

# Your Domain

a newsletter dedicated to where you live



CLIVE ELLIOTT JENNINGS

SPRING ISSUE 08

A: 1 Aldous Place, Booragoon 6154 T: 9330 5000 F: 9330 5111 E: info@cej.com.au www.cej.com.au



## Can History Teach Us Anything About Today's Market?

By Clive Elliott, Principal

Where exactly is the property market going? This is the question on the lips of most of us as we try to make some sense of contradictions in the market.

We are not in the business of predicting the future. In fact, it may be a better idea to rather look at what has happened in the past.

In terms of the recent past, the rapid change in the market over the past year has wrong footed some vendors. From August to December last year most vendors were not prepared to cut their prices despite a dramatic drop in sales.

Eventually in the months between February and May this year they began realising that their asking prices had to be adjusted downward if they were to have any chance of selling.

### A Plateau Stage

Now we are in a plateau stage where prices are flat or declining. There are buyers on the market but they are pickier. With easy access to real estate websites, most are pretty clued up on prices. As a result there is little chance of achieving a sale at a price that is above market.

In the 1990s when WA experienced its last major correction, prices initially declined and sales dropped. Thereafter prices fluctuated for some years as buyers started to filter back and sales increased. Eventually prices took off leading to the recent boom.

### No Surprise

Having been in real estate for 38 years it was certainly no surprise for me to see the current downturn after the boom. It is also no surprise that the market is currently in a downward correction phase.

In my experience, once buyer confidence returns we will see more buyers entering the market. The first sign of this will be an increase in sales. However, don't expect this increased demand to lead to galloping prices.

### Fluctuating Prices

It is more likely that for a period prices will either fluctuate or increase marginally. Of course different suburbs will perform differently. Eventually the market should enter another growth phase.

So what should you as a vendor do today? For a start get your presentation tip top. Today's buyers are not prepared to spend extra money fixing defects.

### The True Facts

Secondly, make sure to get a highly experienced local agent to help you set a realistic asking price. In today's environment this means an agent with the confidence to clearly set out the true facts.

An agent who claims to be able to meet your wildest price expectations is doing you a disservice and you will end up going through the frustration of your home lingering unsold on the market for months.



Come and visit our new website for a quick, easy way to navigate the real estate market.

## Median House Prices

Suburb	Yr to Sep 07	Yr to Dec 07	Yr to Mar 08	Yr to Jun 08	% Change In 5 Years
Alfred Cove	\$ 660,000	\$ 685,000	\$ 682,500	\$ 680,000	14.9%
Applecross	\$1,500,000	\$1,525,000	\$1,410,000	\$1,555,000	17.3%
Ardross	\$ 817,500	\$ 790,000	\$ 780,000	\$ 840,000	14.3%
Attadale	\$1,050,000	\$1,167,500	\$1,200,000	\$1,200,000	19.0%
Bateman	\$ 580,000	\$ 555,000	\$ 594,000	\$ 608,000	16.8%
Bicton	\$ 810,000	\$ 810,000	\$ 802,500	\$ 800,000	13.3%
Booragoon	\$ 650,000	\$ 717,500	\$ 715,000	\$ 715,000	15.4%
Brentwood	\$ 550,000	\$ 550,000	\$ 522,500	\$ 565,000	15.9%
Melville	\$ 670,000	\$ 660,000	\$ 720,000	\$ 729,000	19.4%
Mt Pleasant	\$1,025,000	\$1,025,000	\$1,021,944	\$ 998,000	18.0%
Myaree	\$ 585,000	\$ 587,500	\$ 585,000	\$ 585,000	15.9%
Palmyra	\$ 575,000	\$ 569,000	\$ 575,000	\$ 575,000	15.9%
Willagee	\$ 451,250	\$ 458,000	\$ 462,000	\$ 476,000	17.8%
Winthrop	\$ 738,000	\$ 741,500	\$ 750,000	\$ 777,500	15.3%

OPEN 6 DAYS A WEEK UNTIL 6PM!

## Real estate quiz:

How do you rate yourself with property knowledge?

You might like to test yourself - answers below:

- 1) What is the difference between a market appraisal of a property and a valuation?
- 2) What does the word 'Caveat' mean?
- 3) What does the term semi-detached mean?
- 4) What type of wall is one constructed of two skins with air space in between?
- 5) What is an 'adjustment' when referring to a property settlement?

### Answers:

- 1) A valuation is a written report of a property's value carried out by a licensed valuer and is only pertinent for the day advised. A market appraisal is an opinion of what a property might sell for over a period of time and can be provided by an experienced real estate sales consultant.
- 2) Caveat means beware. A caveat warns a buyer that a third person or party has some right over or interest in a property.
- 3) Semi detached means two buildings joined by a common wall.
- 4) A cavity wall.
- 5) An adjustment is an apportion between buyer and seller of expenses such as local government and water rates.



“With the population growing at the fastest rate for 18 years we simply should be building more homes, not less. The Housing Industry Association says that one million new homes are needed within the next five years.”

## Are we headed for the 'mother of all housing booms?'

It's interesting to note that experts are predicting the likelihood of more booming property markets - when interest rates decrease and the current loan tightening eases.

ANZ senior economist, Paul Braddock, said recently, that "Australia's growing housing shortage was setting the scene for the mother of all housing booms."

Craig James, economist with CommSec said: "Investors are putting their money in the bank and people are staying in the rental market longer but the situation is unsustainable."

He added that with the population growing at the fastest rate for 18 years we simply should be building more homes, not less.

The Housing Industry Association says that one million new homes are needed within the next five years.

### Population growth rate

The basis for the predictions is the fact that Australia's population growth rate is currently at one of the highest rates for many years and furthermore, Australia is in the midst of its biggest investment boom since the heady days of the 1950s and 60s.

It seems that non residential investment is booming, averaging 12% pa - double the pace of a decade ago.

Public sector investment has averaged 11.9% over the past 6 years which is up from 2.2% in the decade prior, while private sector business is investing at 12.2% - up from 7.3%



This of course is good news for employment, so though there's high costs with food, fuel, interest rates and rents, at least there are jobs.

Market pundits such as Steve McKnight and others believe that as petrol becomes more expensive, the demand for homes either close to the city, close to work areas and in proximity to public transport will rise considerably.

But the huge pent up demand for property is unlikely to translate into a market boom until interest rates are lowered and finance restrictions become less rigorous, especially for those not already in the property market.

When that happens, it will be mayhem all over again.

## Would you buy your home? Free report will help you!

If you're selling - or thinking of selling, it's a good idea to stand back and look at your home objectively. Would you buy this home?

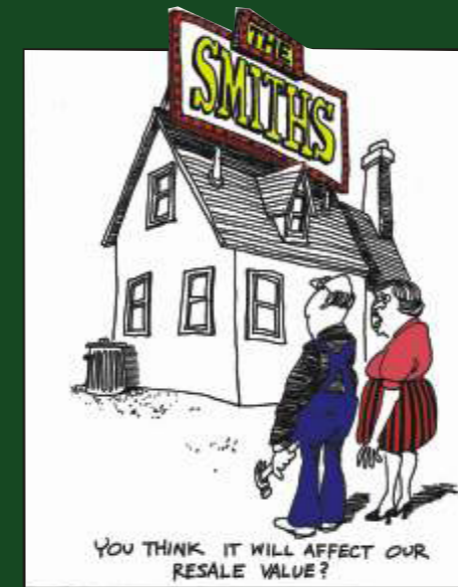
It pays to remember you're in a competition with other sellers in the market at the same time in your area.

Presentation is important. Do what is necessary to make the house stand out from the competition by making it fresher, cleaner and better maintained without going over the top.

### Free Report!

If you'd like to know about the things you can do to enhance the chances of successfully selling your home - phone our office or call in for a copy of our special free four page report.

This report covers everything from the cost effectiveness of renovations to details on how to present your home to its maximum advantage.



## Did you know?



In 17th century England taxation was compared to plucking a goose - the trick was to end up with the greatest number of feathers for the least amount of hissing.

Things haven't changed much have they?

## Is co-ownership of a home the way to go?



With house prices out of the reach of many people, co-ownership is becoming an option of consideration for some first home owners and others.

While the idea of co-owning a home with a family member or friend may be attractive there are important legal factors to take into account.

In the first place it is important to establish a written agreement that clearly sets out your rights and responsibilities as well as those of your co-owner.

This document can be tailored to your own needs but should cover matters such as how the mortgage repayments and operating expenses are to be split.

Importantly, it should set out clear conditions on the procedure to be followed if one person wishes to sell.

### Guarantee

If you and a parent or friend undertake this type of purchase you may have to guarantee each other's loans. If one of you defaults the other may have to repay the defaulter's loan.

This could result in penalty interest payments for your failure to make any repayments and in the worst case a possible forced sale of your property.

With co-ownership it is critical for you to determine in advance exactly how much money both of you can borrow and to thoroughly study any loan agreement as it

may contain conditions not commonly found in typical home loan agreements.

### Parental help

First homebuyers should also keep in mind there are a number of additional options to fund a home purchase if parental assistance is available. The parent can:

**Option 1:** Provide a gift of the funds required to pay for the shortfall of purchase costs and fees.

**Option 2:** Agree to guarantee the loan through putting up equity in their home as security.

Parents can save their children the cost of lenders mortgage insurance in this example. This option could involve the parent only guaranteeing a specific amount e.g. 20% deposit.

Typically, the parent's guarantor responsibilities can be removed when the amount they're guaranteeing is covered through the child's loan repayments and the property's capital growth.

The home is solely in the children's names, so they still qualify for the First Home Owner Grant.

**Option 3:** Buy the house for the children (as an investment initially) and the children later buy the house from the parents when they have sufficient funds to pay the fees.

So before committing yourself on one or other option seek advice from a bank or finance broker and don't forget to consult your financial advisor as well.





## Melville Powers Ahead!

Melville has in recent years experienced strong buyer interest with an accompanying healthy growth in median prices.

Over the past five years it has recorded an average annual growth in median price of 19.4% and over the past 10 years it has notched up an impressive 14.4% increase in average median price - representing a 200% jump in the median price.

Demand for homes in the suburb has continued to be relatively healthy despite the current subdued market.

### Attractive Characteristics

While the growth in prices has partly been the result of a spillover effect from more pricey neighbouring suburbs such as Applecross, Ardross and Attadale, there is no doubt that there are many characteristics of Melville that buyers find attractive. Top of the list are the river and the city views available from many areas in the suburb.

Other attractions include the nearby location of Perth's top shopping centre, numerous restaurants and other leisure facilities, excellent transport links and the proximity to highways, the Kwinana Freeway, the CBD and Fremantle. Importantly it is well endowed in terms of both private and government schools and is in striking distance of a number of commercial/industrial centres.

### Melville's beginnings

For those interested in history, Captain James Stirling named Melville Water after Lord Melville, First Lord of the Admiralty in 1827. The land adjacent to Melville Water became known as the Melville Water Park estate (later Applecross) when it was subdivided from 1896.

The suburb, Melville was developed in 1953 though a small pocket of land was opened up adjacent to the Canning Highway in the 1920's.

Clients who have sold their Melville properties with us in recent weeks have been very pleased with the prices achieved. If you would like a professional opinion on the current market value of your home, please contact **Dean Furness** on **9330 5000**.



### MELVILLE SPECIALIST Dean Furness

Dean Furness is a genuine local identity having lived in the City of Melville and surrounding areas for over 40 years.

He was the Commodore of the Swan Yacht Club in 1991, 1992, 1994, 1995 and has recently been honoured as a life member in recognition of his many years of service to the Club.

Dean has over ten years of real estate experience and has been awarded the esteemed Gold Badge for Real Estate after ranking in the top 5% of Real Estate Sales in Australia.



*You don't have to be right on the water to get river views from Melville...*



**Clive Elliott**  
Principal



**Murray Elliott**  
Property Consultant



**Dean Furness**  
Property Consultant



**Lee Pitts**  
Property Consultant



**Kaye Old**  
Property Manager



**Michelle McKeon**  
Reception



**Danika Embry**  
Sales Administration

**OPEN 6 DAYS A WEEK UNTIL 6PM**

**A: 1 Aldous Place, Booragoon F: 9330 5111 T: 9330 5000 [www.cej.com.au](http://www.cej.com.au)**