TIMING IT RIGHT TO BEAT THE PROPERTY CLOCK

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BUYING in a boom or selling in a slump can cost you tens of thousands of dollars if you are on the wrong end of the deal, or it can set you up for a bumper profit if you get the timing right.

When to make your move, either as a vendor or buyer, is second in importance only to location, according to many property experts.

Even just a $20,000 overpayment on your purchase price can add another $40,000 in interest repayments over the life your mortgage.

Or losing out on a potential $20,000 in the sale price can mean another $40,000 loss in equivalent investment earnings or having to fork out more to borrow for your next property.

Within the property market there are many different economic forces at play and the face of a clock can be used to show where the market is at any given time.

Typically, there are good times to buy and bad and the same goes for selling. Knowing where you are in the property cycle can help you make the most of your sale or let you snap up a bargain purchase.

The two main positions on the property clock are undersupply and oversupply. Everything else is either leading in to one of these market conditions or coming out of it. But let's start with undersupply.

12 o'clock

Undersupply, or midnight, is "party time" for investors and property sellers.

This is when demand from rental tenants and property buyers is so high that the number of properties available can't keep up.

Landlords put their rents up and tenants just keep rolling in. As the rents get higher, the number of wannabe investors increases, as they see high rents as a good investment option.

At the same time owners who list their properties for sale also get a high number of bids and offers because there are a plethora of buyers out there bidding against each other.

Undersupply is caused by several factors, including strong immigration and population growth.

The construction cycle also has a role to play, as does the economy and the share market. When construction is down, the shortage, or undersupply of properties, gets worse.

And when the economy is strong and people are getting regular pay rises and secure work, this gives them extra confidence to borrow more and pay a higher price. The share market also joins in the mix of market forces.

When the share market is too risky – prices are unstable or falling (sound familiar?) – then people also switch out of shares and in to property, further increasing the number of buyers.

As more buyers flood the market they are forced to compete against each other and the only way to win in this situation is to pay a higher price.

But as is the case with all market forces, there is always an opposite effect. While property sellers are partying, enjoying their inflated property prices, the opposite is happening for would-be buyers.

For buyers considering purchasing a property at 12 o'clock, it's more likely to be a nightmare then a party.

3 o'clock

By now all those ripper high sale prices and rising rents are attracting every man, woman and dog to the property market.

Suddenly there are developers wanting to get a piece of the action building new projects to sell for high prices.

Soon new construction gets under way to help meet all this pent-up demand as the investors continue to want a slice of those big rental incomes and cashed up former home owners look to trade up to their next home – not to mention the backlog of first-home buyers.

However, gradually the number of new properties starts to catch up with the demand. At the same time, many buyers, despite their desire, are simply priced out of the market.

No matter how secure their job or how optimistic they are about borrowing more money, they simply can't make the finances stack up.

Tenants, too, start to withdraw or at least say no to more rent increases and the whole market starts to ease back.

This is what's called afternoon nap time, 3 o'clock.

The heat of the market and high prices have become overwhelming and people are starting to feel less confident.

Sellers lower their price ranges and buyers are fewer and farther between as they start to realise if they hold out a bit longer they might have more control over how much they pay.

This time is now one of even supply, where the number of properties and the number of buyers are roughly matched.

There’s no frantic hurry to buy before the price goes even higher. In fact this is often when many buyers take a siesta.

6 o’clock

Unfortunately for the developers, speculators and the sellers, as the clock ticks down to 6 o’clock the tables have turned and there are now more properties than there are buyers.

This is the typical oversupply time, the bottom of the market and the bottom on the property clock.

This can often coincide with hard economic times and the tail end of high interest rates.

People no longer feel confident about borrowing too much and might feel their income or jobs are at risk.

For a seller this is definitely not the right time to put your house up for sale. Not only will there be few buyers willing to consider your property but their offers are also likely to be considerably lower than you expect.

But it is good news for buyers. With lots of properties to choose from and very few buyers to compete with, you now have the highest chance of snapping up a bargain.

This is also the time when investors have to discount their rents and the attraction of residential property as an investment starts to lose its shine.

During the next three years or so it’s a buyers’ (and a renters’) market.

9 o’clock

Guess what? It’s time to wake up and get real.

Property prices have sunk so low that people have decided not to sell. All those highrise units and new housing estate homes have been sitting floundering on the market with no buyers. Suddenly the developers are getting realistic and stop building.

They also start to face up to their losses and it becomes a case of a little less cash in the bank or a lot more debt on the books if they don’t sell for what they can get.

Prices come down and, hey presto, the buyers come back. As the property clock heads up to 9 o’clock so do the prices.

Gradually activity returns. This usually coincides with improved economic conditions and improved consumer confidence.

The economy, the workforce, the consumers are all back on a roll and things are looking up again. And before you know it, it’s midnight again!