

Hegney Property Group

Property News

How to be a property guru at the Christmas party.....

This time of year, its only the property fanatics that are talking real estate, of which I'm one. The rest of us have enough on our plate just trying to fit Christmas into our busy lives. What to buy, who to give to and how much.

One thing that 2007 has shown us is that you can live in a good growth locality, yet if all your neighbours decided to sell their homes, prices would drop. We have seen some suburbs have an increasing number of properties for sale, with some up to 10% of their total stock on the market. With 1 in 10 houses for sale in a number of neighbourhoods, competition will tend to drive prices down.

At the same time, a number of suburbs are seeing less than 1 in 100 houses on the market and this, when combined with strong locational features and buyer demand, will result in increasing prices.

The difficulty is in drawing one line across all of the suburbs to give one number suggesting that one market is either going up or going down.

It is probably easier to buy a Christmas present for Aunty Ethel who we only see once a year and it takes longer than a year to wear out a good tea cosy!

In 2008, exact information is very necessary for us to confidently recognise "up" suburbs from "down" suburbs and let me assure you in 2008 there will be both. No longer can we cover over a scant knowledge of a select portion of the property market and call ourselves "property investor gurus". Perhaps you know one or are one yourself, yet the days have passed where everything goes up and where mistakes are covered over by a booming market.



Those who wish to continue to be property experts can probably do one thing at the local street Christmas party to help. "Ask your neighbours if they intend to sell their home in 2008."

If enough of them say yes, chances are you would be right in predicting that values in your suburb are about to fall. If your neighbours are all staying put, then chances are your suburb won't fall in value and you can safely make the prediction which should reinforce you as a property guru.

For a complete guide of what 2008 will bring in the property market, I encourage you to visit our website to order a copy of our "2008 Property Outlook Report" which will be released in February.



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December 2007

GAVIN HEGNEY
EXECUTIVE CHAIRMAN
HEGNEY PROPERTY GROUP



Welcome to our final newsletter for this year. In 2007, Perth's property market seemed to be the most talked about topic for many and certainly widely written about in the media. Even those who hadn't previously shared a passion for property found themselves avidly reading and listening to what the market was delivering and wanted to understand how it affected them. The most asked question soon became "where to from here?"

In this newsletter, we suggest (with tongue-in-cheek) a simple technique that could give you an insight into what may be happening in your neighbourhood and an easy way of determining what values will do in your area.

We also present an interesting look at exactly what age group demographic is borrowing all the money in Australia - the result may surprise you.

Finally, we invite you to visit our website to pre-order the '2008 Property Outlook Report' which once again provides an opportunity for us and our guest contributors to share our views on what lies ahead for Perth's market in what will be a very interesting 2008.

From all of us at Hegney's, we thank you for your ongoing support throughout the year and look forward to sharing 2008 with you.

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Who are the ones borrowing all the money in Australia ?

A recent analysis of our financial system by the Reserve Bank of Australia shows some startling facts and statistics.

One of the most startling is who, in our supposed debt led society, is borrowing all of the money?

If you believe what you hear, you would probably think it is the lower income person and first time home buyers in the property market, perhaps the 25 to 35 year old demographic.

The truth is that 75% of the debt in recent years has come from the top half of income earners. In fact, 80% of households in the top half of the income bracket have debt, as distinct from only 30% of these people are in the lowest 10% income bracket.

Who is the biggest age category borrowing money? Surprisingly, the 45 to 65 year olds.

The sector of the population who is approaching retirement is doing so by putting their cash, an average of 17% of their income, into superannuation and then borrowing to buy a bigger house or investment property. Interestingly, they take much more advice on where to put the 17% cash into superannuation compared to where they invest with their borrowings.

The Reserve Bank of Australia states that over the last ten years we have borrowed \$770 billion, of which 90% went into purchasing assets. Of this, \$420 billion went into buying houses to live in, \$240 billion went into purchasing a property to rent out and \$40 billion went into securing shares.

Furthermore, a recent bill has gone before Parliament that will see self-managed superannuation funds gaining the right to borrow subject to guidelines.

Quite simply, the debt rests with the property market, the cash rests with the share market and those most at risk are the higher borrowers, the 45 to 65 year olds who are approaching retirement. It certainly shows that whilst people retire, their money doesn't and they are prepared to borrow to create the lifestyle they desire.

Perhaps they are encouraged to borrow and invest more, buoyed by greater financial security, more superannuation and a need to cater for a longer life as our average life expectancy age increases.

Let's hope the markets all hold up, otherwise those of us approaching retirement may be most vulnerable as money is reversed to fund the retirement lifestyle.

Gavin Hegney
Executive Chairman
Hegney Property Group.



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Some interesting facts.....

In our state today, the economic fundamentals are stronger than when the West Australian property market was booming through mid 2006. Our employment rate has dropped by 20% from 4.2% in early 2006 to 3.5% today.

Our job vacancies now top 29,700 which leaves only 13 unemployed people for every 10 job vacancies. Today, if all the vacancies were filled this would equate to one years worth of job creation and this is before any new jobs are created in the next 12 months.

This in turn means that we must bring people in from interstate or overseas to fill the job vacancies which will put additional pressure on our housing market. To this extent, WA is unique within Australia. As a comparative, other states such as Victoria have around 40 unemployed people per 10 job vacancies, and Australia as a nation averages 30 unemployed people per 10 job vacancies.

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To pre-order your copy of the
**'2008 PROPERTY OUTLOOK
REPORT' NOW!**



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