

shirevalues

EDITION 81

**Strata Insurance
Issue**
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**The 2024 Market
Previewed**
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The insurance sector has become wary of poorly run and poorly built Strata Schemes. The payout ratio for insurance companies on strata title schemes has become excessive in the past decade.

As a result, Insurance Premiums have risen 20% Year on Year in the past few years according to Ace Strata Manager Andrew Jakes, with no sign of the price hikes abating anytime soon. In 2021, The Strata Owners Corporation commissioned a survey report to investigate strata insurance.

According to the Deakin Business School website, the survey report consisted of 454 strata managers and 280 strata lot owners, analysed 58 versions of state and territory strata management agreements, investigated 38 pieces of legislation and regulation and gathered complex data from the insurers themselves.

Lead author of Deakin Business School, Dr Nicole Johnston says the high, and growing, cost of insurance for strata properties is due to a combination of factors.

‘Global pressures on the insurance market, as well as issues relating to building defects and cladding, adds to the overall cost of strata insurance.’

The ramifications will be felt far and wide and have many unintended consequences for strata title owners and tenants.

According to Jakes, insurance claims have gone up significantly at a time “many players have elected to drop out of the strata insurance market, meaning strata schemes have fewer firms pitching for the respective insurance policy”.

The insurers that were in the strata sector have been burnt by excess claims, poorly managed repairs, and schemes with fundamental

building and construction issues.

There are far too many buildings built in the past two decades, after the building industry became self-regulated, that now have ongoing issues.

Water ingress, plumbing, flammable cladding and poor workmanship are the common and constant issues that strata schemes end up claiming on insurance.

Insurers are willing to insure credible builders and quality buildings but are increasingly wary of others, with a poor track record.

Jakes cautions that strata rates will clearly need to rise across many strata schemes over the next few years, in order to offset the rising insurance costs.

Given so many people now live in strata title properties, whether as a tenant or an owner occupier, the issue is not insignificant.

At a time the RBA is trying to contain inflation, they would be bemused to see investors hit with higher strata levies and attempting to pass the costs on to tenants, in the form of even higher rents.

The mortgage stressed investor may not have any choice though...

Some insurers are going as far as to insist on preventative maintenance by the strata scheme, before offering an insurance policy.

Claims on the said policies are often a tedious process now, as insurance investigators take an interest in the cause of the problems and aim to understand where liability lies – with the original builder/developer or the insurance company.

The rising cost of insurance for strata schemes is a risk factor worth monitoring in 2024.



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Overall Performance

OUR CORE AREA



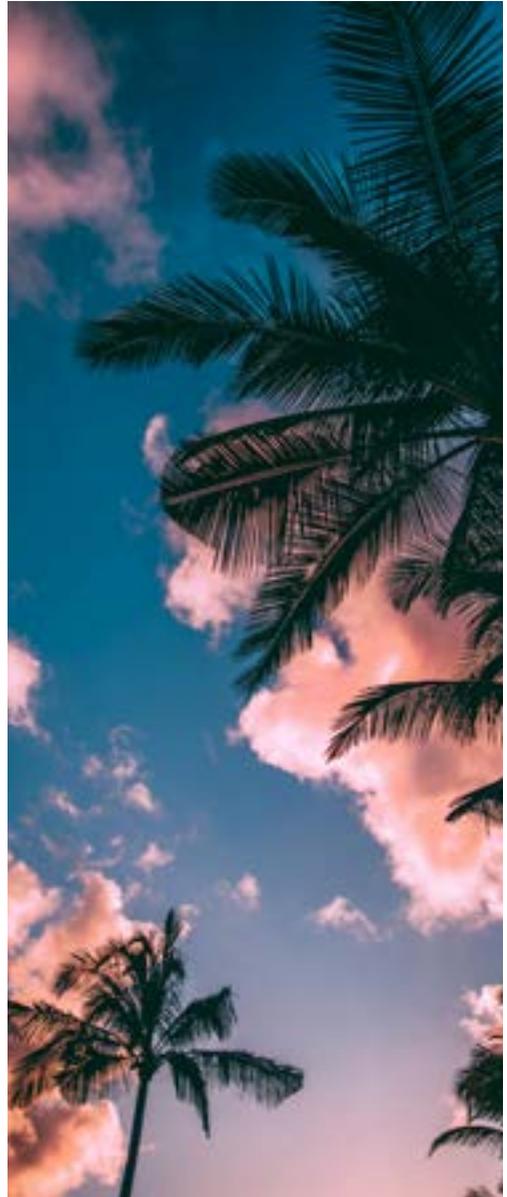
Suburb	Median Price	% Quarter Change
Kirrawee	\$1,475,000	+1.72%
GyMEA	\$1,620,000	+4.52%
GyMEA Bay	\$1,920,500	-1.28%
Grays Point	\$1,771,000	-0.51%

Suburb	Median Price	% Quarter Change
Kirrawee	\$760,000	+0.13%
GyMEA	\$900,000	0%
GyMEA Bay	-	-
Grays Point	-	-



OUR CORE AREA

Address	Bed	Bath	Car	Sold Price
6 Birunna Avenue	3	2	2	Not Disclosed
19 Bondell Avenue	5	3	1	\$2,008,000
37/16-24 Chapman Street	2	1	1	\$480,000
12 Garbala Road	3	2	3	\$1,718,000
13 High Street	2	1	2	\$1,712,000
7/34-38 Hotham Road	2	2	2	\$975,000
17/34-38 Hotham Road	2	2	2	\$912,000
6/649-653 Kingsway	3	2	-	\$1,255,000
822 Kingsway	4	1	1	\$1,205,000
1/5-7 Koorabel Avenue	2	1	1	\$845,000
8/8-12 Koorabel Avenue	2	1	1	\$811,000
5/2-4 North West Arm Road	2	1	1	\$475,000
81 North West Arm Road	-	-	2	\$533,334
90 North West Arm Road	4	3	3	Not Disclosed
7/4-6 Paddison Avenue	3	2	2	\$1,275,000
2/9-11 Paddison Avenue	3	2	2	\$1,410,000
11 Premier Street	3	2	2	\$640,000
6/12-14 Premier Street	3	2	-	\$1,290,000
51 Premier Street	3	1	1	\$1,480,100
63 Premier Street	4	3	4	\$2,333,000
64 Premier Street	4	3	2	\$2,000,000
287A President Avenue	5	3	2	\$1,492,000
9/351-353 President Avenue	2	1	2	Not Disclosed
3/365 President Avenue	4	2	2	\$1,270,000
16 Ruby Road	4	3	1	\$1,885,000
16 San Remo Avenue	5	3	1	Not Disclosed
5 Talara Road	4	3	2	\$1,750,000
11/35-37 Talara Road	2	1	1	\$765,000
9/38-40 Talara Road	2	-	-	\$700,000
8/42 Talara Road	2	2	1	\$892,000
6/45 Talara Road	3	1	1	\$740,000
92 Talara Road	4	2	2	\$1,800,000
1A Walker Avenue	3	1	1	\$1,320,000
203/16 Warburton Street	1	1	-	\$765,000



Kirrawee

OUR CORE AREA

Address	Bed	Bath	Car	Sold Price
108 Auburn Street	5	2	-	\$2,105,000
61/41 Bath Road	3	2	1	\$1,050,000
3 Betham Place	3	1	-	\$1,400,000
20 Bilga Street	2	1	-	Not Disclosed
26A Bilga Street	3	3	1	Not Disclosed
12 Corella Road	3	1	1	Not Disclosed
30 Corella Road	4	2	2	\$2,000,000
4/10 Durbar Avenue	1	1	-	\$740,000
6/12 Durbar Avenue	4	3	2	\$1,345,000
24 Durbar Avenue	4	2	4	\$1,604,000
54 Durbar Avenue	3	2	-	\$915,000
305/12 Fauna Place	2	2	-	\$890,000
403/12 Fauna Place	2	2	-	\$945,000
404/12 Fauna Place	2	2	-	\$957,000
607B/35 Flora Street	1	1	-	\$655,000
10/39 Flora Street	1	1	1	\$605,000
110/39 Flora Street	1	1	-	\$605,000
59-61 Flora Street	2	1	2	Not Disclosed
4/59-61 Flora Street	2	1	2	\$770,000
8/67-71 Flora Street	2	1	2	\$670,000
1/72-78 Flora Street	3	1	1	\$960,000
3/73-75 Flora Street	2	1	2	Not Disclosed
10/80-82 Flora Street	3	2	1	\$1,200,000
22 Gore Avenue	3	2	2	\$1,407,000
25 Gore Avenue	3	2	-	\$1,500,000
39 Gore Avenue	3	1	1	\$1,430,000
12 Gundain Road	5	3	1	\$1,850,000
35 Johnston Avenue	4	2	-	\$1,670,000
60 Johnston Avenue	3	1	2	\$1,600,000
13 Kemp Avenue	3	2	1	Not Disclosed
608/4 Kiln Road	2	2	1	\$810,200

Address	Bed	Bath	Car	Sold Price
3 Kittani Street	3	1	1	\$1,570,000
4 Meehan Place	3	2	2	\$1,361,500
15A Milner Avenue	-	-	-	\$1,980,000
47 Mokera Avenue	4	2	-	\$1,551,000
5/125-129 Oak Road	2	1	2	\$619,990
11/125-129 Oak Road	2	1	1	\$575,000
36/125-129 Oak Road	2	1	1	\$566,000
59/131-139 Oak Road	2	1	2	\$680,000
186 Oak Road	3	2	2	Not Disclosed
2/186 Oak Road	3	2	1	\$1,490,000
11 Orana Avenue	4	1	2	\$9,000
403 President Avenue	4	2	-	\$1,500,000
466A President Avenue	-	-	-	\$1,530,000
16/602-608 Princes Highway	2	1	1	\$600,000
24/602-608 Princes Highway	2	1	1	\$641,000
39/602-608 Princes Highway	3	1	2	\$865,000
25 Tea Gardens Avenue	4	2	2	\$1,530,000
12 Tea Tree Place	4	2	4	Not Disclosed
5 Timor Close	7	2	7	\$1,550,000
2A Tulong Place	5	4	-	Not Disclosed
14 Tulong Place	4	2	1	Not Disclosed
1010/3 Village Place	1	1	1	\$750,000
203/9 Village Place	2	2	1	\$770,000
503/9 Village Place	3	2	-	\$1,170,000
504/9 Village Place	1	1	1	\$645,000
506/9 Village Place	2	2	1	\$770,000
521/10 Village Place	2	2	-	\$855,000
523/10 Village Place	1	1	1	\$645,000
11 Wanganui Road	4	3	2	Not Disclosed
25 Wanganui Road	4	1	1	\$1,400,000
27/48 Waratah Street	-	-	-	\$269,500

CORE AREA RESULTS



QUARTERLY RESULTS



Grays Point

OUR CORE AREA

Address	Bed	Bath	Car	Sold Price
21 Hovea Place	4	2	2	\$1,550,000
33 Hovea Place	4	2	1	Not Disclosed
53 Moyran Parade	4	3	-	Not Disclosed
228 North West Arm Road	5	3	3	\$2,560,000
11 Noyana Avenue	3	2	2	\$1,940,000
46B Warren Avenue	3	1	2	\$1,370,000



Gymea Bay

OUR CORE AREA

Address	Bed	Bath	Car	Sold Price
112 Arcadia Avenue	3	1	2	Not Disclosed
1 Bayhaven Place	4	2	5	\$4,332,000
2 Bunarba Road	4	4	-	\$1,915,000
63 Bunarba Road	5	3	-	Not Disclosed
9 Carter Crescent	3	1	2	Not Disclosed
11 Cobargo Road	4	2	2	\$1,730,000
14B Coonong Road	4	3	1	\$2,065,000
41A Coonong Road	5	3	1	Not Disclosed
41B Coonong Road	5	3	1	\$2,225,000
56 Coonong Road	3	2	2	\$1,755,000
100 Coonong Road	4	2	4	\$2,200,000
19 Ellesmere Road	2	2	2	\$1,550,000
132 Ellesmere Road	4	3	3	\$2,300,000
12 First Avenue	4	2	2	\$2,940,000
173 Gymea Bay Road	3	2	2	\$1,530,000
1/198-200 Gymea Bay Road	3	2	2	Not Disclosed
253 Gymea Bay Road	3	2	2	\$2,165,000
2/265-267 Gymea Bay Road	3	1	1	\$1,080,000
288 Gymea Bay Road	3	1	1	Not Disclosed
295 Gymea Bay Road	5	3	2	Not Disclosed
29 June Place	4	2	1	\$1,800,000
2 Kalkada Avenue	3	2	4	Not Disclosed
7 Pinaroo Place	4	2	2	\$1,870,000
18 Second Avenue	4	2	2	\$1,800,000
3 Susan Place	4	2	2	\$1,670,000
1/2-4 Third Avenue	3	2	1	\$1,423,009
6 Third Avenue	4	3	2	\$3,500,000
1 Vernon Avenue	4	2	4	Not Disclosed
12 Westringia Place	6	4	2	Not Disclosed
8 Yarra Burra Street	4	2	2	Not Disclosed

SUDOKU

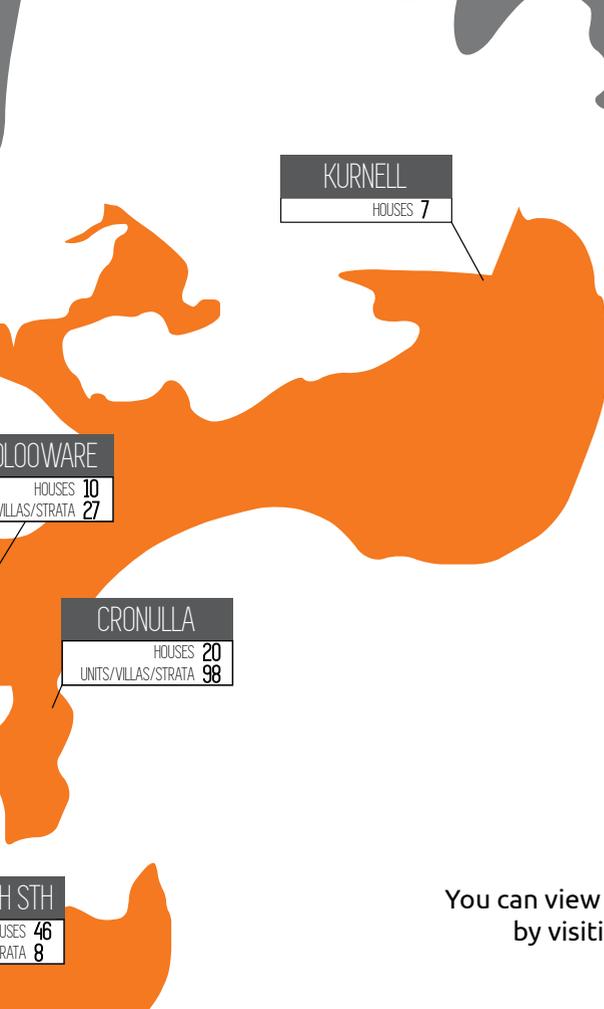
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Sales Map

Sutherland Shire Q4/2023

Number of Sales

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THE 2024 MARKET PREVIEWED

What to watch, what to expect

Analyst's forecasts for the Sydney property market in 2024 vary by a 10% margin.

The majority of experts expect prices to rise modestly, with SQM Research's Louis Christopher predicting subtle price falls of -1% to -4%.

The two analysts who have been the most accurate in the past decade, Christopher and AMP's Shane Oliver, have vastly different outlooks for the year ahead.

Oliver is the most optimistic of all analysts, predicting Sydney property prices will rise a further 7% in 2024.

Very few have predicted any seismic price shifts in their forecasts, instead opting to play it relatively safe.

We make this point because the market has operated with extreme volatility in the past few years, so consensus that the price action will be muted in 2024 is, an interesting point in itself.

The Sydney property market has experienced wild swings in the past 6 years.

Whereas markets such as Brisbane and Adelaide tend to operate in a more linear fashion.

Statistically speaking, the most subdued year in recent times was 2020.

What is worth noting about 2020 is the market initially crashed 10% due to COVID lockdowns and then recovered to finish the year in positive territory.

Over the years, there has been no shortage of

extreme forecasts, both for the bull and bear case.

These extreme calls that the market will move by 20 – 30% in one direction or another, often prove to be totally incorrect.

There is almost a perfect synergy between property prices doing the exact opposite of what the retail banks have predicted in the past 5 years. When assessing research reports, it's best to avoid the headline forecast and understand the reasoning and methodology behind it.

What are the factors that will dominate in the year ahead, what are some of the unlikely and unintended consequences that could emerge? Before 2024 even began, markets were gifted a surprise last December by the US Fed Reserve, whom forecast rate cuts in 2024.

Money markets enjoyed a healthy Santa Rally as the Fed's statement confirmed that the rate cycle has peaked, in the US, potentially globally.

If the US cut rates before the RBA, which is nearly certain, the AUD will rise against the USD. This is important for Aussie housing as it could subdue some of the foreign buying.

In 2023, more millionaires immigrated to Australia than any other country.

They did so at a time the currency was low, immigration intake was at 'all time highs' and Sydney was experiencing a critical housing shortage.

The Albanese Government have promised to cut migration intake.

The numbers suggest over 500,000 entered the country in 2023, with the Government

promising to reduce that to 325,000 in 2024 according to reports.

The initial 500,000 won't be leaving the country anytime soon, so even at the lower 2023/24 number, Australia is still inviting more people in than we have housing supply for.

Governments of all persuasions love immigration intake because it creates the illusion of economic growth.

On one hand, it can be rightly argued the economy is indeed growing, but the standard of living for many is declining at the same time. It is difficult to cheer the country's economic performance if your own circumstances are deteriorating.

The number of Australians now living in below standard housing arrangements, is alarming to say the least.

The planning system is choking on red tape, meaning there is zero chance of substantial housing supply making it to market in the next two years.

The market performance is very much dependent on variables - employment, interest rates, the Mortgage Cliff, wage growth, listing supply and the currency.

Some factors will move in a direction that pushes the market up, whilst other factors will push the market down.

Any meaningful growth in National property prices will cause the RBA to lift rates again, regardless of what the US Fed do.

This is important to note – because cities such as Perth, Adelaide and Brisbane are rising.

The property market absorbed the rate rises fairly well throughout 2023, except for the last one in November.

The change in buyer sentiment was noticeable after the Melbourne Cup Day hike. All modelling suggests that the number of households in severe mortgage stress increases above a cash rate of 4%.

A 4% cash rate implies a mortgage rate of around 6% Even though mortgage rates fell to 2% during COVID, banks assessed borrowers on a much higher serviceability rate.

That serviceability rate has now been absorbed by the rate hike cycle of the past 18 months.

The RBA's cash rate is now 4.35% - therefore any additional lift in rates would be a painful scenario for many mortgage holders.

Whilst the sales market could move in either direction, expect rents to continue rising in Sydney.

Return to office, traffic congestion, population growth, inflationary pressure on landlords will all converge to put pressure on the rental market, particularly closer to the CBD.

Geopolitical events could impact markets in 2024.

There are two wars raging in the middle East and Ukraine, the US Presidential Election promises to be dirtier than the last one, tensions in the Pacific and China's property market is crashing.

Expect the unexpected in 2024.

Based on an article by Peter O'Malley of Harris Partners Real Estate

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