



Editorial

Hello and welcome to our six monthly news letter. The quality sector of the Melbourne property market has remarkably held its value in the midst of the international financial crisis. This has been particularly so at the lower end of the market. In fact over the previous 3 months this segment has increased in value by about 10%. I believe it is always a shrewd strategy to purchase an investment property at the lower end provided it ticks the boxes of what constitutes a quality property.

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.

Recently there have been some changes to the rules governing foreign investment in Australia. These rule changes have made it easier for foreign nationals and permanent residents to purchase Australian property. I explain some of the more important changes that have occurred. Often a property buyer's perception of what is a bargain is totally flawed. I explain the difference between buying a mediocre performing investment as against a genuine bargain.

Having personally completed a

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Market Snapshot

Despite all the negative sentiment in the media over the previous 6 months the Melbourne property market has weathered the storm reasonably well. The upper end of the market i.e. 1 million plus properties, have been most affected by the international financial crisis. In this segment of the market prices have reduced by around 10% from last year. Recent sales have indicated that quality properties at the lower end of the market have held their value and continue to be highly sought after by buyers. The economic downturn and resulted loss of confidence by consumers has led to many potential sellers delaying the disposal of their property where possible. This reduction in supply has contributed to prices remaining stable.

The current economic climate provides a great opportunity for buyers with job security to enter the market. There is no doubt we are at the bottom of the cycle. First home buyers are in a particularly advantageous position with record low interest rates and substantial government rebates.

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Changes to Foreign Investment Regulations

Recently there have been a number of changes made to the regulations governing foreign investment in Australia. I have outlined a few of the more significant changes. A more comprehensive explanation of the recent changes is outlined on the Foreign Investment Review Board website.

Temporary residents are no longer required to notify proposed acquisitions of an established dwelling for their own residence (not for investment purposes), also any new dwellings and single blocks of vacant residential land (other acquisitions of vacant land will require notification and will normally be approved subject to development within 24 months). The exemption applies to contracts entered on or after

number of low density building projects, in this edition I outline my top ten tips. Building a home presents many potential traps and pitfalls, my tips are essential reading for anyone about to embark on such a demanding process. As usual, in this edition we include our regular articles, Legal Chat by Andrew Padanyi and Market Snapshot. Andrew explains the recently introduced changes to the contract of sale of land used in Victoria. These changes are a step in the right direction and will result in fairer outcomes for both buyers and sellers. 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

18 December 2008 (the date that the Assistant Treasurer announced the policy changes). The exemption includes acquisitions of property by temporary residents via their trust or Australian incorporated company. The existing notification requirements continue to apply to non-residents, who must notify all proposed acquisitions of residential real estate.

Foreign-owned companies can now also purchase established dwellings for the use of their Australian based staff provided that they sell or rent the dwelling if it is expected to remain vacant for more than 6 months. There is no limit to the number of established dwellings which can be purchased, where required for employee accommodation.

Another significant change is to the definition of a temporary resident. The definition of a temporary resident is a person with a visa of at least 12 months duration. This will be updated to cover temporary residents with shorter term visas and long term bridging visa holders. Short term visitors, for example, with tourist or certain classes of business visas will continue to not be considered as temporary residents.

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Property Management Review

The inner Melbourne rental market is still extremely strong with quality properties attracting multiple applications. For investment purposes it is important to purchase a property not too far above the suburbs median price as this will result in the rental asking price being also around the median price for the suburb. This is where the greatest pool of potential renters will be. In a tight rental market this could be the difference between a rented or vacant property.

To all investment property owners we are prepared to offer the following at no extra cost if they make the change across to our firm.

- 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.
- 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.

Don't hesitate to contact me to discuss further.

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Legal Chat

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

In September 2008 changes were made to the form of contract of sale of land used in Victoria. The old contract note has disappeared, having been replaced by a new universal form which has been designed to be used in all situations. This article explores some key changes for purchasers of real

estate in Victoria.

Unlike the old contract, the new form of contract contains all terms and conditions within the one document, without reference to extraneous terms. The signing of the contract by the purchaser is expressed as an offer to purchase which lapses unless accepted within a specified period of time or 3 clear business days if no period is specified.

Previously the purchaser had the right to requisition and make enquiries, which was largely meaningless given the extent of pre-sale disclosure required of the vendor. That right has now been abolished and replaced by vendor's warranties in the general conditions. In broad terms these warranties address the matters which were previously the subject of requisitions on title.

It's now a general condition that a purchaser can't make any objection or claim compensation for any misdescription or deficiency in the area or measurements of the land being purchased. While a significant discrepancy will still allow the purchaser to avoid the contract, a prudent purchaser will carry out a check survey of the property before signing the contract.

Where the purchaser wants to nominate someone else to complete the contract, it's no longer necessary to insert the phrase "and/or nominee" after the name of the purchaser – the purchaser has the right to nominate even without these words appearing in the particulars of sale.

There is a new process where the purchaser alleges that the property is not in the condition required by the contract at settlement. The purchaser may nominate a sum of up to \$5,000 which is deducted from the balance due to the vendor at settlement and paid to a stakeholder pending determination of the dispute after settlement. However, the purchaser must, at the same time, deposit an equal amount from the purchaser's own funds with the stakeholder. The purpose is to isolate the dispute so that settlement is not jeopardized and can still proceed at the required time. The parties will then need to decide on a dispute resolution process after settlement.

The new form of contract has been structured in a more user-friendly way and should provide a straightforward template for those involved in preparing contracts of sale of land.

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When a Bargain is not a Bargain!

I always get a little concerned when property buyers start talking about buying a bargain. More often than not their interpretation of a bargain is flawed. What they have purchased or are going to purchase is a cheap property that will not perform very well from a capital growth perspective. Often so called bargains can be purchased in sub standard

locations. The purchaser believes that he has bought the property well below market value compared to other locations within the suburb. In many cases the purchased property will under perform by hundreds of thousands of dollars compared to other properties. Even if the property was purchased for \$20,000 under its market value the investor has potentially cost himself hundreds of thousands of dollars in the medium to long term because the asset has failed to perform.

My advice is don't get fooled into buying a so called bargain, always choose blue chip property even if it means paying a little more than you would like to. The bargain will be proven in the long term performance of the asset not in a perceived discount in the purchase price.

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Top ten tips when building

There are many traps and potential pitfalls when building a house. Below are my top ten tips however they are by no means exhaustive. Always seek advice from a range of building professionals at every step of the way.

1. When assessing contractor quotes always obtain unit prices for extras. If this is omitted some tradesmen will charge exorbitant amounts.
2. Only allow hourly rates to tradesmen you trust and even then monitor closely.
3. Only choose tradesmen who have been referred to you and who have a known track record of quality and reliability.
4. Most external concreting works will eventually show signs of cracking if not completed properly. Choose the concreter and finish very carefully.
5. When employing the services of a builder, contact consumer affairs to see if complaints have been made, contact VCAT to see if there are any orders pending, contact the building control commission to see if they are registered, inspect completed previous projects and talk to former customers.
6. Most building faults are the result of poor waterproofing application. It is critical to get this right.
7. Work with an experienced interior designer to make sure all fixtures and fittings are placed in the correct position.
8. Use an experienced architect to ensure floor plan is functional and window openings are the correct size and positioned correctly to take advantage of natural light. Also make sure you understand how to read architectural drawings.
9. Complete a thorough cost assessment and make sure your specification is detailed including make and model number of all appliances.
10. Decide on your preferred maintenance level and choose materials accordingly.

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