

Its not all Doom and Gloom

FUTURE TREND HOUSING REPORT

(September 2008)

Despite in the United States the collapse of Lehman Bros, Merrill Lynch being sold in a 'fire sale' and the worlds biggest insurer American International Group being granted a \$US 20 Billion lifeline by the State of New York and President Bush offering the country a rescue package of \$US700 million of government funds it is not all Doom and Gloom for Western Australia.

Since the 'Housing Boom' abruptly ended approx 18 months ago we have experienced a change not only in the prices of homes for sale but also in the length of time it takes to sell a property.

Nevertheless figures published in The West Australian on 10th September 2008 show Perth home owners reluctant to drop prices despite an oversupply of homes for sale.

A prosperous Western Australia with a strong rental market has prompted sellers not to compromise and the eventual selling price in Perth is averaged at just 4.42% below the listed price. In Perth sellers are prepared to wait for a good price or they take the property off the market.

Figures show Brisbane sellers

averaged a discounted price of 7.8% and Melbourne and Adelaide averaged 7.0% discount in order to achieve a sale. Although Sydney figures were not available it is believed to be similar to Melbourne.

The number of "forced sales" in Perth is low, compared to other states, and this has possibly lessened the pressure to discount.

According to The Australian Bureau of Statistics, Western Australia is the only state to increase new home loans by 2.3% against the national trend of 0.2% reduction in loan approvals.

Across Australia mortgage approvals fell for the sixth month in a row to just 50,279 which are the lowest for nearly four years.

The housing industry has used these figures to push for an urgent reduction in interest rates but it is unlikely that the Reserve Bank will be influenced by a small drop in loan approvals. Their interest lies more with the effect of inflation, the unemployment figures and the sudden surge in the price of crude oil

Whilst the recent 0.25% reduction in interest rates is good news it will take at least another reduction (or possibly two) before the market regains some confidence.

Nevertheless the recent announcement of further financial

SPECIAL POINTS OF INTEREST:

- *Australia (especially Perth) is in the best possible financial position to weather world financial crisis.*
- *Australia's banking reliability was ranked number 3 in the world.*
- *Its time to snap up a bargain in the shops*
- *Rental properties are needed*
- *Sales listings are needed.*

problems in the USA and the volatility in the Australian stock market will put pressure on the federal Bank to reduce interest rates.

Shane Oliver, AMP Capital Chief Economist, suggests that the Reserve Bank will more than likely cut interest by 0.25% again before Christmas but warns that the Reserve will be watching very carefully what happens in the start of 2009.

Even if the market begins to recover it is unlikely that it will return to the mad spiral of a few years ago. Let's face it, continuous appreciation of 20% - 30% per year is not sustainable.

On the other hand if you bought a property three years ago (or prior) you would have experienced dramatic growth of possibly 30% - 50% (or even higher) and would not be too concerned about a fall of approx 5% against prices of 12 months ago.

As a company we are optimistic about the future and despite a slowing of the economy in global terms we believe that Australia is in a better position than most countries to weather the economic downturn.

It is interesting to note that earlier this year the ANZ Bank Senior Economist, Paul Braddick, gave a presentation to the 2008 Residential Outlook Summit on why he believed that the current economic and financial conditions in Australia is paving the way for a housing recovery.

Mr. Braddick advised that Australia faced a critical and potentially chronic shortage of housing and demand has accelerated with rising immigration. Meanwhile the previous years of continuing interest rate rises have effectively stymied any building recovery, but pent-up demand will be the trigger to recovery.

Joondalup City: It's Future.

The City is experiencing rapid growth and the council is under considerable pressure to have policies that will alleviate traffic problems and appease the business community as well as the residents.

Edith Cowan University had the foresight to transfer their main campus to Joondalup and is now the fastest growing university in Australia. ECU expect to educate more than 20,000 students on campus by 2020.

Where will they all live? ECU has accommodation for only 120 students and no plans to expand its accommodation facilities.

TAFE is expanding its educational facilities and will continue to educate more and more students.

Joondalup Health Campus is extending and is recognised as a major hospital and training facility requiring more accommodation for its lecturers and students.

The Police Academy continues to expand in training cadets from Australia and overseas and contributes heavily in financial terms to the community.

The next stage of Lakeside Shopping Centre will be opening soon, which will attract people from all over the northern area and expand the financial turnover of the city dramatically.

The rail line is extending further north and the Mitchell Freeway to Burns Beach Rd. is nearing completion.

The northern corridor is one of the fastest developing areas in Australia and just look around the Joondalup City area and practically every street has new buildings under construction.

These are exciting times !

IMMIGRATION

(Permanent and Temporary.)

Rockingham / Safety Bay held the title for some years as having the most ex-pats from the UK. But we believe that Joondalup and its surrounding suburbs can now claim this distinction.

This congregation of people actually helps the northern suburban economy with additional spending injected by the hundreds of relatives, friends and associates who visit each northern winter.

As a comparison to the current share market with all its volatility, we are happy to be the owners of real estate in the northern suburbs and we believe we will continue to prosper.

We are blessed to live in a country like Australia with its huge resources, stable economy and politics as opposed to many countries of the world where politics drives many families to leave their homeland to seek refuge in our country and in many cases bringing their wealth and expertise to the northern suburbs.

Most housing investments produce the best results over the longer term and with a market likely to commence edging higher early in the new year there are two options to consider :

1. If you are selling, probably wait until the market shows it is moving up.
2. If you are buying, probably it is best to buy now whilst you have the negotiating power of a weak market.