

HOW'S THE MARKET?

WINTER 2004

Ross & Galloway Real Estate
524 Canning Highway, Attadale, WA

rossgalloway.com.au

Owners should feel confident



Principal Peter Sim

Median property prices throughout the City of Melville rose by 4.9% during the June quarter and by a whopping 19% in the 2003/04 financial year.

Data from the Real Estate Institute of Western Australia shows the median

price for all dwelling sales in the Melville local government area was \$375,000 during the June quarter.

The City of Melville's 19% median price rise in the 12 months to July compares with a metropolitan average of 14.4%.

House price growth throughout Perth slowed during the June quarter following a rise of 12.6% in the previous 12 months. The median price of a three bedroom home during the quarter was \$240,400.

Perth's median price actually fell by 1% during the three months. This easing in market demand was caused by the delayed impact of interest rate rises and the lag effect of buyers who held off their home purchase because of lower stamp duty rates from July 1.

Market outlook

Is the property investment market headed for a downturn?

No. Consider the facts:

- Continuing low to moderate inflation
- Low interest rates with any rise in the coming year likely to be small
- Low unemployment well under 6%
- Fast growing population - up 32,000 in 2003 and growing at 1.7% compared with Australia's population growth of 1.3% overall
- Continued strong forecasts for WA's resource, rural and business economies

The fundamentals are strong but it is nevertheless prudent to expect slower growth

Property Update

Source: REIWA

Suburb	Median Price June qtr	% increase June qtr	% increase past 12 months
Alfred Cove	\$400,000	10.7%	22.7%
Ardross	\$399,000	-24%	-7.2%
Applecross	\$749,000	-5.2%	17.8%
Attadale	\$575,000	-6.5%	19.8%
Bateman	\$353,000	34.7%	15.7%
Bicton	\$497,500	-12.1%	22.5%
Boogagoon	\$402,000	-0.1%	15.2%
East Fremantle	\$505,000	1.4%	4.1%
Fremantle	\$425,000	10.4%	6.3%
Kardinya	\$295,000	4.1%	7.3%
Melville	\$400,000	11.9%	34.5%
Myaree	\$332,500	14.7%	18.8%
Mt Pleasant	\$509,000	-21.4%	7.8%
Palmyra	\$312,000	13.2%	18%
South Fremantle	\$508,500	0.3%	15.6%
Willagee	\$257,500	11.5%	18.4%
Winthrop	\$468,750	5.2%	25.7%

in property values compared to the past five years.

A market plateau is likely to be short-lived but it will see a reduction in buyer competition, creating better opportunities to negotiate the asking price of listed properties in various districts, suburbs and streets.

It remains true that the most highly-sought properties are those priced up to \$250,000.

Industry figures show average annual growth in the Perth median house price between 1998 and 2003 was 8.7%, and for all of Australia it was 13.3%.

This suggests the Perth market is not overvalued, has room for further growth and WA property investors can be confident the real estate market will not suffer a major downturn.

The main threat to interest rates, as usual, is inflation. High petrol prices may trigger inflation and thus a further rate rise up to half a per cent in the next 12 months.

This is a pessimistic scenario and the effect in middle to high priced suburbs would be negligible.

There is a longer term risk of sharply higher interest rates if boom conditions are enjoyed in the next two or three years.

Demographic change

However, investors with a long term outlook should aim for small, high quality dwellings that will suit the rapidly changing demographics of an ageing real estate buyers' market.

The baby boomers and their parents own most of WA's wealth and these people are increasingly living independently or childless through divorce, death and retirement, with a greater need for home office facilities.

There is an increasing shift in market demand for small, low maintenance dwellings, particularly near the river or sea, and astute investors should plan for this when choosing where and what to buy or build.



How's the market? is produced by Ross & Galloway WA Pty Ltd, licensed real estate agents and members of REIWA, MLS and Landlink as a service to help local residents with their property considerations. For further information on any topic relating to real estate, please feel welcome to contact us.

Ross & Galloway Real Estate
Tel: 9330 5988 Fax: 9330 4727
Email: sales@rossgalloway.com.au

Stamp duty changes

Various amendments to WA stamp duty regulations were effective from July 1 with buyers enjoying tax relief of at least 5% in all price brackets.

First home purchases of less than \$220,000 are free of stamp duty and a reduced rate of duty is available for first home purchases up to \$300,000.

Purchases of vacant land by first home buyers of less than \$100,000 are free of stamp duty and a reduced rate is available for purchases up to \$150,000. A buyer of a \$500,000 property saves \$1,235 in stamp duty.

The changes in transfer of property rates are:

\$0-80,000	\$2.20 per \$100 or part thereof
\$80,001-100,000	\$1,760 + \$3.30 per \$100 or part thereof above \$80,000
\$100,001-250,000	\$2,420 + \$4.50 per \$100 or part thereof above \$100,000
\$250,001-500,000	\$9,170 + \$5.60 per \$100 or part thereof above \$250,000
\$500,001 and upwards	\$23,170 + \$6.00 per \$100 or part thereof above \$500,000

There have also been changes to stamp duty document lodgement and assessment forms, and extended payment periods for certain conditional contracts.

A full description is available from the Office of State Revenue. It's worthwhile discussing the procedures with your settlement agent at the beginning of a transaction to make sure you take advantage of the benefits available.

Success is hard earned

Sales representatives from *Ross & Galloway* believe they've earned the respect of the local real estate market since the company first opened its doors in 1966.

That's right, *Ross & Galloway* has represented the interests of property buyers and sellers in the Melville and Fremantle districts for the past 38 years.

July 30 this year was an important day as we processed the 5000th transaction since Peter Sim took over management in 1986. Since then, it's estimated *Ross & Galloway* has handled more than a billion dollars worth of real estate transactions in the local property market.

The success of *Ross & Galloway* is partly due to our high rate of referrals. Past clients respect the diligence, knowledge and sales success of our representatives. As a result, 65-70% of our business comes from personal referrals.

Ongoing strong sales

Thanks to property market respect, *Ross & Galloway* sells five times more listings than the average agency turnover in the City of Melville.

Our success continues. July sales were unexpectedly high at more than \$11 million with one transaction every day.

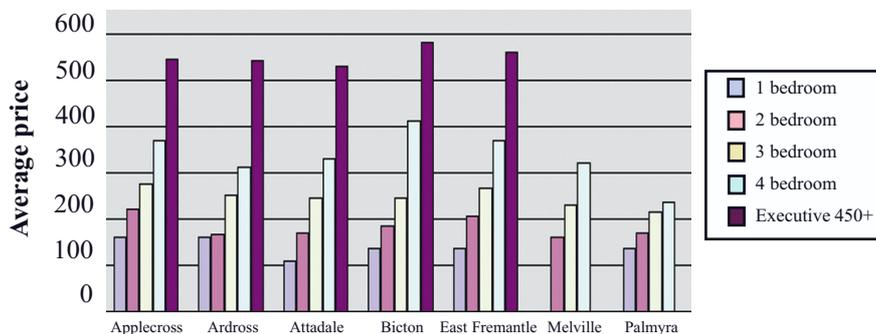
A flood of first home buyers was expected because of stamp duty changes but there was barely any impact on the local market.

A recent weekend saw more than 120 buyers visit 20 home opens managed by *Ross & Galloway*. That's 120 more prospects on our buyer register.

Ross & Galloway proudly maintains a dossier of testimonials from past clients which confirms the high regard in which we are held throughout the community.

The local real estate market is constantly changing. If you'd like an up-to-date opinion on the value of your property or detailed information about where the market is headed, call us to arrange a time to meet at your convenience.

Average rental prices May to July 2004



Suburb	1 bedroom	2 bedroom	3 bedroom	4 bedroom	Executive 450+
Applecross	160	220	275	370	545
Ardross	160	165	250	310	540
Attadale	110	170	245	330	530
Bickton	135	185	245	410	580
East Fremantle	135	205	265	370	560
Melville	-	160	230	320	-
Palmyra	135	170	215	235	-

LEEUWIN FINANCE

Your local property finance specialist...

- Purchasing a new home?
- Need to consolidate your debts?
- Can you save by refinancing your existing loan?
- Like to use the equity in your home to purchase an investment property?

Support Local Business

Even if you are happy with your bank, let Leeuwin do the leg work for you

A Reputation in Service Excellence

Moreing Road Shopping Centre
88d Moreing Road
Attadale WA 6156
www.leeuwinfinance.com.au



Telephone 9330 2555
Facsimile 9330 2190
Email: info@leeuwinfinance.com.au

Ventnor Settlements

Known and trusted for more than 30 years



For friendly, helpful service, telephone **Rosemary McElhinney at Ventnor Settlements** on 9330 5377 to discuss your requirements and our competitive rates.

The diverse heritage of Palmyra



About 25 members of the Melville Historical Society enjoyed a tour of various historic Palmyra homes in June as part of an awareness project organised in conjunction with Ross & Galloway.

Included was the delightful circa 1920 cottage pictured above in Elvira St.

Organiser Todd Grierson from *Ross & Galloway* led the tour with company director Peter Sim at the wheel of the bus. The tour started from the historic Miller's Bakehouse in Baal St and included inspections of five renovated character properties.

"As a result of continued development since its first land releases in 1902, Palmyra offers one of the most diverse mixes of housing styles seen in any Perth suburb," said Mr Grierson.

"Members really enjoyed the opportunity to view these character homes and could appreciate the creativity, hard work and quality of their finishing.



The tour included a look inside the historic Palmyra landmark of Miller's Bakehouse

"The cost and inconvenience of larger renovations and ongoing maintenance ensure that character homes are an acquired taste.

"However, there's no doubt that the commitment of local owners to preserve these properties, while adding their own personal touches, further improves the ambience and contributes to higher sale prices throughout the suburb.

"Tucked behind many of the older homes are some uniquely designed rear strata properties. Designed to

suit the needs and tastes of the owners, these homes maximise available land area with creative designs and finishing."

Characterised by strata homes, Palmyra's proximity to Fremantle, beaches, the river and some of the area's best community facilities will ensure strong future interest from a wide variety of buyers.

Palmyra is considered by market observers to be excellent value relative to its ideal location and comparative prices in neighbouring suburbs.

The Melville Historical Society is an important community organisation concerned with preserving and observing the history of the local area.

Membership enquiries are welcome and can be directed to society president Joan Donaldson on 9339 3414.

Real estate snippets

- Data from the Real Estate Institute of Western Australia shows there were 14 sales of homes at more than a million dollars in Mt Pleasant during the 2003-04 financial year. Brentwood and Leeming boasted their first-ever home sales at more than a million dollars. REIWA analysis also shows Mt Pleasant was the only suburb in WA within the top ten for the highest percentage growth in median property prices over the 12 months (59.5%), five years (18.7%) and ten years (10.6%) to March 2004.

- Keep your books in order and don't fiddle them... the Australian Tax Office has announced it's doubled the number of rental property investors who are being audited after finding that more than 80% whose returns were checked in the past had understated their taxable incomes. Rental property tax deductions and capital gain declarations will be under the microscope.

- The Australian Tax Office has released a 104 page report detailing the depreciation guidelines for all markets, including the property investment sector. Depreciation rates are included for almost 200 separate assets often found in rental properties, from dishwashers to outdoor furniture. The report should make it easier for landlords and their accountants to safely navigate the tax quagmire and more accurately plan depreciation schedules for items acquired after July 1 2004. Further detail is available from the ATO website at <http://law.ato.gov.au>

- Industry figures show the average rental vacancy rate in the City of Melville during the March quarter was 3.4%, down 0.6% over the previous 12 months. Median weekly rent in the City of Melville during the March quarter was \$225, up 12.5% over the previous 12 months.

- Industry figures show the Perth rental vacancy rate has dropped to 3% for the first time in several years. Three per cent is the benchmark WA vacancy rate below which there is upward pressure on rent levels. Investment properties managed by Ross & Galloway currently have a vacancy rate less than 2%.

- The average annual median house price for Australia in 2003 was \$357,000. The median house price for Perth was \$217,000, which was 61% of the national median. Five years ago, the Perth median house price represented 74% of the national figure and ten years ago the difference was 76%.

- Many investors are targetting the strong overseas student tenancy demand in inner south-eastern suburbs from Fremantle to Cannington. Several thousand overseas students are bolstering tenancy demand, mostly for houses because it's cheaper for many students to share accommodation. Capital gains have also been excellent in the inner south-eastern region over the past few years.

Little praise for self-appraisal

Homeowners wishing to sell should seek realistic market appraisals from professional real estate agents if they want to avoid frustrating and, at times, costly delays in finding a buyer.

Murdoch University research in the late '90s found almost half of all property owners significantly overestimate the value of their home when they appraise it themselves.

The resultant high asking price often dissuades potential buyers, delaying and possibly reducing the final sale price.

The research found home owners overestimate the value of their property by 7.5%, on average.

Under the microscope, 27% of owners were found to overestimate the value by between 10-29%, while 9% overestimate by 30-49% and 10% add more than 50% to the value of their property.

High income earners in particular were found susceptible to overestimating their home's value while well-educated home owners were less susceptible. University graduates are likely to underestimate!

To avoid unnecessary problems in selling your family home, seek advice from a qualified *Ross & Galloway* sales representative so you can save money and time by setting as accurate a price range as possible.

Considering selling?



Peter Sim
0418 945 329



Bryan Cousins
0419 950 054



Jacqui Dalton
0418 910 664



Todd Grierson
0417 881 772



Judy Heuchan
0409 379 057



Nathan Hewitt
0411 695 313

For accurate real estate advice, talk to your local specialists



Geoff Ince
0412 928 403



Maggie Shanklin
0418 919 246



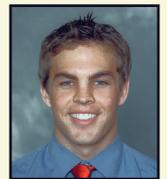
Mike Swale
0418 922 203



Paul Trainor
0407 988 967



Sue Allen
0404 030 226



Matthew Cousins
0411 733 758

Local market steady

The local real estate market from Fremantle to Canning Bridge is currently performing with patchy demand in different areas but fair values being achieved by vendors.

Buyer demand has eased slightly over the past six to 12 months and has fallen from the peak of a year ago. For example, demand for Willagee properties has plateaued following very strong price growth in the past three years.

Astute investors might spot some small pockets of oversupply in the district, but these are rare.

Infrastructure spinoffs

Around the Canning River, there is speculation about positive appreciation spinoffs for homeowners from the opening of the Perth-Mandurah rail line in 2006 and the redevelopment of the Raffles Hotel site.

Ross & Galloway believes these spinoffs will not be significant as buyers already consider surrounding suburbs to be very close to the city with abundant transport links. However, the effect will still be positive when the projects are complete.

The buyers' market remains keen for both

small units and large family homes, particularly the latter in expensive suburbs such as Applecross and Leeming.

Land supply

There is strong buyer demand but a shortage of vacant land in the district. Plenty of buyers are queuing up to purchase old homes on big blocks that have minimal by-law obstacles to subdivision or strata development.

Interest rates are likely to move north over the next 12 months by about half a per cent but this is unlikely to greatly retard the local property market.

Population growth, a strong WA economy and low unemployment will continue to fuel the buyers' market and an interest rate increase of less than 1% will be easily absorbed by buyers, particularly those wishing to live in suburbs with expensive property listings.

Investors should continue to monitor the impact of redevelopment at Melville Primary School.

Ross & Galloway is unaware of any significant changes by the Melville or Fremantle City Councils to R Codes, planning guidelines or the the Town Planning Scheme that might impact on development plans by investors.

Landlords should be pleased there is growing tenancy demand for properties, particularly compared to a year ago.

The WA rental vacancy rate has fallen to 3%, below which there is upward pressure on rent levels.

The vacancy rate among rental properties managed by Ross & Galloway is currently less than 2% with most dwellings leased within ten days of being advertised.

The strongest tenancy demand is for properties asking between \$180pw and \$240pw and we are pleased to say there is an abundance of enquiries from quality tenants.

Market trends

A noticeable trend has been for local owners to redevelop their properties and seek nearby rental accommodation for up to 12 months while the work is carried out.

Landlords should be aware that tenants are demanding and are willing to pay for good security, safe parking and modern, quality fittings such as air-conditioning and dishwashers in advertised rental properties.

Ross & Galloway Real Estate

9330 5988

524 Canning Highway, Attadale, WA, 6156



rossgalloway.com.au