



Empower WEALTH Advisory

THE ADVISORY—PROPERTY

Predictability in an Unpredictable Time

How does that saying go...“Change is the only certainty in our world”. It’s true, all things change, some quicker than others, but over time change is inevitable.

When you put your investor’s hat on the same thing rings true. Markets are constantly changing. Investments that were nice earners over the past few years might now be stagnant investments, a great example of this is retail stock on the stock market. They have a great time of it when times were good and they didn’t have virtual shops via the internet to steal their customers.

There days one would be hard pressed to see a way forward in the short term for these business as they struggle with the always present pressure of their shareholders to deliver strong returns that keep pushing their share market values higher.

When one looks at an investment all sorts of factors and variables need to be considered and this

brings me to the topics of this month’s article.

Trying to find predictability in one investment selection.

As someone constantly studying and challenging investment theories in the pursuit of better wealth creation strategies, my journey has taken me into share markets, foreign exchange markets, bond markets and of course property.

So what is predictable about property?

The standout answer is that we humans need to put a roof over our heads. (We’ve moved on from Caves). So along with air, water and food, shelter is an essential staple ingredient of our lives.

So in ‘economic speak’ - it’s a high demand item. But if only it was as simple as that. You see we humans are more complex creators , we moved on from our cave needs and now we want more. Because if it was as simple as that we just build

the amount of houses we need to meet supply and the value of houses would remain relatively stable.

Over time, we humans have developed wants and desires over just basic and essential needs for shelter.

Those who understand this best, know the types of factors that make a property and its area highly sought after and yes you guessed it more predictable to demand drivers that influence value growth in the really good times, but also place a stable base for values in overall unpredictable times.

It’s this predictability that makes the lack volatility and low volatility and to an investor who uses gearing (borrowing money to leverage their position) this predictability is like their insurance policy.

Ben Kingsley (QPIA)
Empower Wealth Founder

A Good Conveyancer Pays Dividends

We all acknowledge that buying property is a big financial commitment. And an important professional involved in the purchase process is a Conveyancer.

Too often buyers make the mistake of bringing the Conveyancer in after they have purchased the property - BIG MISTAKE.

Good conveyancers can add a great amount of advice and value

within the pre-signing stage of the buying process and given they are working for the buyers, they are on your side. They can help with reviewing the contract for any unusually clauses which could result in exposing the buyer to more potential expense. They can provide written clauses within the contract to better protect the buyers, etc

A good Conveyancer should also have their finger on the pulse regarding, the finance process, the banks processes, the real estate agents and vendor’s solicitors etc.

So skip or chase down cheaper conveyancing, because if it goes wrong, you’re the one who will be paying far more than their fees!.

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Market Measures:

Auction Clearance Rates – as at Dec 2011 vs. Dec 2010

Sydney

Dec 2011 # Auctioned = 2,204
Dec 2011 # Sold = 941
Clearance Rate 2011 = 49.4%
Dec 2010 # Auctioned = 2,152
Dec 2010 # Sold = 933
Clearance Rate = 50.7%

Melbourne

Dec 2011 # Auctioned = 2,322
Dec 2011 # Sold = 928
Clearance Rate 2011 = 49.4%
Dec 2010 # Auctioned = 3,155
Dec 2010 # Sold = 1,517
Clearance Rate = 59.8%

Brisbane

Dec 2011 # Auctioned = 395
Dec 2011 # Sold = 57
Clearance Rate 2011 = 25.2%
Dec 2010 # Auctioned = 483
Dec 2010 # Sold = 52
Clearance Rate = 24.0%

Canberra

Dec 2011 # Auctioned = 101
Dec 2011 # Sold = 25
Clearance Rate 2011 = 42.4%
Dec 2010 # Auctioned = 125
Dec 2010 # Sold = 59
Clearance Rate = 65.6%

Perth

Dec 2011 # Auctioned = 62
Dec 2011 # Sold = 4
Clearance Rate 2011 = SNR
Dec 2010 # Auctioned = 76
Dec 2010 # Sold = 2
Clearance Rate = SNR

Adelaide

Dec 2011 # Auctioned = 259
Dec 2011 # Sold = 41
Clearance Rate 2011 = 36.9%
Dec 2010 # Auctioned = 331
Dec 2010 # Sold = 72
Clearance Rate = 49.7%

Source:

Australian Property Monitors
SNR = Statistic Not Reliable

What makes a Buyer's Market become a Seller's market?

Without doubt, the defining aspect of 2011 for me was the rapid swing of the Melbourne Seller's market to a Buyer's market. To explain this, cast your mind back to 2009 when, after the full impact of the GFC first hit Australia, our government and RBA instigated some immediate moves to aid buoyancy in our market.

We had one-off stimulus cheques sent out to many Australians, extensions of housing grants, boosts and regional bonuses for first home buyers, and most memorable, a rapid contraction of the RBA lending rate which banks mostly passed on to us.

These immediate benefits for buyers meant that buyer confidence increased, first home owners took advantage of the grants, and investors took advantage of the decreased cash-flow shortfall that investment properties offered as interest rates came down.

For me at the coalface, it was a time where buyers were missing out constantly at auction, and a time when buyers were offering over and above the asking price on many private sales in a desperate effort to secure a property.

Properties were in tight demand in so many markets and suburbs. Buyers were trawling the internet and nagging agents about new listings constantly - the over-

supply of buyers was evident and owners sat back happily watching their house prices increase.



At the beginning of 2010 we were all starting to hear the statistics in on the median house price increase. Melbourne experienced one of the sharpest increases in her history at this time and there were cries in the media every day about the "Housing Affordability Crisis" in some way or another.

To be successful in a negotiation two years ago, I had to act decisively and swiftly and I often had to pay the full asking price. That was the perfect sign of a Seller's market... they could basically hold out for the best offer with a high degree of confidence that they would get a fabulous result.

The tables turned last year and we found ourselves in a Buyer's market again. Vendors had longer days on market, discounting off original asking price became normal, auction clearance rates hovered between 50-70% throughout the year, and there was a LOT of stock on the market.

Just prior to Christmas in Melbourne we had an extra 43.5% on the market. I was telling buyers last year to act counter to the market and to take advantage of the Buyer's market conditions. For those who did, you can sit back and reflect on the buying power you held and the bargain you got. I certainly do.

I say this because we are now into 2012. We do have less stock on the market now because the listing activity is lower over the Summer, buyers in the market are motivated since our last two consecutive interest rate reductions, and at the coal face, I am finding I have more competition when I'm negotiating.

So what could tip the scales again and send our market back to that of a seller's market? More market confidence, higher investor activity, first home buyers re-entering the market, growing household incomes, rental affordability issues... the list goes on.

Could 2012 be the year? I hold an optimistic view for Australian property in 2012 due to all of these factors listed above (and more)...but more importantly, I hold a very optimistic view for great hand picked properties in great sub-markets.

Cate Bakos - Buyers Advocate & Property Investment Advisor



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"There are investment opportunities in every marketplace - one just needs to know what to look for"

Ben Kingsley

Property Wealth Forum:

**Wed 7th March
7pm - 9.30 Melb. CBD**

Great insightful property education

For more info & to confirm your seat/s:

www.empowerwealth.com.au/privatecircle

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