

Editorial

Hello and welcome to our six monthly news letter. After last years phenomenal price increases in the Melbourne property market we have seen a return to normal market conditions so far in 2008. This has certainly been a welcome end to the upward price spiral as any further price increases would have been unsustainable. Many investors from all parts of Australia and the world have recognized Melbourne as a city with excellent potential for exceptional capital growth. Our firm participated in a property expo in Shanghai in November of last year that was organized by the Australian Chamber of Commerce. The Chinese economy has been booming in recent times and Shanghai being its major commercial centre has attracted many Australians who are now living and working there. During our visit we spoke to many expatriates who expressed interest in investing in Melbourne in the future.

An exciting development over the last few months has been the introduction of our property management services. As with our buyer advocacy services we quite simply promise to always put the interests of our clients first. Our service offering is

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Market Snapshot

The Melbourne property market has returned to a more sensible and sustainable level of activity in 2008. Last year will go down in real estate history as experiencing the sharpest price rise in a year ever seen. The upward movement occurred between February and November. The upward price movement was excessive and hence so far this year we have experienced a slight downward correction. We are in my view now back to normal market conditions. Consecutive interest rate rises have certainly had their effect on the level of demand. Last year quality property was attracting 3 or 4 bidders, this year that number has been reduced to 1 or 2.

Over the previous few months every time the Reserve Bank has met to review interest rates they have decided on an increase. This has caused fear amongst the buying public. When is the upward movement going to end? At their most recent meeting they decided not to further increase rates. In my view we can expect moderate growth in the Melbourne property market this year. More buyers will appear when they are confident that the upward movement in interest rates has come to an end. Like all financial markets the property market is greatly affected by the confidence levels of buyers and sellers.

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Property Management

"The complete service for you, the buyer" has always been our motto, we now offer property management to our already vast array of services. The feedback we have

unique in that we cover all aspects of a property purchase and are totally independent. By adding property management to our service offering we now provide a complete service to all buyers of real estate. In this edition of our newsletter I outline exactly how our property management department will function and the level of service our clients can expect. I believe my experience as a builder/renovator will prove invaluable to landlords.

I have always believed there are many vagaries with the auction system. These grey areas have caused a number of disputes over the years. I point out some important changes that should be implemented immediately. During our participation in the Shanghai Property Expo I gave a presentation on the current state of the Australian property market. Included in this edition is a summary of my presentation. With only a few exceptions all capital cities are currently experiencing healthy capital growth.

As usual, in this edition we include our regular articles, Legal Chat by Andrew Padanyi and market snapshot. Andrew gives clarification to the often misunderstood issue of who is responsible for the payment of levies in a real estate transaction. Market Snapshot outlines the recent past performance of the property market. We also present our opinion on future trends in the Melbourne market.

Please feel free to contact us if you have any questions in relation to real estate or building matters. Also, if there is a specific topic you would like covered in our next newsletter we would like to hear from you.

Regards,

Peter

been getting from our clients is that most real estate property management firms do not provide a level of service that landlords are satisfied with. Lack of communication, not returning phone calls, not attending to routine inspections, rents not being reviewed regularly are just some of the negative feedback we are hearing.

Being a small boutique firm we pride ourselves on giving our clients personalized service. Reacting quickly to requests, regular communication and being totally client focused are just some of the compliments we regularly receive from our buyer advocacy clients. Our aim is to continue these high standards in our property management division. Owning an investment property should not be stressful.

One of our major points of difference from other property management firms is that I am a registered building practitioner. My background is in buying, renovating and then selling within a short period of time. I have a proven track record of adding substantial value to a property with minimal outlay and effort. This is achieved through specific renovating techniques. Adding value to a property has many advantages. Apart from the obvious increased sales price if or when the asset is sold it will also lead to a higher rental return. This in turn leads to an increase in the owner's equity. Any increase in equity results in a greater borrowing capacity for the owner. A greater borrowing capacity gives the owner the opportunity to build a portfolio of properties.

As an incentive to landlords I am prepared to give unlimited free building and renovating advice to the first 100 landlords who make the move across to us.

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Australian Property Market

The Australian property market has been extremely buoyant in recent times.

House prices across Australia increased in every capital city over the last 12 months to June with the exception of Sydney. In the June quarter all capitals increased except Perth. Median prices in all capital cities except Sydney are now at their highest point ever. Over the last 5 years every capital city has experienced a significant upward movement in price over a period of between 12 months to 3 years. Why such a healthy market? Quite simply the Australian economy has experienced an unprecedented 17 years of continuous positive GDP growth.

In summary apart from Perth and Sydney all capital cities performed strongly over the year. Melbourne and Brisbane have been the two stand out performers.

This situation looks set to continue with September quarter figures showing an average annual rise of 10.6% across the 8 major city markets. The imbalance between housing



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supply and demand, record low unemployment, increasing wages and a growing population should ensure a healthy market in the foreseeable future. Braking factors will however be the continued interest rate rises and the impact on credit availability of problems in the US sub prime market. Also, household debt is starting to become excessive and therefore any increase in the unemployment rate will have dire consequences for many people.

The property market is cyclic and a downturn is inevitable. The best way to insulate yourself against a downturn is to only purchase quality property. Before making such a substantial outlay always obtain independent advice.

Note: the above article is based on figures produced by the Australian Real Estate Institute as at September 2007.

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Legal Chat

By Andrew Padanyi B.A., LL.B.

Who is responsible for paying levies?

The best way for a vendor to achieve the desired outcome is to include a special condition in the contract that passes liability for compliance with the notice and payment of the levy to the purchaser. To cover different sale circumstances, the vendor's solicitor might choose to include the special condition in the Vendor's Statement.

While there is some debate about the legitimacy of including contractual conditions in a disclosure document, the moral for prospective purchasers is to carefully scrutinise all contractual documentation in order to determine who is responsible for compliance. You might find that, having signed the contract, there is a condition tucked away in the Vendor's Statement that passes responsibility for pre-contract notices to you as the purchaser.

In the absence of such a condition, the vendor remains responsible for compliance with such notices. If this is the case, the purchaser is justified in deducting the full amount of the levy from the amount due to the vendor at settlement and paying it to the relevant authority.

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Auction Fiasco

Melbourne is the auction capital of the world. I personally

believe it is an overused method of selling a property. Before choosing the best method of marketing a property a number of important determinants need to be assessed before a correct choice is made. The current state of the market, likely level of demand for the property and a vendor's time frame are some factors that need to be examined before a decision is made.

With the right property and in the right circumstances the auction method can and does work well. However changes need to be made to make the process less ambiguous. The most critical point of an auction is when the property is announced on the market by the auctioneer. Unfortunately as the legislation stands at the moment there is no structured and mandatory statement required by the auctioneer that clearly announces that the property is on the market. There also needs to be a structured and mandatory method of knocking the property down to the successful purchaser. During an auction many bidders are unsure of when the property is actually on the market. Also, if the property is passed in there is no mandatory method used by selling agents to deal with the highest bidder. Selling agents claim that the highest bidder has first right of refusal at the reserve price. Does this mean they are allowed one offer or multiple offers before other parties are introduced into the negotiation? This is interpreted different ways by different real estate agents. There is no consistent process used by auctioneers in the three above mentioned situations. This can cause confusion and fear amongst the inexperienced buying public. Some auctioneers play on this uncertainty for their own benefit. This situation can and has led to disputes.

At a Burwood East auction late last year a bid was accepted by the auctioneer after the property had been declared sold. As a result of this and other similar incidents the REIV have called for a binding contract to occur on the fall of the hammer. If a binding contract is to occur on the fall of the hammer it becomes even more critical that the auction rules cover the situations mentioned above and therefore are clearly understood by all buyers.

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Peter Rogozik Property
Consulting
Licensed Estate Agents
Registered Building
Practitioners

PO Box 278 World Trade Centre
Victoria 8005 Australia

T + 61 3 9689 9080
F + 61 3 9689 2560
E info@yourbuyersadvocate.com.au
ACN 103 128 678

L 27, 525 Collins Street
Rialto South Tower
Melbourne Vic 3000
Australia

