



Hegney Property Group

# Property

# News

December 2006

## Investment Fundamentals

### Where do people want to live?

We all need to live somewhere; to have that sense of belonging; of place; of security; of comfort. A place to come home to, to relax and entertain in, to raise a family, to sleep in and to add our personal touch as a reflection of our own personality. But what does this have to do with investing in property?

Most buyers, in fact 3 in 4 buyers, are buying homes to live in. 1 in 4 is buying to invest. The philosophy is simple. Successful investors need an understanding of what the trends of the homebuyer are and form strategies accordingly. Put simply, to be a successful investor you must be able to ask and to answer one question:

### Where will people want to live in the future?

Past trends have shaped our cities and suburbs. Today's trends will shape our society in years to come.

The key ingredient of all successful investing is buying into tomorrow's trends, not yesterday's. This is particularly important given that a property investment today is, as always, a long term proposition of 10 years to a lifetime.

Given that we have reached this understanding let's look at the trends that are evident in the market and likely to affect property demand in times to come.

In no particular order, yet all relevant are:

- An ageing population;
- Greater proportion of people in retirement;
- Rich getting richer;
- Improved communication;
- Global warming, rising sea levels, water shortages.

*(continued next page)*



**GAVIN HEGNEY**  
EXECUTIVE CHAIRMAN,  
HEGNEY PROPERTY GROUP



2006 has been a year to remember.

The performance of the rampant Perth property market has at times seemed to have no boundaries.

These highs have delivered phenomenal growth, unbridled optimism and most importantly for all property owners, wealth.

So on the back of such a watershed year, it's impossible in this newsletter to cover every point of interest.

We will however explore where people want to live. Understanding tomorrow's trends and the importance of the buying decision is quite simply the key to successful investing.

Perth personalities provide their thoughts on property. Whether you agree or disagree, their perspective is food for thought.

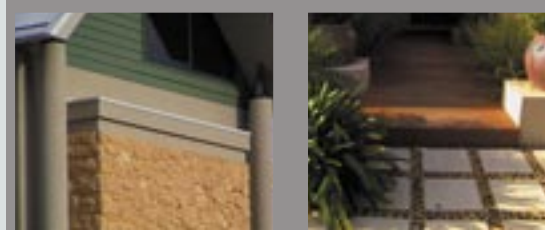
We travel back in time to 1959 with the official opening of the Narrows Bridge, now a significant traffic artery that keeps the city's heart pumping.

The momentum of Mandurah continues to take all before it. Will this continue? The Hegney Mandurah office provides the latest update on this bustling regional centre.

Finally, we invite you to register your interest to attend the 2007 Property Outlook Report breakfast. Highly anticipated, this event is a must for those who share a passion for property.

On behalf of all at Hegney's, we extend our best wishes to you and your families for the Christmas season and the year ahead.

*Gavin Hegney*



## Investment Fundamentals (continued)

Facts that will shape our society include:

- In 2004, 1 in 7 people in Australia were over 65 years old. By 2051, this figure becomes 1 in 4.
- It is also estimated that by 2020 there will be as many people retired in Australia as there are people working. This will be more demanding on lifestyle as people become more time rich and draw upon their financial resources.
- In Australia, the wealthiest 20% of the population account for 59% of the wealth. The poorest 20% account for 1.1% of the wealth.
- Households today download 5 times more information than they did 2 years ago.
- Sea levels are predicted to rise progressively – estimated at 0.45 metres to 1.5 metres over the next 100 years.

### So what does all of this mean to the investor of today?

The impact the motor car had on the way we live was dramatic. The technological advancements in communication will similarly change our lifestyle. The place of work will increasingly become the computer and this will be located within our homes, not necessarily just in an office. This trend has already become the norm for many people. Shopping, working and communicating will increasingly occur online, lessening our need to be near the traditional Central Business District.

Add to this the swelling retiree population and suddenly a new future property landscape appears.

Perhaps the new landscape desires beachside or hillside locations with hospitals and medical facilities taking the place of the need to be near schools in the 1980's. As our population ages, affordable downsizing becomes real as people aim to reap and enjoy the benefits of their working lives.

'This may be the last home that I buy, I really want to enjoy it' – becomes the new catchcry.

Maybe being near public transport becomes more important and a preferred suburb feature, with driving a car not always an option for an ageing but active population.

The mature population want to own their own home and don't necessarily want to rent. So where does this leave the investor?

Growth always comes from the land and locations where the mature population want to live becomes more sought after. It is predominantly the location that increases in value.

This is where property choice becomes really interesting.

If an investor can tap into a future trend and if there is the existence of a multiplier factor such as the building of infrastructure, for example a freeway, train line or a new hospital or shopping centre, then we get the best of both short and long term growth benefits.

Smart investors buy where people will want to live in future times. They understand trends, look for sign posts and make their moves accordingly!

## In 1959...



Elvis was on top of the charts, television was first introduced to Perth homes, the last trams had only just been retired and the then Governor Sir Charles Gairdner officially opened the Narrows Bridge. The bridge had one lane allocated for peak hour usage, with automated gates to alternate direction between north and south bound traffic. Today, the Narrows Bridge carries approximately 250,000 commuters daily.

## In 2006



# Mandurah's Momentum

The residential property market within Mandurah appears to have slowed in recent weeks. In general, the local real estate market is experiencing an increase in the number of listings and selling period, associated with a greater differential between listing price and sale price. The recent broader macroeconomic features of the national economy such as interest rate and inflation direction, increasing household debt, wages growth and the volatility of petrol prices are influential.

It appears the significant unsustainable growth rates experienced over the past 12 to 24 months have now moderated and are likely to return to more traditional rates of growth in the order of 10 to 15% per annum in the coming year.

For the Mandurah property market, the summer period is historically very busy. This upcoming summer will provide a litmus test for the market, coming off a unique extended upward growth cycle in real estate values. The sales data resulting from the coming summer period may provide an excellent indicator as to the direction and growth of the market expected in the coming year.

It appears the slowing of the market is more evident in the middle to bottom end with the high end product still achieving good clearance rates. Cashed up baby boomers least affected by broader economic factors are having a strong influence on the local market. As an indication of the performance of well located lifestyle properties, a unit within a strata titled townhouse development in Port Bouvard recorded a sale of \$800,000 in March 2006 with a similar townhouse being recently contracted for \$1.1 million (an increase of 37.5% in less than 12 months).

Strong demand continues for Commercial and Industrial land within Mandurah. Land values for serviced commercial land on Pinjarra Road have increased from \$350/sqm in May 2005 to \$600/sqm in July 2006 (an increase of 70% over just 14 months).

Industrial units which had reached \$1,200/sqm of building area in January 2006 have now recorded sales of \$1,500/sqm in November 2006.

As the population of the Mandurah area continues to grow (currently estimated at 70 people per week - economic profile City of Mandurah), the need for more retail, office and industrial space will continue to increase. The lack of supply of industrial space in Mandurah has begun to show in the prices being achieved within the nearby industrial areas of Port Kennedy and Pinjarra.

The West Australian resources boom, in association with population and infrastructure growth, will ensure Mandurah continues to present excellent property investment opportunities.



*Hegney Property Valuations Mandurah team  
Graeme Garnaut, Paul Timms, Scott Robinson & Ric Hadfield.*



# Perth, Personalities and Property....



## Dale Alcock

Managing Director – Dale Alcock Homes Pty Ltd

"At one level you could argue the boom in the property market over the last 2 – 3 years has been wonderful. If you own your own home or have invested in additional properties over this period, you have profited substantially. So has the Government.

We now face a period of uncertainty and challenge.

Potential first home owners must indeed be affluent to afford their dream of home ownership. What of stamp duty relief?

The Government must acknowledge its role in addressing the land crisis that has led to out of control price escalation. We need a motivated, energised and expedient approval process.

Perth should not have a land shortage nor have become one of the world's least affordable cities in which to own a home.

The question I ask is: Is home ownership sustainable in Western Australia?"



## Basil Zempilas

"I was having dinner at an Italian restaurant last week and the Italian waitress, with her Italian accent, was explaining her life story.

The waitress had moved to Perth from Rome three years ago to complete her degree in physiotherapy. She told me that she had always wanted to work in Australia and that's why she had left Rome.

I asked, 'Why Perth?' and she replied, 'Because-a three years ago Perth-a was-a so much-a cheaper than-a Melbourne or a-Sydney.....but now, mama-mia!!'

You can guess the hand gestures and the roll of the eyes that went with her 'mama-mia'.

That's Perth property – expensive in anyone's language!"



**Merry Christmas from Hegney Property Group**

- Advisory
- Depreciation
- Valuations
- Research



# 2007 Property Outlook Report

## Breakfast Launch

Thursday 8 Feb & Tuesday 13 Feb 2007  
7am – 9am

The University Club  
of Western Australia, Crawley

Book now to reserve your place  
Phone Camille or Margot on 9489 9489 or email  
camille.gribble@hegney.com.au



## Staff Appointments

**SCOTT ROBINSON** has recently joined partners Paul Timms and Graeme Garnaut at Hegney Property Valuations Mandurah.

Scott has lived and worked in Mandurah over the past two years and brings to the Group almost 13 years of property valuation experience.

He offers many years of experience in valuing commercial and industrial properties including large land subdivision, unit development projects and specialised properties.

Scott can be contacted on 9534 9755 or 0401 492 224  
email srobinson@hegneymandurah.com.au



**HAYDN JACKSON** has recently joined the consultancy team at Hegney Property Advisers.

Due to an increasing demand for its services, Hegney Property Advisers has expanded and is pleased to welcome Haydn and the expertise he offers.

Haydn has been an active investor in real estate for 24 years and understands that carefully selected property can substantially increase personal wealth and improve lifestyle options.

Haydn can be contacted on 9388 8989 or 0433 129 384  
email haydn.jackson@hegney.com.au



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