



On the Ground

Market Update



Gavin Hegney
Executive Chairman
Hegney Property Group

As you read this market update, chances are that you may have noticed more 'Under Offer' and 'Sold' stickers on 'For Sale' signs in your neighbourhood as in some market sectors there are more buyers partly due to sellers reducing prices to irresistible levels.

In late 2008, there was an increasing trend of mortgagee valuations undertaken by our business, however these have now slowed to a trickle as a result of the drastic reductions in interest rates.

Today, there is more activity around first home buyers and people who are willing to borrow money to buy or to invest. Both of these trends have emerged due to policy changes namely the First Home Buyers Grant and a 50% reduction in interest rates.

So where does this leave us today? When interest rates are dropped by 50% in approximately three months, this has the potential for significant impact. Interestingly, it took three years to drop interest rates by this amount in the 1990's recession.

It is activity levels that we are looking for now as a stabilising base to property prices. Once sales volumes increase, we are into the next upswing part of the cycle.

Yet today, sales volumes are down by around 30% to approximately 6,000 sales per month however are still at levels well below long term trends of approximately 8,500 sales per month.

As I have always said – 'whatever is not being measured is being guessed.' So as we look ahead to the market, we ask – 'what will win the economic tussle, rising unemployment, slowing economy or dropping interest rates and economic stimulus?'

To measure these, let's assess the financial impact of the main factors on the economy:

Hypothetically, if unemployment was to double, this would add approximately 33,000 people to the unemployment queues and cost the economy, excluding Government's cost, approximately \$1.2 billion.

Let's say along with this, retail sales drop 20% (and I'm not saying it will), which would also cost the economy approximately \$1.2 billion per annum. As one person's spending is another's income this is important and very relevant.

The total cost of these two factors to our local Perth economy is about \$2.4 billion. This is a significant amount of money and enough to be a real concern.

But what are the savings of the interest rate drops? With a local interest rate bill of about \$13 billion per annum, the interest rate falls equate to a saving of about \$6

billion which more than offsets the doubling of unemployment and a significant drop of 20% in retail sales. This is without assessing the borrowing capacity caused by such a drop in rates.

Whilst negative market sentiment cannot be underestimated, in theory, the net dollar cost of what is happening today has more positive potential and yet people are not necessarily feeling this way right now.

Today it is fear of unemployment, fear of what tomorrow holds for our household budgets and this fear is stimulated by what we hear, read or experience.

I suggest that in 2009, we will see some form of recovery to the residential property market and this recovery may simply be an increase in sales activity.

Many suburbs, by mid 2009, will be cheaper to buy than to rent and this will spur sales activity provided people are confident to borrow money (and importantly, that there is money to borrow).

Today's circumstance is very rare and I have not seen this phenomenon to such an extent in the 29 years of watching the market.

I hope you enjoy the newsletter and don't forget to click onto our website for the special 'one-off' HegneyTV stories exclusively available to our database. There is a very interesting story posted on our site at the moment which you won't see anywhere else.

Until next time – take time to stay positive.



Want to know where you should be investing in property?

Call to enquire about our Hegney Property Plan - we'll help you make the right property decisions.



Launch of HegneyTV

With the start of a new year, we are excited to announce the launch of a new initiative called "HegneyTV".

HegneyTV will allow our clients to readily access the very latest market comment on video presented by Hegney Property Group Chairman Gavin Hegney on our website www.hegney.com.au

This direct medium will allow you to access property stories as they emerge. As a member of our database, we will email you immediately and exclusively a link each time a new story is posted.

If you enjoy the information, please feel free to forward the link to your friends and colleagues. Those wishing to receive the link directly, simply need to visit our website at www.hegney.com.au and register their details to join Hegney's database.

Our first story on HegneyTV talks about "**The one boom in the real estate market that the credit crisis has created.**" We encourage you to view HegneyTV sharing our insight into Perth's property market and hope that it creates opportunity for you.

Hegney Staff Appointments

At Hegney Property Group, we have always adopted the ethos that "change creates opportunity" and with a new year upon us, we are very pleased to announce the following staff appointments that will provide us with the strategic direction to meet the challenges of today's changing market. We look to 2009 with excitement in our focus to move forward.

Firstly, we wish to take this opportunity to recognise and sincerely thank **Stewart Kestel** for his significant contribution over the last 9 years whilst working at Hegney's. Stewart's commitment and hard work during this time has allowed our company to evolve to where we are today and we appreciate his efforts. Having now left to pursue outside interests, we wish Stewart every success and happiness in his future endeavours.

We proudly announce that **Nathan King** and **Rod Davidson**, who have both been with Hegney Property Group since our inception, will now take up the following appointments:



Nathan King has been appointed as Managing Director of Hegney Property Group.

Nathan joined Hegney's in 1993 as a property valuer initialling undertaking residential valuations, yet also demonstrating a keen interest in the specialised area of commercial valuation. He was subsequently appointed to the position of Commercial Division Manager and responsible for leading this department to achieve strong growth and increased market share.

In recent years, Nathan was appointed as General Manager and directly responsible for client relations, IT development and the daily operations of all companies within the Group. Importantly, throughout his duration at Hegney's, Nathan has played an integral role in mentoring staff with their professional development.

Nathan's skill-set is ideally suited to lead the Group through today's critical times of industry change and offers his own flair and style that will create future company growth and direction.

Rod Davidson is warmly welcomed back to re-join the Hegney Property Group Perth office to lead the Special Projects and Regional Division and will provide added strength to the management team.



Rod's in-depth knowledge of current regional operations will be further utilised in expanding the Hegney Group's vision of statewide "on the ground" coverage.

An integral part of this strategy is to maintain Rod's active involvement within the Hegney South-West office. Complementary to his regional role, his focus will also extend to exploring new opportunities for the Group.

Initially, Rod joined Hegney Property Group in 1992 as a property valuer and director within Hegney's Perth valuations business.

In recognising an opportunity to extend the business into WA's South-West region, Rod relocated to reside in Margaret River in 2000 and establish Hegney Property Valuations South-West & Great Southern office. With a strong south-west property market, under Rod's directorship, this office rapidly grew to become one of the regions prominent valuation companies.

To offer our clients a more streamlined regional service, Hegney Property Group has commenced a valuation service within the rapidly developing Geraldton region.



Brad Mazza, licensed valuer with Hegney Property Group has been selected to specialise in undertaking valuations within the Geraldton region. Given Brad's diverse expertise in all facets of valuation, he is ideally suited to provide a complete valuation service encompassing residential, commercial and rural property. Hegney representation within Geraldton will now reduce valuation turnaround times, provide consistent reporting standards and ensure a more efficient service for clients.

We invite you to share your **On the Ground** property stories with us.
Please email your comments to ontheground@hegney.com.au



Hegney Property Group
Level 1, 292 Rokeby Road
Subiaco WA 6008
Phone (08) 9489 9489
property@hegney.com.au
www.hegney.com.au

