



The Buyers Advocate

Connecting People and Property



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Editorial

Hello and welcome to our six monthly newsletter. The Melbourne property market is once again on the move forward. Last year we saw an unprecedented phenomenal price increase followed by a correction downwards by approximately 10% in the first half of 2008. Since the announcement of the reduction in interest rates in the second half of this year the Melbourne market has noticeably increased in activity. The quality segment of the market is almost at the same price point as it was when the market peaked in November of 2007.

As mentioned in our previous newsletter we have introduced property management to our service offering. I believe we have definite added value benefits to offer all landlords. These benefits are set out in this edition. I encourage all landlords to contact me to discuss how we can maximize the return on their investment. Being a boutique firm I guarantee all property owners a high level of personal service. This edition also includes an article outlining the current state of the Melbourne rental market. I have personally witnessed the strength of the rental market. Our open for inspections has attracted a large number of prospective tenants and these properties have been let within a few days of being listed.

The sub floor is such a critical

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Market Snapshot

Over the previous 2 months the Melbourne property market has again gathered momentum as the upward movement in interest rates has come to an end. The start of 2008 saw a general price reduction of between 5 and 10 per cent after last years record price increase. Once again we are seeing multiple bidders at quality property auctions. Quality properties are attracting a lot of interest while other properties are taking longer to sell. These conditions are symptomatic of normal market conditions.

I believe over the next 12 months we will again see prices rise albeit slowly. For the first time in 7 years interest rates have been reduced. This has renewed the confidence of buyers who once again are coming out of the woodwork.

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Property Management; Why Choose Us

The aim of our property management department is to add extra value to our owners. To all our property owners we are prepared to offer the following at no extra cost.

- Unlimited recent sales information provided by the REIV database. This will allow you to track the value of your investment.
- Unlimited building/renovating advice. I am a registered building practitioner. This will also be of benefit if maintenance issues arise at your property.
- A commitment to always manage a small portfolio of properties therefore guaranteeing you a high level of personal service.
- Regular rental reviews.

component of a building. In this edition I talk about the many substandard restumping jobs I have inspected. It is one of the most common building faults. I provide some tips to avoid costly rectification works.

As usual, in this edition we include our regular articles, Legal Chat by Andrew Padanyi and Market Snapshot. Andrew outlines the intricacies of nominating a different purchaser on a contract of sale. His insights on this subject will be invaluable information to all property buyers. 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



REIV

- Marketing advice if ever you decide to sell. Because I have bought and sold many properties I can advise on the best ways to present your property so as to achieve top price.

I believe the key to running an efficient property management department is to manage a small amount of properties. Property management is time consuming and it is impossible to give quality service if there are too many properties to look after.

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Property Management Review

I have experienced the strength of the Melbourne rental market first hand. With the advent of our property management department we have rented out a number of properties within 10 kilometers of the CBD over the past 6 months. I have been amazed at the amount of high quality tenant applications submitted. It is very reassuring to investors knowing that their properties will not remain vacant for an extended period of time. Blue chip inner urban properties will always perform well from a capital growth perspective this in turn leads to regular rental increases. Rents across Melbourne, especially inner Melbourne, have skyrocketed over the last 18 months.

Real estate like any other commodity is at the mercy of the economic laws of demand and supply. The greater majority of the population wants to reside close to important amenities i.e. shopping precincts, health care facilities, schools, transport links etc. Limited available supply of housing in these areas has lead to the substantial price increases we have witnessed of recent times.

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Legal Chat

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

It is common for a purchaser of land to nominate an additional or substitute purchaser to complete the purchase at settlement. This usually arises where the person who signed the contract as purchaser wants to add their spouse or another family member. Alternatively, the named purchaser might prefer to complete the purchase in the name of a company for investment reasons. At present, the only restrictions are that the words "and/or nominee" must be used in the particulars of the contract, and the nomination must be made at least 14 days before settlement.

However, in these circumstances the named purchaser remains responsible for performance of the contract and the vendor retains contractual rights against the named purchaser if there's any default by the nominated purchaser.

The vendor is entitled to be provided with a written direction, signed by the named purchaser and confirmed by the nominated purchaser, authorising the vendor to transfer the

property to the nominated purchaser. The vendor then meets its contractual obligations by handing over a transfer in favour of the nominated purchaser at settlement. Such transactions do not involve the named purchaser receiving any additional consideration or a higher price and, accordingly, do not incur additional stamp duty.

In contrast, sometimes a nomination takes place in circumstances where the purchaser wants to on-sell the property to a third party without completing the contract with the vendor. These transactions are known as "on-sales" and additional duty is payable. However, it's not the vendor's responsibility to ensure the payment of duty - this is a matter between the nominated purchaser and the State Revenue Office.

Some vendors insert special conditions that add unnecessary complexity to the nomination process and require the purchaser to pay costs to the vendor in relation to any nomination. However, such conditions are inappropriate and do not serve any useful purpose.

The new 2008 contract of sale, which will be available for use shortly, continues to recognise the purchaser's right to nominate and, according to the latest press, will remove the restrictions on nomination in the current version of the standard contract.

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Restumping

I have always been amazed at the amount of substandard restumping jobs that are carried out. Until recently anyone could pick up a hammer and call themselves a restumper. Again I have always found this incredible as restumping is such an important part of the building process. The quality of workmanship of the sub floor and foundations will impact on the entire building. Over the years I have seen many cases of floors not leveled properly, incorrect spacing of stumps, not enough stumps inserted, footings incorrectly constructed, ant caps missing and substantial amounts of rubble left in the sub floor. All this leads to costly repair jobs in the future.

Home owners should never just accept the lowest quote. It is important that the prospective restumper be referred by somebody who has used their services and has been entirely happy with their work. Choosing a restumper out of the yellow pages or local paper is like playing Russian roulette. Under new regulations restumpers must be registered, never employ the services of a restumper that is not registered.

A permit should always be obtained for every restumping job.

Some restumpers will offer a discounted price in return for not obtaining a building permit. The fact that a permit is not obtained can result in dire consequences for the home owner. In this situation a building surveyor is not inspecting the workmanship so there is no quality control. Also, if you sell the property buyers will be requesting a copy of the permit. Not having a permit will put doubt in the purchasers mind and could therefore impact on the selling price even if the job has been performed well.

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