

Hello and welcome to Peter Rogozik Property Consulting six monthly newsletter. The Melbourne property market over the first six months of 2005 has witnessed a general lull in activity. Prices for most properties have remained stagnant over this period.

Why is it that some properties have been relatively unaffected by this current downturn? Properties in quality locations with unique features have defied the current downturn and either held their price or in some cases continued to appreciate. We at Peter Rogozik Property Consulting are experts at identifying these quality properties. Our property reports examine the real estate, building and legal issues in relation to a real estate purchase. This thorough examination results in our clients purchasing the best possible property.

Land tax has been a controversial issue over the last twelve months. At last the state government has eased the burden with proposed new legislation. We outline the new land tax rates. Buying "off the plan" has been a popular way of purchasing property. This method of buying property is fraught with many traps and pitfalls. We give our readers some tips on what to look out for. One of the most popular and detailed reports our firm produces is our pre-purchase building report. We outline what our clients can expect when they request this service. We have been quite surprised at how many of our clients do not fully understand the laws relating to "cooling off" from a property purchase. To add to the confusion some of these laws have recently been changed. We explain when a purchaser of residential property is entitled to "cool off" from a contract of sale.

As usual, in this edition we include our regular articles, Legal Chat by Andrew Padanyi, Market Snap Shot and our Investment Tip. Andrew's article examines the legalities associated with buying "off the plan". "Investment Tip" looks at the emergence of the tiny seaside township of Merricks on the Mornington Peninsula. We believe it has excellent investment potential. As usual 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

Market Snapshot

As predicted in previous issues the Melbourne property market has experienced further softening over the previous quarter. In our opinion only lower quality properties have been affected by this price reduction. Well located properties close to village-style shopping centres, schools and public transport are still attracting strong interest and hence good prices, however other properties are struggling. The bayside suburbs continue to be very popular places to invest for our clients. We are also finding a growing number of our investors purchasing in the inner west of Melbourne. These investors are taking advantage of the substantially reduced entry prices and hence buying costs. Capital gains in some of these suburbs have been as good as anywhere in Melbourne.

"Melbourne's median house price dropped 4.9 per cent over the March quarter to \$352,000, down from \$370,000 in the December quarter 2004.

Melbourne's median unit/apartment price similarly recorded a median price fall of 5.0 per cent over the quarter to \$285,000 down from \$300,083 in December.

The fall in both house and unit/apartment prices over the year of 4.9 per cent and 2.3 per cent respectively is further evidence that the residential property market has softened. Whilst the February interest rate rise may have had some impact on the property market, much of this quarter's movement can be put down to seasonal variations which historically show that March quarter prices usually fall."*

As for the future we believe there will be moderate growth over the next twelve months. It is more important than ever that investors choose quality property as the market will be less forgiving compared to previous years. Recently announced land tax concessions and the continuation of the State first home buyers' grant will assist property investors and first home buyers. At the moment the fundamentals of the economy are sound, employment is strong, interest rates and inflation are relatively low and consumer confidence is high. This should ensure quality properties enjoy reasonable capital gains over the short to medium term.

*Source: REIV

Cooling-off period

A three day cooling-off period applies to non-auctioned residential property sales regardless of price. The cooling-off period allows the prospective buyer time to re-consider their offer, and begins from the date the buyer signs the contract, not from the date the seller countersigns it.

To end the contract by cooling off, the buyer must provide written notification to the seller or the seller's agent within 3 clear business days after signing the contract. A fee of \$100 or 0.2% of the purchase price (whichever is the greater) may be payable.

The cooling-off period does not apply in the following circumstances.

- The property was purchased at or within three clear business days before or after a public auction.
- The buyer received independent advice from a solicitor prior to signing the contract.
- The property is used mainly for industrial or commercial purposes.
- The property is more than 20 hectares in size and is used mainly for farming.
- The buyer has previously signed a contract for the same property with the same terms.
- The buyer is an estate agent or corporate body.

Land Tax

In the May 2005 budget, the Victorian Government announced a range of land tax reforms which will provide more than \$800 million in Land Tax relief to those taxpayers who have experienced large increases in their Land Tax Liability in recent years as a result of rising property prices.

Below is a table outlining proposed 2006 land tax rates. The rates have been reduced to provide relief in the middle to top brackets. The legislation regarding the new rates is expected to be passed by the Victorian Parliament before 31 July 2005.

Proposed 2006 Land Tax Rates

Value of Property	Land Tax payable
Up to \$199,999	Nil
\$200,000 - \$539,999	\$200 plus 0.2% for each dollar over \$200,000
\$540,000 - \$899,999	\$880 plus 0.5% for each dollar over \$540,000
\$900,000 - \$1,189,999	\$2,680 plus 1% for each dollar over \$900,000
\$1,190,000 - \$1,619,999	\$5,580 plus 1.5% for each dollar over \$1,190,000
\$1,620,000 - \$2,699,999	\$12,030 plus 2.25% for each dollar over \$1,620,000
Over \$2,700,000	\$36,330 plus 3.5% for each dollar over \$2,700,000

"The complete service,
for you, the buyer"

All Your Building and Renovating Questions Answered.

One of the most important reports we produce for our clients is our Pre-Purchase Building Report. Being Registered Building Practitioners we are qualified to offer this valuable service to our clients as part of our standard packages i.e. the report comes at no extra cost. Our Pre-Purchase Building Report investigates the property from a building perspective, commenting on all major faults. We inspect the building in accordance with Australian Standard 4349.1-1995, Inspection of Buildings Part 1: Property Inspections – Residential Buildings. We take great pride in this report and believe it is the best in the business.

Why do we believe our report is of superior quality to our competitors?

- During our inspection of the property there are two qualified practitioners examining the property for faults. This results in a more thorough and detailed report with a lower probability that a building fault will remain undetected.
- We produce a detailed written report consisting of approximately fourteen pages. Most of our competitors use a “tick the box format” with little detail and explanation.
- We include photos of all major faults. Again, a unique attribute that is exclusive to our report.
- We utilize a detailed checklist during our inspection of the property. Having a checklist reduces the possibility of a fault being overlooked.
- Being qualified Building Practitioners, we will personally explain the contents of the report to our clients.

Our competitors sub-contract this important report to a third party. At Peter Rogozik Property Consulting we provide this service in-house. This results in our clients having unlimited access to building and renovating expertise. We can directly answer all your questions in relation to building and renovating matters on all properties you are interested in purchasing. Our clients find this saves them an enormous amount of money and stress.

Investment Tip

The township of Merricks situated in Victoria on the Mornington Peninsula is emerging as an excellent place to invest. It is a small coastal town consisting of a few houses which looks eastward to Western Port Bay. The Merricks general store is a genuine historic rural store built in 1927. There are also a number of wineries in the district.

Merricks has a village atmosphere. There's no through traffic in Merricks and you virtually have to go out of your way to find any traffic.

In November of 2004, shopping centre magnate John Gandel paid about \$6 million for two substantial land parcels in Merricks, including

135 metres of absolute beach frontage.*. Overcrowding and traffic congestion in Sorrento and Portsea have fuelled demand for semi-rural properties on Mornington Peninsula's east. Land tax is also believed to be a factor, as larger lifestyle properties that are zoned as rural are exempt from the tax.

Merricks will only become more popular as construction of new freeways improves access from most parts of Melbourne. We believe prices will continue to rise steadily.

*(Source; Sunday Age 9-1-05)

Buying “Off the Plan”.

Buying a property is always a difficult and complex decision with many pitfalls for the unwary, but the risk is greater if you cannot even inspect the property you are buying. Buying off the plan has become a popular way of purchasing a property in Australia.

There are several advantages of buying a property off the plan. The purchaser can save substantial amounts of money in relation to stamp duty. When a property is purchased off the plan stamp duty is only paid on the value of the land at the time of purchase. A completed property attracts stamp duty on the full selling price. Another major advantage of buying off the plan is that some developers will allow the purchaser to choose their fixtures, fittings and color schemes. This is especially advantageous if the property is purchased by an owner occupier. Having input into your new living environment will lead to a more comfortable and desirable home. Another advantage is that the buyer can enjoy the benefits of capital growth between the time contracts are signed and settlement. When buying off the plan this period can be lengthy. Of course, if the market is declining this becomes a disadvantage.

The major disadvantage of buying off the plan is the uncertainty of the finished product. Will the builder/developer produce a high quality finish? In these situations you are relying on the expertise and integrity of the builder/developer to make sure the workmanship is up to scratch.

The following are some tips when buying off the plan.

- Check the credentials of the builder/developer. Is the company reputable and experienced? Do they produce quality buildings?
- Make sure you are happy with the specifications as outlined in the contract of sale.
- Obtain detailed information about each inclusion. An unscrupulous developer can substitute a cheaper alternative.
- Ensure that the specifications in the contract match what is actually included in the property.
- Use a deposit bond. For a relatively small outlay the buyer can loan the deposit therefore retaining a substantial amount of money until settlement.

Legal Chat

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

Buying “off the plan” means buying a parcel or lot of land from a proposed plan of subdivision before it is registered. As Peter has explained in his article, there are pros and cons associated with purchasing off the plan. My article will focus on several aspects of the contract that should be considered.

The contract has to provide that the deposit cannot exceed 10% of the purchase price and must be held or invested as required by the Sale of Land Act 1962. Also, the vendor must disclose any changes to the natural surface level of the land, ie. any fill or excavation has to be notified. Bear in mind that the presence of fill can substantially increase the construction cost of a dwelling. Failure to comply with these requirements gives the purchaser the right to rescind (ie. avoid) the contract any time before the plan is registered.

If the plan of subdivision is amended, the purchaser may rescind the contract if the amendment will materially affect the lot to which the contract relates. Rescission has to occur within 14 days after being advised of the amendment. “Materially” is not defined in the Act; whether or not an alteration is material will depend on the nature of the land. When dealing with apartments bought off the plan, a rough rule of thumb is that a reduction of less than 5% of the total area of the apartment is unlikely to represent a material change.

If the contract does not specify a time frame, the plan of subdivision must be registered within 18 months of the date of the contract. If the plan is not registered within the applicable period, the purchaser can rescind the contract. Contracts often provide that both the vendor and the purchaser have the right to avoid. In a rising market, the vendor may seek to avoid, if able to do so, in order to re-sell to somebody else at a higher price.

GST will nearly always be payable on the sale of land off the plan because the residential exemption under the GST legislation does not apply to vacant residential land. In buying an apartment or house and land package off the plan, the purchaser is acquiring new residential property. Being a taxable supply for GST purposes, the price will reflect the GST payable.

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.

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