



Professionals

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Australian House Prices Buoyant

The Australian property market enjoyed a substantial increase in median house prices both nationally and in every state, according to recently released figures for the December 2009 quarter. It is good news for those thinking about selling their home and capitalising on strong levels of growth. Sales in the more expensive suburbs have largely driven the exceptional rises. While the more affordable lower end dominated the market in the early part of the year due to a high level of first home buyer activity, the top end was the main driver in the latter part of 2009.

According to Australian Property Monitors' House Price Report, median house prices rose nationally by 4.8% in the quarter, bringing the annual increase over 2009 to 12.1%. This reflects the highest levels of growth since 2003. Units also performed strongly with a 9.8% increase for the year. Every housing market except Perth is at an all time high, with Melbourne the strongest market for the second consecutive quarter. The city also recorded the highest annual growth for 2009 at 18.5% and, with a median house price of \$517,756, breached the \$500,000 barrier for the first time.

Sydney, which recorded a 12.1% annual increase, is in line with the national average. House prices rose by 5.3% in the quarter, while units grew by 2%, resulting in three consecutive quarters of strong price growth. Units finished the year with excellent annual growth of 9.8%, again in keeping with the national average, to bring the median price above \$400,000, while the median house price reached \$595,745. Brisbane property prices grew by 7.7% for houses and 1.8% for units. House prices for the December quarter however, rose by 3%, which is double the rate seen in the September quarter.

As mentioned, it was the activity at the

top end of the market that has driven the exceptional results for 2009. In the December quarter alone, the level of price growth at the top end almost doubled the growth seen in the rest of the market. The median price of homes in the most expensive 50% of suburbs rose by 17.1% since the March quarter, while houses in the bottom half of the market grew substantially less, by 9.6%.

Vendors have, of course, welcomed the higher values. Properties in many areas are achieving higher than expected prices coupled with shorter than expected time on the market, due to the current high levels of demand that are generally far outstripping supply. Some economists however are predicting that prices may well soften throughout the year due to expected lifts in interest rates. Vendors may be well advised to 'strike while the iron's hot'.

Investors too are making the most of current opportunities: interest rates remaining well below average despite hikes; exceptionally strong demand driven by a housing shortage and population boom; and strengthening rental yields. Median house rents, according to Australian Property Monitors are expected to rise by 5.6% to \$380 per week, while median unit rentals are expected to grow by 7.5% to achieve \$360. Analysts expect further growth into 2011.



Hot Tip:

When transacting on the property market, it is essential to be clear about your individual objectives, as these determine when, where and how to make your next move. In addition, and while keeping in mind overall trends, house prices and investment yields vary according to the type of property, its specific location and other factors. A trusted agent is a valuable resource for helping you make the best decisions.



First Home Buyer Help

With the cessation of the First Home Buyer Boost at the end of 2009 and subsequent easing back of activity from the sector, the REIA is calling on the Australian Government to review the amount of the First Home Owner Grant. It has suggested that the grant be increased from \$7,000 to \$15,000 for both new and established homes, and that the grant be indexed to median house price movements to remain relative to when it was introduced in 2000. We won't know the outcome for some months, but possibly an announcement will be made in the May budget. In the meantime however, first home buyers are currently able to access various forms of state based assistance in addition to the current \$7,000 grant

In Victoria the First Home Bonus provides eligible applicants with \$2,000 if purchasing an existing home, and \$11,000 for a newly constructed home. In addition, the Regional Bonus of \$4,500 is available for first timers purchasing a new home in regional Victoria. These incentives are available until June 30th 2010, unless extended further. Victoria also has exemptions

from land transfer duty.

In New South Wales the New Home Buyers Supplement, available until June 30th 2010 for first time buyers purchasing a new home, consists of \$3,000. Purchase price of the home must be below \$750,000. Additionally, First Home Plus, provides an exemption on stamp duty on homes valued up to \$500,000, as well as concessions on duty for homes valued between \$500,000 and \$600,000.

In Queensland the First Home Concession provides transfer duty concessions amounting to a saving of approximately \$8,750 on the purchase of a home valued up to \$500,000. The concession is weighted in favour of lower priced properties, with a duty rate of 1% applying to homes worth up to \$350,000.

For more details on available assistance and any restrictions or conditions applicable in your state, please see www.firsthome.gov.au.

Thinking About Investing?

With investors flooding back to the market and expected to be a continuing driving force into 2010, now might be the right time to start your investment portfolio. Even seasoned investors make costly mistakes, so first-timers especially need to equip themselves with the right resources from the outset. Let's start with a few basics:

- The potential benefits of property investment include: capital growth, rental income, tax benefits, lower volatility than the share market, and high demand given everyone needs somewhere to live, especially with Australia's population at record levels and expected to rise substantially further in coming years.

- A good starting point is to understand one's goals from the outset: some investors aim to retire richer, or earlier. Some aim to top-up current income, while others want to replace it completely. These goals then determine pre-purchase decisions, such as the location, type, price, and potential yield of the property, as well as post-purchase decisions during the life of your investment.

- Make sure your financial affairs are in order and that you have a specialised accountant to handle sometimes complex investment tax.

- Conduct research into the past performance – in terms of both yields and capital gain – of similar properties in similar areas, and educate yourself about investment strategies and expected trends. Your agent can assist and offer access to excellent resources for helping you make the most informed decisions.

- Decisions should be based on facts, rather than emotions. For instance, purchasing an investment property because you like it or because it's close to your home are not sound enough reasons. Also, be aware that friends and family don't always offer the best advice.

- Use a trusted agent and financial advisor. An investment portfolio that is wisely and effectively managed not only procures less hassles, better short-term yields and higher long-term capital growth, it also affects your financial security into the future.

