

# Your Domain

a newsletter dedicated to where you live



CLIVE ELLIOTT JENNINGS

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## So what should you do in this market?

By Clive Elliott, Principal

**Few will argue that right now we are experiencing turbulent times in the finance and property markets.**

To many the unbelievable has happened. Property values have fallen across all suburbs - some more than others but all have experienced a fall in real value.

History shows us that this major economic correction should not have been unexpected. In fact it has happened about 12 months later than it should have if it had followed Perth's historical property cycle.

### A 15 year cycle

In 1974/5 there was a boom followed by a two to three year recovery period. The next boom, which came in 1989/90, was followed by a major downturn that took almost five years to recover.

The recent boom ran for two years from 2005 to 2007. This was considerably longer than in the past where the boom periods lasted for somewhere in the region of only 6 to 9 months.

Once again the recent boom roughly followed the previously established 15 year cycle between booms. However, because of the longer boom period, we may also be in for a slower recovery.

### Property holds up well

Nevertheless, if compared to the stock market, real estate has maintained its value far better, especially in the inner and established suburbs.

The stock exchange has plummeted 50% plus in the past 12 months, whereas property has come back in value in the inner areas by 10% to 15%.

**So what should you do? If you don't need to sell, sit tight and you will see your values recover over the next few years. However, if you are planning and hoping to move but believe that in today's market you can't afford to - think again.**

Values have fallen across the board so if you buy in the same market your stamp duty charges will be lower.

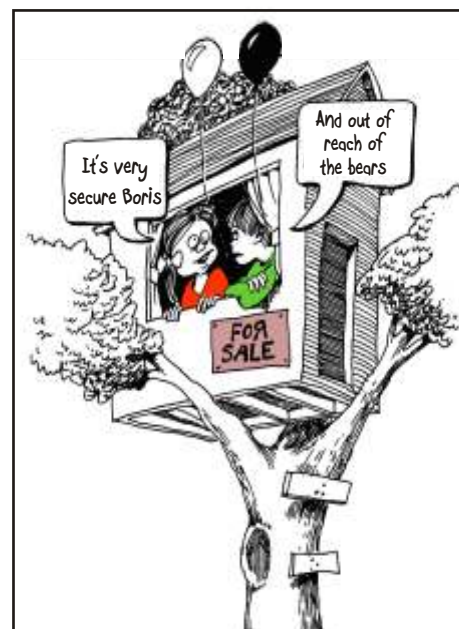
### Falling interest rates

Interest rates are falling rapidly and have further to fall as governments around the world look to stimulate the economy and spending.

Talk to us today and obtain realistic advice on where the market is and plan from there. Take advantage of our relocation guarantee to take the worry and stress out of shifting house.

Just in closing. Investors should keep in mind that it is in times of uncertainty that astute investors start sniffing around for opportunities.

With lower prices, plummeting interest rates and rising rents there may be no time like the present to seriously start looking at what's out there.



Suburb	Yr to Dec 07	Yr to Mar 08	Yr to Jun 08	Yr to Sep 08	% Change 5 yrs
Alfred Cove	\$ 685,000	\$ 682,500	\$ 680,000	\$ 787,500	17.7%
Applecross	\$1,525,000	\$1,410,000	\$1,555,000	\$1,675,000	17.6%
Ardross	\$ 790,000	\$ 780,000	\$ 840,000	\$ 822,500	12.6%
Bateman	\$ 555,000	\$ 594,000	\$ 608,000	\$ 608,000	16.0%
Bicton	\$ 810,000	\$ 802,500	\$ 800,000	\$ 829,000	14.4%
Booragoon	\$ 717,500	\$ 715,000	\$ 715,000	\$ 720,000	14.9%
Brentwood	\$ 550,000	\$ 522,500	\$ 565,000	\$ 537,500	12.1%
Melville	\$ 660,000	\$ 720,000	\$ 729,000	\$ 731,000	18.1%
Mt Pleasant	\$1,025,000	\$1,021,944	\$ 998,000	\$ 932,500	14.6%
Myaree	\$ 587,500	\$ 585,000	\$ 585,000	\$ 556,500	14.4%
Palmyra	\$ 569,000	\$ 575,000	\$ 575,000	\$ 565,000	14.7%
Willagee	\$ 458,000	\$ 462,000	\$ 476,000	\$ 460,000	16.4%
Winthrop	\$ 741,500	\$ 750,000	\$ 777,500	\$ 800,000	15.2%

OPEN 6 DAYS A WEEK

# If you're price conscious it pays to study a suburb thoroughly



**W**hen buying a property, naturally our thoughts are the very opposite to when we're selling.

When selling you're seeking the best price possible, and when you're buying, obviously a real estate bargain would be nice.

While an absolute bargain may not always be possible what you need to know is whether you're buying at a good price or paying 'over the top'.

The only way to buy well or pick up a bargain for that matter, is to become really familiar with the particular suburb you're interested in.

Establishing a good working relationship with a local real estate agency in your target area will help. You will be surprised at the information that can be given.

It pays to do some research.

Find out why prices vary between sections of the suburb and even within the same street, take note of land size variations and of course, location.

Find out what you can about future plans for the suburb including changes in roads and facilities, new developments and density provisions.

Talk to local retailers - they seem to always know a lot about what's

happening. However, don't place too much reliance on rumours or hunches. Instead, look at hard evidence such as the asking prices of properties of the type you're interested in.

The Internet and your local newspapers are important resources in this respect. You can also obtain the actual sale prices of properties from State Government records.

Some points to keep in mind:

- It could be a good idea to target a street or suburb with a high number of properties for sale;
- A locality that's been a high capital growth area but has fallen the most during the past year can be worth investigating;
- Pre-approved finance will help you move quickly when you find what you're seeking.

Take the trouble to inspect some homes. It's the best way to compare the relative value of various properties.

A further point; some people get so enmeshed in examining alternative strategies and in constant looking, that they find it difficult to make a decision.

If a property looks like a good deal make an offer.

## MEDIAN PRICES: THEY'RE USEFUL BUT BE WARY OF THEM

**A**t a time of reduced home sales it's more important than ever to avoid basing your price expectations on the latest median price figures.

Why? Because when there are few sales there's a much bigger chance of short term distortions in the median price.

Keep in mind that the median is not an average. It is merely the middle price recorded over a particular period.

Let's look then at how in a period of few sales, a particular suburb can record dramatic changes in median price - short term changes that can give an incorrect impression of the direction of prices.

In our hypothetical example (see table) the median price in Quarter 1 is \$480,000. In Quarter 2, the median price is \$750,000.

Why? Possibly because investors have deserted the market, leading to few sales of lower priced homes in the suburb.



In Quarter 3 first home buyers are back in the market and, as a result, most sales involve houses in the lower price range. This has caused the median price to drop to \$385,000.

While this is an extreme hypothetical example, it illustrates the point that basing

your price expectations on median prices is not a good idea.

While median price movements are a great deal more reliable when taken over a 10 year period, the only way to find out what your home is worth in today's market is to talk to us.

Your local real estate agent knows your area well and is in constant touch with the latest market trends.

Quarter 1	Quarter 2	Quarter 3
\$420,000	\$350,000	\$320,000
\$450,000	\$700,000	\$380,000
<b>\$480,000</b>	<b>\$750,000</b>	<b>\$385,000</b>
\$750,000	\$800,000	\$400,000
\$950,000	\$900,000	\$800,000



# PATIOS AND ALFRESCO AREAS HAVE STRONG APPEAL

**H**ave you ever noticed how often real estate agents place major emphasis on attractive patios and alfresco areas in real estate advertisements?

Why? Experience has shown that, particularly in summer, homes with attractive outdoor entertainment areas are highly sought after.

So, if you want to make your home stand out from the rest, it could be worth taking steps to rev up your patio or alfresco area.

Ideally your outdoor entertainment area should integrate with the rest of the home and provide easy access to your kitchen and/or indoor living areas.

Buyers will be most attracted to patios that are protected from direct sun, wind and glare.

Other desirable features include adequate space for a table and seating and food and drink preparation areas.

Big pot plants or hanging baskets can

help turn a sterile outdoor area into a virtual oasis for those buyers contemplating spending their weekends and daylight saving hours out in the open this summer. However, avoid clutter.

Remember, you're creating a haven away from the stresses of modern living. So, make sure to screen your alfresco area from unsightly garden sheds and clothes lines.

Step back and consider what you would like in an alfresco area and then get out the paint brush, have that rotting beam replaced and create a little bit of paradise for potential buyers.



## Don't be a 'wood duck!'

**If you're selling a property, do you know the worst mistake you can make?**

The worst mistake is to over-price your property.

Some people make this error by being out of touch with the market conditions.

Others give too much credence to the real estate agent who tells them what they want to hear - an excessively high price!

Be realistic. If a share on the stock exchange is selling for \$27 it would not make sense to ask for \$40 - the price of a year ago.

Real Estate is the same. In a slow market you cannot make the move you want by trying to sell at yesterday's prices.

Over pricing a property in a market that's not headed upwards is the worst mistake to make because after the prospective buyers have looked at it and decided it's over-priced, it is extremely difficult to raise interest without dropping the price dramatically.

Over-pricing makes you a sitting duck for the knowledgeable bargain hunter.

Once they've recognised your property as being over-priced all they have to do is wait for desperation to set in.

If you don't want to be the 'patsy' for the bargain hunter, choose your agent carefully!



## Investors - don't fail to read this!

For property investors this is a time of opportunity. Falling interest rates, lower property prices, low vacancy rates and strong rentals have combined to make property investment a great deal more attractive.

Once again we are seeing yields reaching 4 to 5% for houses and 6 to 7% for villas.

However, a word of caution. In the current economic climate it is more important than ever to make sure you employ the services of a highly experienced property manager.

### Getting the rent in

Why? Because in tough times you need someone with the experience and procedures to make sure the rent comes in on time without any problems.

Also, in times of economic slowdown it is more important than ever to ensure that your property is rented to a tenant who is highly unlikely to default.

Experience has shown that landlords who find their own tenants are more likely to land a bad egg. Why? Because property managers can access information on the past performance of applicants and in addition have personal experience when it comes to filtering out risky characters.

### Protect yourself

You also need the peace of mind of knowing that should there be problems with your tenant, you will be covered against damage and loss of rent through the type of insurance policy available through your property manager.

Right now we have waiting lists of respectable well qualified tenants. If you don't want the hassle of managing your own property or are dissatisfied with your current arrangements give us a call.

We have no greater recommendation for you than the fact that the overwhelming number of investors who use our property management services are referred to us by people who are more than satisfied with our performance over the years.



## PROPERTY MANAGEMENT

### Kaye Old

With her military background, Kaye Old possesses the ideal combination of firmness, competence and the eye for detail so necessary for success in property management.

Five years of experience ensures that everything from inspections and writing reports to managing tenants is completed with quiet efficiency to the highest standard.

Kaye has a hands-on knowledge of each property, which means that when an owner calls she is easily able to give them a rundown on their asset. Says Kaye, "I treat all the houses as if they were my own. If I wouldn't like something done in my house, I wouldn't let it happen in theirs."

## No dramatic house price falls expected

Reserve Bank deputy governor, Ric Battellino says that despite predictions by some commentators, house prices in Australia are not set for the dramatic falls seen in the USA.

Talking at a recent bankruptcy conference in Sydney, Mr Battellino stressed that while the housing market in Australia had its problems, prices would hold up better

than they had in the USA over the past year.

"Australia's housing boom ended because prices rose to levels that severely strained the financial capacity of buyers to pay higher prices, not because too many houses were built, as in the US

"The overhang of unsold houses in the US has created downward pressure on house

prices as builders and developers have been forced to sell. This is absent in Australia.

"Rather, the shortage of housing here means that there are buyers waiting for better circumstances e.g. lower interest rates or rising incomes to facilitate their entry to the market. This latent underlying demand for housing is a factor that will support the market."



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