



# Empower WEALTH Advisory

## THE ADVISORY—PROPERTY INVESTING

### 'Off The Plan' & New Property as an Investment Asset?

You know the saying "I wish I had a dollar for every time....."

Well in my case this saying rings true for people buying 'off the plan' properties and seeing the price they paid come in at a lower valuation once the property is actually built.

So for me I wish I had all the dollars that made up the shortfall in valuations from the purchase price paid on most 'off the plan' or new developments, as I would have accumulated millions and millions of dollars in a very short period of time.

Here's an example I often refer to. During the WA property boom, a person purchased a property for \$920,000 on the canal developments in Mandurah, WA. Naturally with 'off the plan' purchases, you need to wait for the building to be completed and then the property is valued for bank purposes if you plan to get a loan. Fast forward about two years and the property was ready to be valued - An independent valuation was completed and it

came in at \$740,000 a difference of \$180,000. Ouch!!!

Then there are the hundreds of examples in more densely populated locations. The standout location for wiping out the wealth of most households in the past few years has been the Gold Coast. Horror stories of valuations under purchase prices of over \$1 million dollars, especially in the penthouse and luxury apartment market - were common. But we did predict that some 4 years ago, the Gold Coast and Sunshine Coast apartment markets were time bombs ready to explode.

Historical valuation data tells us that generally speaking high density apartments are underperforming investments. Yes, there will always be exceptions to this rule, but unless you are an expert in understanding the cost of build, the valuation methods used, the planning regime, the exclusivity of location, then you are more than likely going to buy a dud.

So what is the best way for me to get this message through to the average man or women on the street?

How about this simple example:

If you buy a new car, TV, an airline ticket, a cruise, a soft drink - who is going to profit from these purchases ?

The manufacturers and the retailers, right.

How many of the buyers profit from the deal?

None.

So if you are ever considering buying a new property (purely for investment), don't be seduced by the sales pitch and remember the main focus of these sales is to profit the developer, the builder and the person selling the property.

**Ben Kingsley (QPPIA)**  
Empower Wealth Founder

### Summer Maintenance Reminders

Technically summer is upon us, but with some of that colder weather we have had of late you might not think so.

At least its been warming up this last week!

The mix of regular rain and also sun means one thing to those of us who own property with lawn: regular mowing.

Smoke Detectors - If you haven't already completed a review on them following the switch to daylight savings then this little note is another friendly reminder to ensure they are in good working order.

Gutters: With all the trees now full of new green leaves, and if you haven't cleaned out the gutters in spring, then now is a good

time to get on top of this , as the recent heavy summer rain is the perfect formula for water getting into your property.

This is never pleasant for your tenants and also hard to find tradies during the busy Christmas and New Year periods.



#### December 2011

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#### Market Measures: Auction Clearance Rates - as at 31 Oct. 2011 vs. 2010

##### Sydney

Oct 2011 # Auctioned = 2632  
Oct 2011 # Sold = 1296  
Clearance Rate 2011 = 52.0%  
Oct 2010 # Auctioned = 2948  
Oct 2010 # Sold = 1607  
Clearance Rate = 57.4%

##### Melbourne

Oct 2011 # Auctioned = 2680  
Oct 2011 # Sold = 1150  
Clearance Rate 2011 = 53.0%  
Oct 2010 # Auctioned = 3684  
Oct 2010 # Sold = 2071  
Clearance Rate = 65.1%

##### Brisbane

Oct 2011 # Auctioned = 570  
Oct 2011 # Sold = 61  
Clearance Rate 2011 = 27.7%  
Oct 2010 # Auctioned = 550  
Oct 2010 # Sold = 103  
Clearance Rate = 27.2%

##### Canberra

Oct 2011 # Auctioned = 116  
Oct 2011 # Sold = 42  
Clearance Rate 2011 = 44.7%  
Oct 2010 # Auctioned = 130  
Oct 2010 # Sold = 63  
Clearance Rate = 57.3%

##### Perth

Oct 2011 # Auctioned = 92  
Oct 2011 # Sold = 4  
Clearance Rate 2011 = 4.3%  
Oct 2010 # Auctioned = 89  
Oct 2010 # Sold = 7  
Clearance Rate = 7.8%

##### Adelaide

Oct 2011 # Auctioned = 260  
Oct 2011 # Sold = 54  
Clearance Rate 2011 = 42.5%  
Oct 2010 # Auctioned = 387  
Oct 2010 # Sold = 133  
Clearance Rate = 57.8%

Source:  
Australian Property Monitors

## 'Tis the Season to be Jolly!

Typically over winter, prospective sellers brace themselves for a spring sale and hold their property back from the market until spring starts up. For a buyer, this can feel as though winter is very slow and available houses to inspect are limited. All of a sudden, September and October hit and there are multiple suitable properties for them to choose from.

As an example, in a specific suburb where a buyer is looking for a specific house alongside other buyers with a similar checklist, a target property can sell at auction for an impressive result if its 'scarcity' value is high enough. It may be a scarce property in its own right, but if it is the only property of its kind on the market at the time, then a sea of buyers will ensure a great result for the vendors.

Counter to this however; if vendors hold a beautiful and niche property back for sale until spring and then find themselves competing for buyer's attention. The result that they are expecting may not be met. It's not necessarily that their property is only worth \$X, but it may be only worth \$X in *this* market at *this* time due to competing properties.

Now if we overlay this effect with yet another obstacle for vendors, things become even more difficult when it comes to achieving a great price for their niche property. Aside from having too many competing properties on the market, a nightmare for any vendor is to be facing a reduc-

tion in the number of buyers in the market. There are two significant events in Melbourne which slow down buyer numbers. The first is grand final (and we spoke about that in our October newsletter), and the second is Christmas. Melburnians love to get away from the pressures of work, city-life and property purchasing when the Christmas break approaches. We have a long summer break and we tend to use it to 'escape'. The effect of our escape on the property market though is detrimental for vendors and can make the difference between a fair market price and a disappointing price.

When I spoke earlier about 'overlying' obstacles, the combination of excess stock (houses) on the market and a decrease in buyers can be disastrous for property sales campaigns. If there is any one time of year when this can take place, it is often over the Christmas and early new year period.

Some of the best buying opportunities I've ever come across have been on those couple of weeks leading up to Christmas and over the January period when everyone else is enjoying their summer holidays.

There are two reasons for this—firstly, vendors in this market generally have a motivation for selling. They may have already committed to a purchase elsewhere and as a result of the upgrade, need to sell. They may have financial pressures and have made the decision to sell now. These vendors

have a pressing need to sell and are most likely fearing that Christmas will come and they still won't have a buyer. For many vendors, the festive season represents a dawn, or a futuristic date whereby they would like the pressure of the pending sale to be eased. I refer to it as a psychological date pressure that may not be driven by anything other than a desire to see in the new year with a SOLD sticker on their property board.

The second reason for this period to present a great buying opportunity is that the market almost dries up. Buyers are conditioned that auctions don't take place over Jan. Agents flock in droves to take their annual leave. The market is quiet and all that remains are the properties which haven't sold pre-Christmas and the buyers who are smart enough to recognise that it's a great time to be shopping without competing buyers breathing down their neck.

One thing to keep in mind—agents will be on leave so be organised with your time when arranging private inspections with the skeleton staff who are remaining in the office. And don't forget to take some time off to have a great Christmas and NYE!

**Cate Bakos - Buyers Advocate & Property Investment Advisor**



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happy Christmas and a  
terrifically enjoyable  
2012*

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