



The Buyers Advocate

Connecting People and Property



Issue 12 > October 2009

www.yourbuyersadvocate.com.au | [newsletter archive](#) | [contact us](#)

Editorial

Hello and welcome to our six monthly newsletter. The quality sector of the Melbourne property market has remarkably increased in value in the midst of the international financial crisis. Six months ago we saw signs of a recovery at the lower end. The upper end of the market is now also showing renewed buoyancy.

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.

I have recently have been amazed at some of the ridiculous statements and conclusions made by statisticians and economists in relation to property markets. It is incorrect to make generalizations about the performance of a property market in a major city. I explain why I believe these people are out of touch with reality. The penetration of water into a building structure accounts for 70 to 80 per cent of building faults. Buyers need to be aware of the long term destructive nature of water if correct waterproofing techniques haven't been adhered to in both new and established buildings. I explain this very important topic further in this edition.

There are many misconceptions in relation to purchasing investment

In this issue:

- [Market Snapshot](#)
- [Beware of Statisticians Who Don't Attend Auctions](#)
- [Property Management Review](#)
- [Legal Chat](#)
- [Waterproofing](#)
- [Top Ten Real Estate Mistakes](#)

Market Snapshot

Over the last 6 months prices for quality residential property in Melbourne has remarkably increased substantially. This has occurred because of a record shortage of supply of quality stock and continued low interest rates. Also, confidence is returning amongst buyers as the effects in Australia of the global financial crisis hasn't resulted in the economic turmoil that many were predicting. Prices have now bounced back to surpass the heady heights of 2007.

The future looks extremely promising for those investors who are holding quality real estate. Hopefully the spring market will bring more options for those investors looking to enter the market. The Melbourne market will continue to rise albeit slowly as we have reached the bottom of the cycle. We will continue to see steady price increases into the foreseeable future.

TOP

Beware of Statisticians Who Don't Attend Auctions

You can rarely make generalizations about property markets in major cities. Unfortunately many statisticians are prone to such errors. Generalizations about property markets are based on the incorrect premise that all properties perform the same from a capital growth perspective. Unfortunately most statisticians who are not in regular contact with buyers and sellers or attend auctions regularly make incorrect observations.

Major cities such as Melbourne and Sydney are made up of many property segments. These segments all behave

property. Not making the optimum choice will result in substantial amounts of lost capital growth. I provide my top ten mistakes that buyers make when purchasing investment property. As usual, in this edition we include our regular articles, Legal Chat by Andrew Padanyi and Market Snapshot. Andrew explains the information provided in a vendors statement. Buyers often sign contracts without fully understanding the information provided. Understanding this document is a crucial part of the buying process. 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

differently at different times of the property cycle. For example Melbourne is made up of the CBD apartment market, the St Kilda Road market, the inner city quality property market, the mortgage belt market, just to name a few. These sectors are predominately made up of residential properties. There is also the retail, commercial and industrial markets which operate under a totally different set of dynamics. Many statisticians rely on figures from the Australian Bureau of Statistics and then make assumptions that all properties in a city with over 4 million people will perform the same. This analysis is too simplistic. Unfortunately many statisticians do not understand the fundamentals of real estate.

There is no doubt that in the quality segment of the market i.e. properties within 2 to 15 kilometers of a major city which possess scarce and unique features are situated in high quality streetscapes and are in close proximity to important amenities will double in value every 7 to 10 years. This has been proven by sales results on many occasions over a long period of time. There is also no doubt that properties that do not have these qualities will take substantially longer to achieve the same capital growth. Choosing the right investment to gain the maximum capital growth is as important with property as with shares. The saying "lies, damn lies and statistics" can be applied when analyzing the property market.

[TOP](#)

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.

[TOP](#)

Legal Chat

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

The obligation on a vendor to provide a statement under section 32 of the Sale of Land Act 1962 (the Act), commonly referred to as the section 32 statement, is reasonably well-known. Intended to be a consumer protection device, the statement is required to set out various pieces of information regarding the property being sold, eg. land use information, a description of restrictions affecting the property, rates and other charges levied on the land etc.

A copy of the certificate of title and, where the land is the subject of a subdivision, the relevant plan of subdivision must be attached to the statement.

Many public authorities whose responsibilities concern or include land management in Victoria issue certificates in respect of specific properties, usually on payment of a fee. It is customary for a vendor's conveyancer, in preparing the section 32 statement, to obtain certificates from relevant public authorities in relation to many of the matters required to be disclosed by the vendor and to attach copies of those certificates to the statement. There is no obligation to provide certificates but the reasons for doing so are essentially two-fold:

1. Section 32 of the Act recognises that certificates are readily available for some of the matters requiring disclosure, and effectively provides that the vendor's disclosure obligations in relation to certain specified matters (namely, planning, outgoing and notices/orders/approved proposals affecting land) are deemed to have been complied with if certificates (or copies thereof) are attached to the statement.
2. Even where there is no 'deemed' compliance with disclosure obligations, provision of certificates from relevant authorities gives the vendor the comfort of knowing that they are likely to have complied with their duty to disclose.

Point 2 can be illustrated with the example of an unregistered easement, which under section 32 must be disclosed to the purchaser. The existence of water, sewerage or drainage pipes will usually constitute an unregistered easement. Obtaining an information certificate and a drainage plan from the relevant water authority showing the existence of drains and sewers will normally enable the vendor to meet their disclosure obligations in relation to the associated easement.

From the purchaser's perspective, certificates give the assurance of independent confirmation of matters requiring disclosure and, often, useful additional information over and above the bare minimum that is required to be disclosed in relation to the property of interest. For example, an information certificate from the water authority will usually state whether or not a flood level has been declared for the property or its vicinity.

Note: Readers should not act solely on the basis of the material contained in this article. Peter Rogozik Property

Consulting expressly disclaims all liability for any loss or damage arising from the reliance on this document.

[TOP](#)

Waterproofing

One of the most common causes of building faults in residential buildings is incorrect or inadequate waterproofing and surface drainage. It is always a bonus if it is raining during a property inspection. In this situation you are able to observe exactly where the water is flowing. Is the water running away from the building? Is the guttering and down pipes leaking? Is water ponding on the roof structure or near the building? These are just some of the important questions that can be answered if you are lucky enough to inspect a property during a downpour. Over time water can cause serious damage to a building, the following are just some examples.

- Rotting of timber structures and finishes such as floor joints, stumps, beams, studs, skirting, architraves and frames.
- Corrosion of metals such as steel reinforcement in concrete, steel beams, lintels, metal door frames etc.
- Swelling of plasterboards and the subsequent debonding of ceramic tiles.
- Electrical hazards causing the possible short circuit of lighting and power points.
- The blistering of paint.
- Unsightly deterioration of the building facade.
- Health problems due to dampness, which may lead to respiratory problems.

[TOP](#)

Top Ten Real Estate Mistakes

Below are the top ten errors that buyers make when purchasing residential property for investment purposes.

1. Buying in the right suburb but the wrong street/pocket.
2. Buying a property that is brand new or over renovated.
3. Buyers believing they can select and negotiate better than an experienced, independent buyers advocate.
4. Believing that floor area or land size is a major driver of capital growth.
5. Buying an apartment in a high density block.
6. Not understanding the difference between purchase price and performance.
7. Believing the selling agent as to what the property will sell for.
8. The property not possessing any scarce or unique features.
9. Purchasing an investment property too far away from a major CBD.
10. Assuming a property manager will actually manage the property. (apart from our firm of course).

[TOP](#)

disclaims all liability for any loss or damage arising from the reliance on this document.



Visit Our Interactive Website at
www.yourbuyersadvocate.com.au

Peter Rogozik Property Consulting
Licensed Estate Agents
Registered Building Practitioners

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

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

