



Property Market Report - October 2009

Property Investment is certainly a hot topic at present & one thing is certain; there are mixed messages all over the place. Whether it is based on the economy, share market or the property market, these mixed messages are creating confusion. To be truly transparent we need to look at the pro's and con's and not just the sugar coated gloss that many property investment writers are promoting with hidden agenda's possibly being the reason.

According to Commsec's Chief economist, "Australian home prices soared to record highs in August, underpinned by low interest rates, grants to first home owners and growing confidence about the job market. The RP Data-Rismark Hedonic Australian Home Value Index lifted by 1.9 per cent in August, the eighth consecutive monthly gain. Over the past year, Australian dwelling prices have risen by 6.6 per cent – the strongest gain in 15 months. Across all capital cities, dwelling prices are higher than a year ago. The RP Data-Rismark Hedonic Australian Home Value Index is now 3.8 per cent higher than the previous peak set in February 2008."

Higher-priced suburbs are now showing stronger price gains than cheaper suburbs. Both top-end and medium-price home prices have risen 8.2 per cent since the start of the year with prices in cheaper suburbs up 7.5 per cent. We all know that the lower-priced sectors of both housing and units have been the strongest sectors over the past year on the back of the various stimulus packages. These properties have been mostly owner occupied. The sectors where we have seen biggest falls have been based generally around lifestyle properties.

The upper price level homes and units generally fall into these categories. So instead of people selling their family home, they are selling the holiday house or over committed investment property and subsequently we have seen a significant softening in these values. In some cases, these values have fallen well below replacement cost, which could present new future opportunities.

There is an interesting change in the gap between lower priced property and upper priced properties. For example, a property that was worth approximately \$350,000 in say 2005 could now be worth in the vicinity of \$400,000. Whereas a property that was previously worth \$1,300,000 in the same period could now be worth \$1,000,000. This leads us to believe that investment properties in the mid range below \$500,000 will most likely remain in demand and a much safer investment opportunity, as demand by tenants in these areas will remain strong.

August Price Growth:

1. Melbourne up 2.7 %
2. Sydney up 2.1 %
3. Canberra up 1.9 %
4. Brisbane up 1.4 %
5. Adelaide up 1.3 %
6. Perth up 0.6 %
7. Darwin down by 0.8 & after rising 3.1 % in July

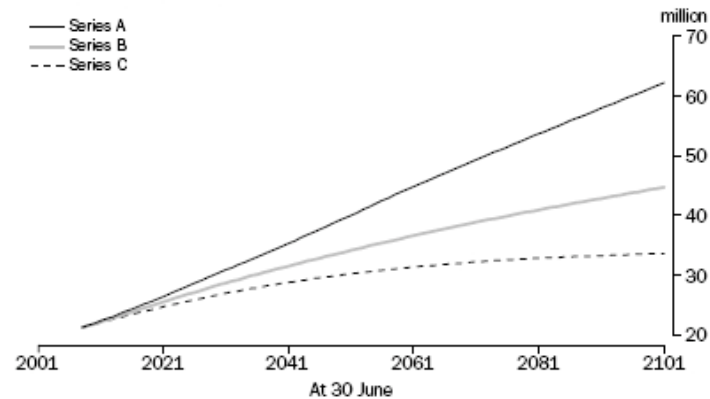
Australia's two biggest capital cities have also outpaced the rest of the nation this year, with Melbourne prices rising 11.6 per cent and Sydney up 8.67 per cent in the first eight months of 2009. Overall, Australian house prices are up 7.9 per cent in the first eight months of 2009.

The Federal Governments recent forecast of Australia's population growth is that it will increase from 22 million to 35 million by 2050, an increase of around 65%. In fact Australia is poised to be the world's fastest growing industrialised nation over the next four decades, with a rate of population growth higher than India.



Three main series of projections provided by the ABS are, Series A, B and C, and have been selected from a possible 72 individual combinations of the various assumptions. Series B largely reflects current trends in fertility, life expectancy at birth, net overseas migration and net interstate migration, whereas Series A and Series C are based on high and low assumptions for each of these variables respectively.

PROJECTED POPULATION, Australia



In Series B, all capital cities are projected to experience higher percentage growth than their respective state or territory balances, resulting in further concentration of Australia's population within the capital cities. At 30 June 2007, 64% of Australians lived in a capital city. By 2056 this proportion is projected to increase to 67%.

No doubt there will be problems associated with this continued rapid growth. For example where will we house all these people? How will we feed them? The higher the population growth, the more homes need to be built. Currently we have an undersupply of properties as too few new dwellings are being constructed to provide homes for our growing population and this undersupply is only likely to get worse.



The divergence between supply & demand becomes quite clear in this graph:
Source: ANZ

The growth will be mostly in and around our capital cities, but new regional areas will be expanded to create regional cities, especially around mining areas that are designated for expansion. All this will put considerable upwards pressure on housing prices and the rental market.

Many buyers that have bought 'off the plan' at the peak of the market and have not experienced anticipated capital growth are looking at how to offload their bad decisions, and the blame game has now become popular in the legal world. The once easy loan approvals, turned into a nightmare of panic driven uneducated buyers and litigation hungry lawyers and the full impact to the market cannot be appreciated until legal outcomes are finalised.

Some developers are still holding much higher levels of stock than originally anticipated and will need to meet the market to avoid meeting the lenders foreclosure departments. Fortunately those that can afford to settle are buoyed by strong rental demand and future anticipated growth. Those developers that let greed rule their business decisions are now stuck with mortgage repayments that are pushing their loan to value ratios into dangerous waters. And the once friendly lender will become their nemesis as the levels of acceptable risk will determine the outcome.



All of this points to the fact that whilst we are experiencing record population growth, record low interest rates and an undersupply of housing, there are areas which are outperforming the market and there are areas that are underperforming or even going backwards, and there are still plenty of developers out there with unsold stock at greatly inflated prices.

Whilst all the ducks are lining up, you need to watch out for the wood ducks i.e. it looks like a duck, and quacks like a duck, but it's not a duck. In fact it is likely there is a 12 gauge barrel lurking in the reeds ready to blow you out of the water. Which is why professional research and experience is paramount to making the right decisions?

Property Investment Aggregators (PIA) innovative research model incorporates many years of experience from qualified finance & real estate professionals. PIA incorporate independent research from Australia's leading research providers such as, Residex, BIS Shrapnel, RP Data, ABS, major financial institutions and renowned property valuers. PIA then identify property investment locations that are likely to outperform.

PIA research available property opportunities in selected areas and provide independent research and valuations with our unique summary report. PIA then provide our business partners and investors with a full detailed report on the property, area, builder, cash flow analysis plus a summary page including suburb profiles, location and property features plus key property and investment fundamentals they need to know.

Such as:

Property Fundamentals	Investment Fundamentals	Properties Financials
1. Location	1. Capital gain potential	1. Net yield
2. Desirability	2. Value	2. Gross income
3. Quality	3. Rental yield	3. Rental expenses.
4. Design	4. Supply & demand	4. Tax deductions
5. Builder/developer	5. Finance	5. Holding costs/cash flow

PIA then upload this information to our member's only website at www.propertyinvestmentaggregators.com.au and provide detailed property investment analysis tools for members to easily locate suitable properties for investment according to fundamental indicators.

PIA also provide our unique full research reports and continue to monitor trends to maintain a high quality of property investment opportunities.

Top 10 tips in what to look for in a good property investment!	
1. New, to max depreciation and min repairs	6. High capital growth potential
2. Quality builders	7. High employment area
3. Strong population growth forecasts	8. In high demand by tenants
4. Close to essential services	9. Suitability for investors
5. Approved by banks and insurance companies	10. Cash flow friendly



PIA Best Picks

We have not seen any of our market segments in Toowoomba fall in value over the past 12 months. Property volumes and values below \$350,000 in the past 6 months have improved. There are no individual suburbs which can be identified as being under performers. Property in Toowoomba generally has been underpinned by limited supply and vacant land availability.

In regards to Gladstone, only recently have agents reported that there is a small ground swell of interest in the lower end of the market, however the market is still standing back to wait and see what happens with the Coal Seam Gas market here and abroad. One of our star performers has been Dalby in the Surat Basin. With properties in the 365k range being snapped up and an undersupply of land and extensive infrastructure due to the abundant supply of Coal and the new clean energy methodologies, we have reports of rents of \$500 p/wk or more on these properties.

PIA still have very good house and land packages in Chinchilla from \$348K and Kingaroy from \$410K and villas in Toowoomba from \$295K and Gladstone from \$265K. Kingaroy was rated by an investment magazine as the hottest property place in QLD.

Other areas showing strong demand are the more sought after areas in Sydney, Melbourne and also our pick for Adelaide would have to be Brompton/Bowden which was recently featured in Property Investors magazine as a hot spot due to the state government's masterplan for sustainable development and emphasis on transit-orientated developments close to the cbd. Also, the northern suburbs of Adelaide are providing strong demand for affordable housing. And as Adelaide had a shortage of well placed student accommodation, we are fortunate to have what we believe to be Adelaide's best positively geared student accommodation building located in the heart of the city.



Brompton Aerial View

If you are interested to find out about these researched properties then logon to www.propertyinvestmentaggregators.com.au or call on 08 8297 1333 today.