



Empower WEALTH Advisory

THE ADVISORY—PROPERTY INVESTING

Buyer Impatience Drives Property Price Growth

I recall way back when I was studying there were future projections about how the rapid advances with computers were forecasted to deliver us so much more leisure time in the future, because they were going to increase our productivity and efficiencies at work, meaning we would get the work done quicker then head home and enjoy life.

How wrong they were - what we have seen with significant advances with computers, the internet, and now hand held devices is certainly vast leaps forward in productivity and efficiency, however this hasn't correlated to less working hours. In fact it's been the opposite, we are working harder and longer than ever before.

The result is a social change where we are more time poor than ever and the most interesting social change of all is our need for more instant gratification within our lives. And its no different when it comes to people deciding they want to buy a property.

Once their mindset shift to 'yes I'm going to do it' they set off on their journey to make it happen and they don't want it to take too long.

So what's this got to do with driving property values higher- simple really: it's a 'demand driver'. Buyers will often chose a preferred location as a starting point and usually then look at their ability to buy into this market.

If it's a historically competitive market place then auction is very much the preferred method of sale precisely for the point I am making in this article.

Assume a buyer has found a property that they really like and then they get beaten at auction the first time.

Repeat the process and they miss at the 2nd auction and maybe a 3rd. It's becoming very frustration for this buyer and their impatience is starting to play on their mind and rational thought process. If they

have been looking for over 3 months every Saturday and during the week via the internet, if they are serious about getting into the market they will be prepared to pay more and this will drive up values - it's that simple.

What's even more interesting is that there will be others (many of them) who will follow into the future, so one could argue if they bought a quality property in the right location they will do well over the longer term.

One thing is almost certain when comparing an impatient buyer with the opposite extreme -the procrastinating buyer, history tells me the impatience buyer will win 99 times out of 100

Ben Kingsley (QPIA)
Empower Wealth Founder

ATO Launches New Property Tax Website

The Australian Tax Office knows that last year over 1.75 million households claimed tax deductions against investment property and they know it is also one of the areas of tax that is always on their radar because often people are making claims that aren't legitimate deductions or they are missing what might be legitimate deductions such as depreciation,

travel costs to inspect the property, lending costs etc.

The ATO launch of a property specific site comes as a welcome reference source for property investors and tax agents alike.

The site provides access to practical guidelines about the most commonly asked tax questions and provides detailed reference

materials to make answering property related tax questions quicker and easier. It basically consolidates all of the ATO property tax information in one location.

Here's the link:

www.ato.gov.au/property

November 2011

Impatience Drives Growth	1
New ATO Property Website	1
Market Measures	1
Value of Specialist Help	2

Market Measures:

State of Rental Market - Capital Cities. H: Houses U: Units

Sydney

H - Shortage of Prop. to Rental Demand

H - Rental Vacancy Trend = Tightening

U - Shortage of Prop. to Rental Demand

U - Rental Vacancy Trend = Tightening

Melbourne

H - Balance Market

H - Rental Vacancy Trend = Increasing

U - Balanced Market

U - Rental Vacancy Trend = Increasing

Brisbane

H - Balanced Market

H - Rental Vacancy Trend = Steady

U - Balanced Market

U - Rental Vacancy Trend = Steady

Canberra

H - Balanced Market

H - Rental Vacancy Trend = Steady

U - Balanced Market

U - Rental Vacancy Trend = Steady

Perth

H - Shortage of Prop. to Rental Demand

H - Rental Vacancy Trend = Tightening

U - Shortage of Prop. to Rental Demand

U - Rental Vacancy Trend = Tightening

Adelaide

H - Shortage of Prop. to Rental Demand

H - Rental Vacancy Trend = Steady

U - Shortage of Prop. to Rental Demand

U - Rental Vacancy Trend = Steady

Source:

Herron Todd White Valuers

The Value of Enlisting Specialist Help

Much of my work, aside from researching and finding good property, is negotiating and bidding for my clients. I enjoy the task of establishing an estimate of the value, the future prospects based on historical performance and the gross rental yield, but most of all I like the agent-advocate negotiations. So much about the property's sale campaign can be gleaned just by having in-depth conversations with the agent and when an agent know they are speaking with another agent - well lets just say they know they can't 'try it on' so to speak.

A recent purchase job I had was a case of buying a property for clients that was significantly under market value. The property in question was a well located, period property in one of Thornbury's finest streets. The house needed cosmetic work but was in a reasonable state. I had established that the value sat within a \$570-590k band based on the work required, comparable sales and current market sentiment. A Residex computer modelled valuation on the property showed a value estimate of \$647,000.

In negotiations with the agent, he was a particularly busy guy because he spent most of his time actually managing rental properties (as opposed to selling property).

I commenced negotiations as soon as my buyers were satisfied with their building inspection. At this stage, they had finance preapproval in place, had determined that the property had no structural defects, had already had the contract reviewed by a conveyancer- and by

all intents and purposes, were ready to buy without any conditions on their offer. After conversations with the agent regarding other interested parties, I submitted an unconditional, but time-limited offer.

Even with a higher offer on the property, the vendors accepted the unconditional offer of ours.

My clients purchased the property for \$545,000. They had given me a figure of \$580,000 to bid up to if required.

Aside from seeing my buyers purchase for \$45,000 under their budget, I was also thrilled to see them acquire considerable equity in a short space of time and this amount of equity could be greater once the cosmetic works are complete (using the money I saved them)

So my clients have now kick started their property portfolio beautifully - all by strategically enlisting my help and leveraging off my experience and knowledge.

Another memorable and recent negotiation was the purchase of a single fronted period property in Footscray. The property was auctioned and despite the agent's belief that the sales campaign had generated genuine interest, we were the only bidders. The property was passed in and the negotiations followed.

I often explain to my clients that one of the best outcomes can be when a property passes in to us. Unlike a private sale where negotiations are handled in a public forum by the agent, passed in properties can be negotiated exclusively by the vendor and the buyer with the agent facilitating the process.

This particular negotiation was exciting for my buyers because the vendors were motivated enough on the day of auction to drop their reserve by almost ten percent AND allow their contract to be subject to finance. In most cases I see, the vendor's level of motivation to sell on the day of auction is extreme. It pays to make sure that you bid- whether the property has hit reserve or not. The right to negotiate exclusively is powerful indeed. After the event, my buyers were ecstatic because they had reduced their risk by having a finance clause and bought below budget. They were quick to tell me that they couldn't have achieved the result themselves.

I negotiate for property every day though so I should justifiably be able to achieve such results for my clients.

Negotiations are a delicate process every time and it's often the case that each negotiation requires a unique approach. It's fair to say that I never use the same negotiation tactics or strategies in combination each time. If going it alone, make sure you understand the private sale and auction processes, methods of negotiating clauses, and understand how to make an ordinary offer compelling to a motivated vendor as a basis of your basic negotiation principals.

Cate Bakos

Buyers Advocate & Property Investment Advisor



Integrated Wealth Solution Services:

**Personal Accounting
Property Investing
Mortgage Broking
Financial Planning**

www.empowerwealth.com.au

"We cannot all be financially independent, because there are people among us who refused to believe it's possible for them - That's most people's only barrier"

Ben Kingsley

Property Education:

**FREE VIDEO:
Avoid Wealth Destroying
Mistakes with Property**

WATCH NOW!!

www.empowerwealth.com.au/proped

The information contained in this newsletter is provided for Australian residents only. The information may not comply with the laws of another jurisdiction. The newsletter information is general in nature and often opinion based and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and it should not be used as an invitation to take up any investments or investment services. No investment decision or activity should be undertaken on the basis of this information without first seeking qualified and professional financial advice. Empower Wealth group of companies and or their employees or contractors do not represent or guarantee that the information is accurate or free from errors or omissions and therefore provide no warranties or guarantees. Empower Wealth group of companies disclaims any and all duty of care in relation to the information and liability for any reliance on investment decisions, claiming the use or guidance of this newsletter or information contained within it. The newsletter information is subject to future regular changes and market movements and factors outside of our control.