

Is now a good time to buy property? In this edition, we discuss the ongoing property versus shares argument, and how it holds up in times of economic uncertainty. We also consider the latest season of The Block, and how the auction results compared to the cost of purchasing and renovating each property. ~ Mary Cassar

Property News

Property versus shares

By Greville Pabst, CEO
WBP Property Group

Due to the US credit rating drop, nervousness has taken hold of local investors, and investment security concerns have prompted the long-held bricks and mortar versus shares argument. Both have created significant wealth for astute investors, but there are differences that set them apart.

During a downturn, bricks and mortar are a haven for investors who've pulled their money out of shares. As a non-liquid, tangible asset, property offers relatively stable long-term growth, and in most Australian capitals is underpinned by strong demand. Shares, on the other hand, are impacted daily by movements in the dollar, employment, interest rates, commodity prices, GDP and geopolitical factors.

Melbourne property values increased by more than 49.8% in the five years to June 2011, boasting an average annual growth of 9.95% per annum. This represents a five-

year growth of more than \$230,000 for property valued at the current median house price.

During this same period, share prices saw a rise before plummeting as a result of the GFC. Due to recent events, cyclical recovery is expected to take longer than the average three years, and while there are positive implications for some property segments, projections for the next decade purport more conservative growth across Melbourne.

Property is one of Australia's best performing investment vehicles. However, a sound investment portfolio typically comprises a mix of assets including shares, property and commodities, and relies on expert advice from qualified professionals.



Did You Know ...?

A chip off the old Block

By Peter Sarmas (Grad Dip. Property)
Street News

Blockmania came to a close in August when all four renovated properties were put up for auction. Interestingly, only one property sold on the day - winners Polly and Wazza sold their property for \$855,000, \$15,000 over the reserve. Josh and Jenna's double-fronted house had a reserve of \$950,000 but passed in on a final bid of \$901,000. Katrina and Amie's house later sold for \$860,000, while Tania and Rod's property passed in at \$832,000. All have now subsequently sold.

Channel 9 reportedly shelled out \$3.6 million plus stamp duty on the four terraces, after they passed in at auction in November last year. This took the value of each house to \$950,000 before a single porcelain tile - or shag pile carpet - had even been put in place. The four couples also spent more than \$100,000 on renovations, in addition to

restumping, rewiring, plumbing and roofing costs in excess of \$300,000, which pushed the total cost of each property to around \$1.35 million.

So what are the lessons we can take away from this? The location of the property is critical. The size of the home and the availability of off-street parking can be very important. Be realistic, comparable properties in the area were selling for \$800,000 to \$900,000. And the timing of a sale is crucial. Pick a time when stock levels of your property type are in demand. August stock levels were low, so selling in September could be a shrewd move.



Agent Profile



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Regards,

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