

melbourne property showing true grit



Graham Morrison

To the surprise of many pundits, Melbourne property prices have remained relatively stable and have even shown some growth in the more affordable, lower price brackets.

While auction numbers are down from this time last year private sales have increased. A recent property market survey conducted by the REIV has shown that the upper end of the market has retracted in prices while less expensive property sold privately is resilient to the prevailing economic gloom.

Reserve Bank deputy governor Ric Battellino says, "Australia's house prices will hold up better than those overseas, despite the slumping economy, largely because of the quality of the loans underpinning the market. We continue to believe that the market here will hold up better than overseas. There are a number of reasons why this is likely to be so, but perhaps the most important is that we did not have the same deterioration in lending standards that occurred elsewhere".

The CEO Institute's survey of 226 Australian chief executives finds a surprising level of confidence that the worst of the financial crisis will be over within 12-18 months.

Melbourne (April 1, 2009): The CEO Institute's national March membership survey has found an unexpected level of



confidence that the worst effects of the global economic crisis will be over by the end of 2010.

58% of CEOs surveyed believe there will be a "return to normal" during 2010.

Only 35% expect the business outlook to worsen in 2009.

The survey covered 226 members of The CEO Institute including chief executives of small, medium-size and large organisations. Chairman and CEO of The CEO Institute, Ken Gunn, says: "Members were far more positive about the outlook than we expected. More than a quarter of them [27%] expect their business outlook will improve by the end of 2009."

Graham Morrison, Director says, "Locally, we haven't seen any large dips in property prices achieved over the last few months while the \$300K to \$600K property market is showing remarkable strength due largely to the massive first home buyer's grants".

Despite the drop in value of sales, the auction market has proved remarkably stable this year with a clearance rate of over 70 per cent for each weekend when there has been more than 100 auctions held, again, in part, due to low levels of supply.

Graham goes on to say, "we are advising vendors to consider the bird in the hand rather than waiting for better conditions. Current conditions see more buyers than sellers in the market, interest rates are low and the economy is holding up well. Ask our staff to run through our impressive recent sales results you may be surprised to learn how good the market really is. As always please contact one of our experienced staff to discuss more specifically your property matters".

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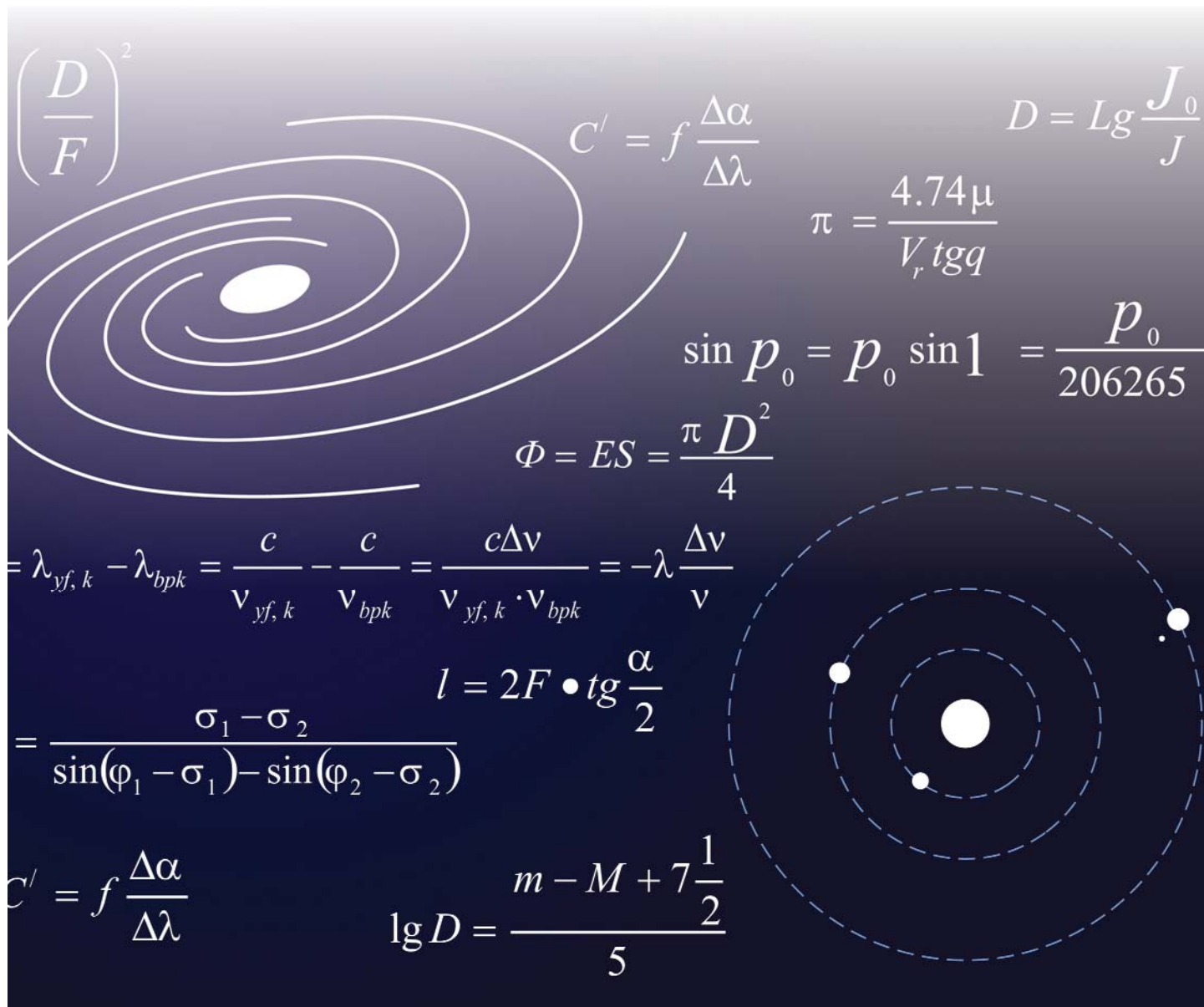
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the planets have aligned for property investment



For those fleeing the share market, wanting to park their superannuation more securely or looking to negative gear a property, the time is ripe.

With interest rates at a 50 year low, house prices are holding or lower, rental vacancy rates are below 1%, rents are through the roof; property investment potential is looking rosy.

It's not all beer and skittles though. Banks are tightening up on their lending criteria and require greater capital and serviceability levels. A good, stable work history and a good credit rating continue to be a lending prerequisite.

On a macro scale, most property observers would attest that the property price cycle is near the bottom of the curve and it would be reasonable

to assume that over the next 5–10 years property prices could rise considerably.

There are two main criteria that are helpful when evaluating an investment property; we suggest creating a table and ranking the results under the following headings;

Purchase price/capital growth (growth) – check the median price figures (REIV) for the considered area (go back several years) and see how the area is generally performing. Calculate an average, annual growth rate for say 5 years based on the purchase price and include stamp duty.

Annual net rental return/vacancy rate (yield) – Calculate all the known expenses of the property including interest (easier to assess if you calculate on borrowing the whole amount),

against the rental return. Calculate rental return by reducing a fair annual rental by the area's annual average vacancy rate.

Conduct this process for a typical property in many areas and avoid looking in only areas you like. When you have assessed a number of investment properties and plotted their results on this table you will start to get an insight into which investment property would deliver you a better financial outcome.

This method of assessment does not consider a number of other costs and factors such as maintenance or repair, rental default or damage etc, taxation or your ability to manage the investment; it weighs up investment potential of one property against another.