

Hello and welcome to Peter Rogozik Property Consulting six monthly newsletter. Our firm has experienced many improvements and innovations since our last issue way back in June of 2003. Andrew Padanyi has proven to be a great asset to our clients. His thorough examination of all the documentation related to the purchase of real estate has resulted in our clients becoming aware of all the potential pitfalls that can be associated with buying property. Having a qualified lawyer on hand has certainly helped to make the process of buying property as stress-free as possible.

We have also continued to improve our pre-purchase condition reports. As well as a written description, photos of all major building faults are now included in our reports. Our post-purchase refurbishment and maintenance service is also proving to be very popular with our clients.

Typically, we have rectified the repair items that have been identified in the condition report. Our clients are finding this service invaluable as they can move into their new home or lease their new investment property without having to worry about finding reliable tradesmen themselves.

We have further extended our services by offering conveyancing to our clients. At a very competitive rate we can oversee all the post-purchase documentation that is associated with transferring the title into the buyers name. Peter Rogozik Property Consulting now also provides investor education seminars. These seminars cover topics such as: the keys to becoming a successful property investor, identifying building faults, buying off-the-plan and much more.

Our business offers the most comprehensive range of services of any real estate office in Australia. With such a complete range of services our clients are finding that we are saving them a lot of time and taking the stress out of buying property. This has particularly been the case with our overseas and interstate clients. It is a huge advantage to them to be able to come to the one firm and have all their bases covered. We have introduced a web page solely for our growing number of overseas and interstate clients. Even though our services have been extended and refined over the previous six months, our commitment to our clients is that we will further strive to improve all our systems.

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

What Goes Up, Just keeps on going up

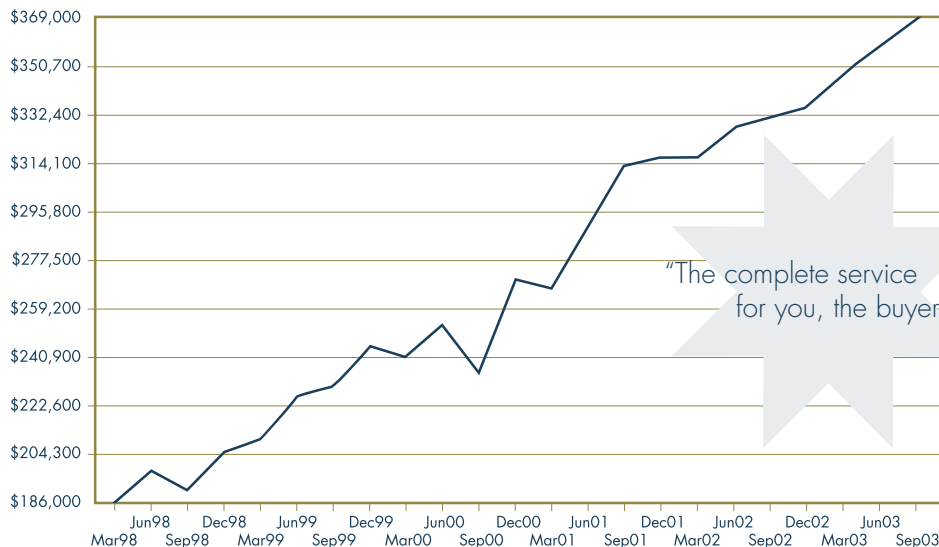
When it comes to property the old adage "what goes up must come down" does not apply. The critical factor here is the right property must be chosen. A well-chosen property will always double in value in 5-7 years. In fact, in Melbourne this has occurred over the previous 4 years. In the cycle properties can reduce in value, downturns are possible but, a well-chosen property will be less effected and its price will bounce back quicker than an inferior property.

We at Peter Rogozik Property Consulting are experts at choosing the right property. We will examine all aspects of the property purchase via our reports. These reports include Property analysis report, pre-purchase condition report and letter of advice in regards to sale documentation. We cover all bases for our clients and ensure the best possible choice is made. We believe our reports are the best in the business.

Below is a graph that shows house price movements over the previous five years in Melbourne. Because of the strength of the market over the past five years it has been difficult to make a bad property purchase. However, as the market softens over the next two years more astute buying decisions will be required.

Melbourne Metro

current median house price: \$368,000



Market Snapshot

Over the last six months the Melbourne property market has softened for certain types of properties. As predicted in our last issue, this has particularly been the case with lower quality properties eg. properties in inferior locations that lack unique features. These properties are taking longer to sell and are generally selling for approximately five per cent less than six months ago. Recent interest rate increases have definitely had an impact on the property market.

Melbourne house and unit prices have grown 11.2 per cent and 8.0 per cent respectively, over the year to the end of the September quarter. The median house price has increased to \$368,000 and the median unit price has increased to \$290,000. This represents a 2.5 per cent and 3.9 per cent increase respectively from the previous quarter. This also represents the 10th consecutive quarterly rise. As can be seen by these figures, the market is still in a healthy state. Housing affordability continues to be a concern, with only four suburbs in Melbourne recording a median house price under \$200,000, compared to this time last year when there were seventeen suburbs under \$200,000.

As for the future we are certainly not predicting a substantial correction in the market, as some commentators have espoused. Over the next six months we believe the market will continue to appreciate moderately. Relatively low interest rates, strong employment and a shortage of quality stock will ensure that reasonable capital growth is achieved. The critical factor in achieving this growth is to be even more selective in ensuring that the best possible purchase is made. The top end of the market and apartments in the city are at greatest risk.

Investment Tip

I believe Braybrook a suburb in Melbourne's western suburbs is emerging as an excellent suburb to invest in.

Braybrook possesses a wide variety of period and contemporary homes on larger than average size blocks. Braybrook is only ten kilometres from the Melbourne CBD. New and updated infrastructure is being completed regularly. It is close to important facilities such as schools, transport and shops. Braybrook is close to a number of entry points of the western ring road. This arterial connects to the Monash, Tullamarine Westgate and Princes Freeways. This allows residents to travel to most parts of Melbourne within a relatively short period of time. The recently opened Central West Shopping centre includes Aldi, the large and popular European chain supermarket.

Braybrook has experienced phenomenal capital growth over the previous five years. The median price has increased from \$88,500 in 1998 to currently being \$262,250*. This represents a staggering 196.32 percent increase. Although past price growth is not always an indicator of future growth, I believe the suburb will continue to return excellent capital gains. Its median price is still extremely low compared to Melbourne's average, therefore allowing more scope for upward price movements.

A number of our investor clients have recently purchased in this suburb. Renovated homes on large blocks of land can still be purchased in the mid to high 200's. I believe Braybrook is in the early stages of gentrification, an astute purchase in this suburb would provide excellent capital gains over the medium to long term. *Source; REIV

What can I Claim

Property investors are entitled to claim a number of tax deductions in relation to their rental properties. What follows is a checklist of the most common allowable deductions with respect to deriving rental income from tenanted properties.

- Advertising costs for tenants;
- Non-capital repairs and regular maintenance costs (as opposed to improvements which are capital in nature and non-deductible until the property is sold);
- Land tax, council and water rates, body corporate or strata levies;
- Insurance premiums (including building, contents, theft, fire and public liability);
- Interest on money borrowed to acquire the investment property;
- Borrowing expenses including stamp duty and legal fees connected with the mortgage, bank

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application fees, valuation fees, survey and registration fees, guarantee and search fees (Note: the deduction for borrowing costs is spread over the term of the loan or five years, whichever period is shorter);

- Travel costs to inspect the property;
- Management or agent fees paid to real estate agents to manage the investment property and commission paid for the collection of rental income;
- Lease preparation costs and mortgage discharge costs;
- Bank charges on accounts specifically maintained to receive rental income or provide for maintenance disbursements, financial institutions duty on deposits of rental income;
- Telephone calls to real estate agents, tenants and repairs tradespeople;
- Printing, postage and stationary costs incurred regarding the rental property;
- Depreciation on the furniture and fittings in the investment property owned by you as landlord. For example, carpets, blinds, hot water system, and light fittings;
- Legal costs where they relate specifically to rental income (as opposed to the acquisition or sale of the investment property); and, Special building write-off deductions. (Generally, for residential rental properties constructed after 17 July 1985 you're entitled to a deduction of 4% p.a. of the construction cost, and 2.5% p.a. where construction commenced 15 September 1987.)

Mortgage Brokers

Mortgage Brokers are becoming a popular way for property buyers to locate the best loan for their purchased property. Here are some important questions to ask your prospective broker.

- Can the broker explain, in writing, the entire loan application process; all commissions payable to the broker and how they are calculated; and their complaints resolution procedure?
- Can they clearly demonstrate that they provide unbiased lending advice?
- Can they clearly demonstrate to you that they adhere to professional standards?
- Do they have at least 15 lending institutions on their panel of lenders?
- Can they offer a clear choice between different home loan products?
- Can they provide you with a clear estimate of how long it will take to approve the loan?
- Have they encouraged you to borrow within your financial ability?
- Will the broker charge you (on top of what they charge the lender) for their services?

Legal Chat

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

In Victoria, a person selling a property must provide the buyer with a Vendor's Statement (also called a Section 32 Statement) before the buyer signs the contract.

The statement gives much important information about the property being purchased.

It should tell you:

- how the property is zoned (for example, residential or light industrial);
- whether any building permits have been granted during the preceding 7 years;
- how much the council and water rates are;
- whether there are any restrictions on the use of the property;
- about any notices or proposals affecting the property;
- about services such as electricity, gas, water, sewerage and telephone and whether they are connected to the property, or available for connection;
- details of any relevant planning or building controls;
- if the property is a strata unit, what the annual body corporate fees are and whether there are any proposed works to be done to the common property.

You and your solicitor should check through the Vendor's Statement very carefully.

It is important to make inquiries to ensure that the zoning of the property permits the use you intend making of it, especially if you are buying a vacant block of land or you intend to change the existing usage of the property.

A title search is necessary to independently check that the property you intend to buy is the right one. You should also visit the property and check that the property is in the right place, making sure the property as fenced agrees with what is shown on the title. This should be done by actually measuring the boundaries of the property and also the connecting distance to the nearest street.

Other checks may also have to be made, depending on what information is in the Vendor's Statement. These include various statutory authorities (for example, VicRoads could have plans to build a freeway through the land, or Heritage Victoria or the National Trust may have an interest in the property), the Building Practitioner's Board (if the house has been recently built or renovated) and the Body Corporate rules (if the property is a strata title unit).



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