

# The Advisory—Property Investing



December 2010 Newsletter

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## Investing

### Property Investor Commentary

Generalise the residential property market at your investment peril.

Housing prices go up and housing prices go down as measured by average house price or median house prices data. But there is no such thing as the average or median house or unit, or apartment or townhouse for that matter. No dwelling is exactly the same as any other dwelling, right across Australia.

The HIA reports that there are 8.57 million residential properties within Australia. This figure increases by around 151,000 per year or 2903 a week. As an investor can we buy them all of them? Of course not.

Compare 8.57 million potential investment opportunities to around 2,200 stocks on the ASX, and you can understand the challenges and risks to the unsuspecting investor. But this comment is not about the chal-

lenges—I could write a few books on challenges and mistakes property investors make, and if you review the archive newsletter on our website - [www.empowerwealth.com.au/latestnews](http://www.empowerwealth.com.au/latestnews) you will get a good idea of what I am on about, but I digress.....

Generalised commentary of the property market as a whole is fraught with danger and is technically misleading to owners, buyers and investors. Generalising values simply has virtually no relevance to any one of the 8.57 million properties within the market!

As I've been commenting on over the past few months—the 'noise' in the media is starting to increase about a potential property bubble, and yes, as I have predicted at the middle of this year, prices in certain mortgage

belts and some top end of the market areas are decreasing. This will continue into 2011 and may get even worse. However solid investment properties in superior locations, offering relative affordability to relative buyer interest, will not be as affected. This position is supported by agents reporting great property in great areas are still achieving solid sales results, and demand for these types of rare properties remains steady. My end of year message is the same consistent message—Great Properties in great locations are always in demand and always outperform—very true in the good times and still true in softer times.

So forget the noise, unless your not sure about your property or location.....

Ben Kingsley  
Qualified Property Investment Advisor

### New Year Message

Looking back at the first decade of the new century, it's fair to say that the property market has fared exceptionally well over this time, even through one of the biggest financial crises of the last 200 years.

Prices have grown substantially, rental demands have been at long term record levels and have correlated into steady increases.

Those of us who have invested have in most cases enjoyed fan-

tastic returns on our investments over these years, contributing handsomely to our wealth bases.

It's events like Christmas and New Year holiday breaks when we spend time with family and friends, that really brings home the message and resonates why we actually attempt to build wealth at all.

You see wealth is built to provide passive income for these times and being able to truly enjoy

them. Wealth give us more money to share; buys us more valuable time to enjoy with family and friends; the ability to pursue our hobbies and interests; delivers us the things that are important to us through our values and dreams.

It's not about being rich it's about the 'richness' it provides in your life.

Ben Kingsley

### Market Measures: Vacancy Rates (Sept 10)

**Sydney**  
# 6,709  
1.2%

**Melbourne**  
# 7,986  
2.2%

**Brisbane**  
# 4,594  
1.8%

**ACT**  
# 262  
0.6%

**Perth**  
# 1,923  
1.2%

**Adelaide**  
# 1,410  
1.0%

**Hobart**  
# 281  
1.2%

**Darwin**  
# 291  
1.3%

SQM Research

## Investors—start your engines...

There is always a positive to any negative. Talk of a bubble, higher interest rates, softening demand for property, worsening affordability and value decreases are all playing on the psychology of those looking to get into the property market.

It is fair to report that in most markets across the capitals that we are certainly in or moving to a buyers market.

What is a buyers market?—It's basically a term used to say that the buyers are now holding sway within the negotiation process and they are usually able to negotiate a price reduction on the property. This is driven by choice of available stock, supply on the market and sometimes, the time a property is on the market for.

For the record, for those new investors- A sellers market is when the demand is so strong that even if one buyer pulls out there are others lining up to buy. Prices achieved on the sale of properties during this time are usually higher than first quoted or offered.

As investor, we like buyer's markets because it's the time within a market where we can buy great properties in great locations for fair value.

In a sellers market, you could argue these properties might actually achieve results that are maybe 5 or 10% above what their fair market value may be and the frenzy within the market is driving this outcome.

Over the past few decades its not often when a couple of market forces align and soften demand to create a buyers market, especially when technically there is still an undersupply within the overall market.

The market forces I am talking about are:

**Reduction in stimulus / Incentives for first home buyers** to encourage them to enter the market. During the early 2000's incentives were very strong—such as a \$14,000 FHOG grant, then there was federal and state government stimulus during the GFC, which are also now less attractive for First Home Buyers. Net result is less demand from First Home Buyers

**Media Hype** is effecting peoples mindset and the market sentiment is shifting by the herd mentality views of the media that property is not a good investment at the moment

**High Interest Rates / Low Affordability**—households across most markets have had to tighten their purses due to increases in interest rates

**Greed** - some buyers and investors are holding off thinking they will get an even better deal if they wait until the so called bottom of the market or when the bubble bursts. If the experts can't pick the market—good luck to those who think they can.....

All of these factors are taking buyers out of the game. For the first time in about 18 months we don't have the competition we have been competing against for some time, resulting in more choices for us, more negotiating power and overall better buying conditions.

I'm not a believer in 'timing the market'. I believe in 'time in the market', however with increased stock on offer and a better chance to negotiate I do believe that the chances of securing a great buy now and over the next 6 months is a compelling argument to act.

Ben Kingsley

Qualified Property Investment Advisor

PS—Merry Christmas and all the very best for the festive season and the exciting year ahead.....

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**Ben Kingsley**  
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