

The Advisory—Property Investing



November 2010 Newsletter

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Investing

Want Advice or an Opinion?

When it comes to property investing, everyone has an opinion on what makes a good property investment. I'm not exactly sure why, but I think it has a lot to do with the fact that we know so many people who have made a property purchase and I suppose it's the fact that once they have experienced it, they know a bit about the topic and are happy to pass on their opinion.

No different than maybe getting someone sharing their opinion about anything they have experienced.

The only difference is that it is a massive financial decision which has the potential to change your whole financial world for the better or worse into the future.

Let me share with you the following example. In 1974 the median house price in Cranbourne was

\$22,000. In South Melbourne it was \$18,700

At the end of 2009 Cranbourne median house price was \$262,500. In South Melbourne it was \$906,300.

That's a difference of \$643,800 in 35 years.

For those of you who have been reading my articles for many years you know that I have been using this example, because it clearly articulates the importance of asset selection.

Yet there are literally thousands of examples I could use to demonstrate the importance of picking the right suburb to buy in and then the localised neighbourhood within that suburb and ultimately the right property to get an outperform result like the example noted.

So, do like I do when someone shares their opinion about the best place to buy—ask them to give you 5 reasons why they believe this location is going to outperform the overall market and ask them to be specific about that particular location and not property in general, because not every property performs like the median, some outperform but most don't.

Then ask yourself, why wouldn't I get advice from a professional who does this for a living? What have I got to lose—potentially over half a million dollars?

It might just be best money advice you'll ever get.....

Ben Kingsley-
Qualified Property Investment
Advisor (QPIA)
Founder Empower Wealth

Property

Ben Kingsley Elected to PIPA Board

At the recent Property Investment Professionals (PIPA) board meeting in Sydney Ben Kingsley was elected to the board.

PIPA is the peak body representing property professionals in Australia.

It's a not for profit industry association which has been developed to support and educate property investing professionals.

PIPA also aims to protect consumers by providing standards and a code of conduct by which property professionals can operate.

"I'm very passionate about educating and working with people to build wealth through residential property, yet I often see unscrupulous operators within our industry, hence that was my driving force to get involved with

PIPA. Being asked to join the board to have a greater impact is a real opportunity to make a greater difference", said Ben.

PIPA will continue to lobby government to eventually see our industry regulated and Ben is keen to play an important role in this process. For more information about PIPA visit their website at www.pipa.asn.au

Market Measures: Top Suburb Median Growth Houses 12 mths till May'10

NSW

Gillieston Heights

73.9%

Victoria

Officer

111.2%

Queensland

Mulambin

75.9%

ACT

Franklin

88.9%

Western Australia

Bakers Hill

49.0%

South Australia

Auburn

49.8%

Source:

Aust. Prop. Monitors

Property Outlook

If there is one thing that people are interested in its the value of property. We all enjoy it when the values of our property increases and it certainly makes for good media. I don't think there is a day that goes by without those current affair programs or the press talking about property—they love it when it goes up or down, just NOT when it goes sideways, because that's not newsworthy and it doesn't rate or sell papers.

In a very 'general' look at property values, it's our opinion that values in most major cities will tread water for the next 12 months, and that's what's going to be reported.

However below these statistics are the actual properties that make up these 'generalised' numbers, because there is no such thing as an average or actual median property, each property is different and therefore taking a view of the general market is really a short sighted investigation.

This property outlook piece is going to drill down to what we believe is where the opportunities are going to lie. Just because its a flat overall

market, values in some areas are set to rise and some areas are going to fall, and some areas may fall by double digits (greater than 10%).

If interest rates continue to rise, the big issue is going to be affordability in the outer suburbs. Wages / Income is not keeping pace with the latest valuation growth in these areas, so something will give, and it usually means values remaining flat or dropping, as new entrants are priced out of the market and those with high debt struggle to maintain the household budget, which leads to an increase in supply for those selling up of their own accord or being forced by their lenders, for not meeting repayments.

The skill is to trying to learn to measure the threshold of income and affordability of an area to determine its likelihood for immediate future growth. This is fundamental analysis work and is highly valuable data to prospective investors.

Empower Wealth has its own measure which is one that we have developed in-house with the combined knowledge of our experienced team and their years of

experience, and unfortunately it is only something we provide to our existing customers, as there is only a limited market for great capital growth properties at any one time, so we don't share our specific research to the general public.

However just knowing that affordability is a key driver of growth puts you ahead of the masses, so that's a good thing.

Properties well located, in limited supply, with relative affordability and a strong demographic mix of professionally qualified under 40 age group will continue to outperform well over the coming year, irrespective of whether they are units, flats, townhouses, or actual houses.

Areas that are experiencing a demographic shift to a younger professional set are also going to outperform the market, as these buyers seek to enjoy conveniences of work and social life balance, so they are usually suburbs within close proximity to the major employment centres (where they can get the higher incomes).

The old industrial areas closer to these cities are a good place to start your search, but you want a good cluster of residential and lifestyle options in the area.

We've said it before and we'll say it again—there are always great 'opportunities' in all markets and market cycles for the astute investor who has a plan and does their research.

The Empower Wealth Team



Property Investment
Education/Research Workshops
Financial Planning
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Property Investment Mentoring

www.empowerwealth.com.au

"The best investments are the ones you can hold onto forever, providing you both income and ongoing growth, and no capital gains issues are then in play"

Cameron Morgan
Empower Wealth