buys an existing apartment may not necessarily generate the same depreciation benefits that an off-the-plan purchaser will get and therefore may not be willing to pay the same price," he said.

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