



**Rebecca Dunn**  
**CEO, PROPERTY PROFILE GROUP**

Welcome to the monthly Property Profile Group newsletter!

As Australia's strongest and most dynamic collection of independent real estate agencies, we publish this newsletter to inform and excite readers about the property market. Included are articles, facts and figures on industry news and helpful property-related hints and tips. As always, we value your feedback, so please be in touch with any ideas and suggestions.



## Market Update: February 2011

The recent release by the REIV of the December quarter median prices for Melbourne revealed a pleasant — if slightly unexpected — surprise. With an increase from the previous quarter of 6.6%, the median metropolitan house price reached \$601,500. Year on year, the price has increased more than 11%.

REIV CEO Enzo Raimondo said this was the first time that the median house price had exceeded \$600,000 and it was clear that housing affordability would be a key issue this year for buyers and the Victorian community.

"Increased house prices in the last quarter and over the last two years are due to an imbalance between housing supply and the needs of our growing population," says Mr Raimondo.

"This is a systemic problem with the local market and steps need to be taken to increase supply over the medium-term to ensure it is not further diminished in the future.

"With a full analysis of the sales results from last year's spring selling season, it is clear that prices buyers are willing to pay increased substantially compared to the winter months."

The first few weeks of 2011 has seen a gradual increase in the number auctions being conducted. The clearance rate (the number of properties sold at — or just after — fall of the hammer) for the weekend of February 12 and 13 was 66%. Although this is nearly 20% lower than the same time last year, it did not result in reduced prices for the homes that sold.

Interestingly, the ratio of Private Sale transactions versus auctions is nearly 2 to 1. In the week beginning February 6, 632 homes were sold via Private Sale. This method of sale, along with Expressions of Interest, is proving to be a popular alternative to the traditional auction.



## Adjusting to a new season

Summer is drawing to a close — although some Melburnians will be wondering if we actually had a summer this year!

If you're dreading autumn's approach with a sense of impending loss, consider instead the perks that summer's final weeks bring. More moderate temperatures may mean the end of leafy main courses and golden skin, but they are also conducive to some of the most relaxing activities.

Lying in the afternoon sun with the latest John Grisham novel and a spritzer, for instance, is far more enjoyable at 23 than 40 degrees. Pottering in the garden is also [To page 2](#)

From page 1 perfectly matched to a gentler climate. March barbecues beg more adventurous cuisine – hot spices and chilli can return to the menu. To ensure you actually do put in the hours indulging outdoors, it's vital to have an incentive that will prove irresistible when you're battling obligations to clean, cook or book the car in for a service...

The answer? A hammock. The simplest — and certainly the cheapest — furnishing, crafted from canvas or woven cotton, a hammock holds universal appeal for its functional and symbolic qualities. Able to be anchored in moments between trees or sturdy hardwood railings, its cradle-like grip and gentle sway give even yoga a run for its money. A hammock evokes pure relaxation. It's a little bit of paradise in your own suburban back yard and they make a great present too. Once it's hung, lay back and enjoy a few moments of peace.

(Just remember to set an alarm if you need to collect the kids!)

## Time to re-finance?

Mortgages are always in the spotlight. With banking reforms announced by the Federal Government and a spate of recent interest rate hikes, home loan customers are reassessing their options. Switching mortgage lenders or refinancing with the same lender can be an excellent financial decision provided some basic research is undertaken first.

Interest rates are usually the main reason borrowers want to switch loans, and with a substantial number of lenders offering variable rates as much as one percent below the four big banks, there's certainly scope for big savings. For example, a half a percent difference can save borrowers with a \$300,000 loan over \$30,000 over 25 years.

An excellent place to investigate different home loan options is online. Comparison websites offer a broad range of lender deals and are quick and easy to navigate. Alternatively, a mortgage broker or finance consultant can provide invaluable advice and help save big dollars.



Borrowers may already be aware that refinancing costs can vary greatly — ranging from a few hundred dollars to several thousand dollars. Depending on the mortgage provider, exiting a loan can include

such costs as a settlement fee, a government mortgage discharge fee as well as an early exit fee. Under the new laws introduced by Treasurer Wayne Swan, exit fees will be banned from home loans, but this only applies to new loans taken out from July this year. Some of the banks, namely NAB and ANZ, are willing to pay a customer's exit fees depending on a few terms and conditions.

Setting up a new loan also incurs costs. These often include the government registration fee, an application fee and a valuation fee. Clearly the lower these overall costs are, the more potential there is to gain from switching a home loan.

Finding a cheaper loan is a great start, but it's also a good idea to evaluate the product features of any loan. For example, does it include an offset account? Can you redraw for a renovation and does the loan allow for interest only repayments if necessary? Refinancing can take some time and effort, but it's often well worth it. And many experts advise mortgagees to research alternatives every few years.

## How can you predict the next "boom" suburb?

Experts are predicting a more balanced property market in 2011 with a healthy "supply versus demand" ratio. However, there are still many suburbs across Melbourne and Victoria set to experience good positive growth. So how do potential purchasers choose the right neighborhood to buy in?



A great place to start research is online. Comparing price rises across a number of adjacent suburbs can indicate which suburbs are hot and which are not. Internet research into quarterly and annual figures on house prices can also highlight trends and provide an overall picture. The Real Estate Institute of Victoria website is an extremely informative online tool.

Armed with some accurate figures, now try looking for the ritzy suburbs — and then look next door. Neighbouring suburbs often have similar housing styles, amenities and streetscapes. And while they may be a few kilometres further out, housing is often more affordable. Paying close attention to suburbs near the city or water with plentiful period homes ripe for renovation is another clever way to ensure an affordable and profitable purchase.

Next, check out recreational facilities, local schools, restaurants and shops in the suburbs of interest. Certain school catchment areas can be a deal breaker for some buyers and there is no point buying in an area that lacks the amenities vital to your specific lifestyle. Checking crime rates, types of industry and employment figures can also highlight potential boom or doom suburbs.

Of course one of the most valuable resources available to any buyer is a real estate agent. They are the experts and they come armed with clearance rates, information on the number of bidders at auctions and the difference between the reserve and selling prices. These all indicate demand and can tell buyers if a suburb has taken off or is about to.

Admittedly, buying a home isn't all about capital growth forecasts. There are always personal factors to consider. But every home buyer has to admit — purchasing the ideal home in an area set to see soaring property values is an extremely desirable outcome.