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Property Expo – the Experts View

Investors,

Many of you know that while I am not quite a seminar junkie, I do attend a fair few.

This enables me to continue my education, to learn from those who have done it or are in a position to speak on matters that affect my future wealth and my client's future wealth.

The recent 3 day property and investing expo in Jeff's Shed was interesting, a range of speakers and a range of views. Unfortunately I could only attend one day (my wife and boys prefer me home on weekends) but I was able to listen to about 10 speakers. I backed that up listening to a presentation by a speaker from BIS Shrapnel talk about their predictions for the next 3 to 5 years. I thought I would send a very brief summary of their talks.

Peter Koulizos (Vic Uni) talked about the 10 suburbs to invest in Melbourne, where the drivers of capital growth are close to water and close to the city. Frankston, Seaford, Carrum, Chelsea, Coburg, Flemington, Kensington, Collingwood, Braybrook and Crenmore.

Kern Gilespie (Strategic Finance Investor – mortgage brokers) made the points – have a network and team around you, be opportunity ready and have your finances in order. Get your first loan set up (essentially refinance your existing home to set up your core facility) before you buy your second property.

Margaret Lomax (Destiny Financial Services) where 10 years ago, positive cash flow properties was possible, now they are virtually impossible. Her view on interest rates is that they will rise next year due to inflation. Growth areas will hit a peak within 12 months then stabilise. Need to define areas where greatest chance of rental growth as housing affordability will drive rental demand (this was prior to the Gov't increases to FHOB subsidies). The areas to buy in are where councils have strong infrastructure development plans, consistent population growth, diverse industries and proximity to major services within the area.

Paul Giezekamp (Property Secrets – combined mortgage broker, insurance sales and buyers advocate/agent) listed a number of areas to avoid, including commercial, off-the-plan, vacant land, regional, inner city, strata title, house and land packages, etc. His best buys are in Sydney, Melbourne and Hobart. He has a view of buying outer suburbs, 40km from CBD, existing homes, torrens title and can be sub-divided.

Michael Yardney (Metropole – buyers advocate and developer) considers this a perfect storm. He has used statistics from 1965 and believes that property prices will not crash. Only 35% of owners have a mortgage. His view is interest rates will drop further, confidence slow to return, fewer housing starts, rents will increase, 1500 new migrants each week into Melbourne, mainly inner and middle ring suburbs. His strategies for the new era are – renovate to manufacture capital growth, revalue, refinance (for a buffer and opportunities), research and buy. He has the view to own the most properties that you can. The right time to buy is in Brisbane, Melbourne and Sydney where the right property is more important than a price or bargain of the wrong property. Buy above average properties, established, apartment or townhouse where can add value.

Frank Valentic (buyers advocate) reiterated what he presented in the joint seminar we held. Go to the areas where people want to go. At least 2 years old, apartments with some land content, with a unique selling proposition. Concentrate on capital growth properties in your accumulation phase then more cash flow properties in your retirement phase.

Monique Wakelin (buyers advocate) views property as the most accessible way to build wealth. There are good buying opportunities now if cashed up and can offer unconditional. She covered how to buy property, at auction and private. Her view is that there will be a flight to safety and prices will increase. She talked about areas, similar to Margaret Lomax. The inner north appeals, Nth Melb, Moonee Ponds, Ascot Vale, Brunswick, Thornbury and Coburg. Young professional are favouring these areas. Also Geelong as an entry point.

Reno Kings (renovators) a song and dance show. Their view is that property is about lifestyle choice and time. The one message on renovations is that the maximum should be 5 to 10% of the purchase price with minimum expense on the renovation.

John Edwards (Residex CEO – property statistics & reports) we face difficult times. He uses statistics to view past events to put into perspective. The one benefit of the housing market is that it is illiquid and cannot be sold on mass, gives time and stability. There is an affordability crisis and a funding crisis so we may get negative returns. He suggests we move away from capital growth and concentrate on rental yield growth. Rentals will grow higher than capital growth. Credit shortage issue will be a constraint on property prices. Capital growth (average) will still be 5%pa and rents 10% pa. Need to buy property at bargain prices in the right areas.

Helen Collier-Kogtevs (Real Wealth Australia – educators) talked about her book on mistakes people make buying property.

The PMI/BIS Shrapnel overview of the markets and their predictions was also interesting. After a summary on the causes of the US sub-prime and the after effect, their view is that the Australian market will not be affected as much as overseas markets. They do not expect high property defaults as there are reasonable job prospects so people will keep their homes and there will not be a high number of forced sales which in turn will mean there is no downward pressure on house prices. Interest rates may come down a little but inflation is an issue. Affordability will limit growth but it was higher in 1988-1990 than it is now.

The property demand driver will be net migration and combined with dwelling stocks low, will mean some reasonable growth over the next few years. Vic prices – 2009 = 2%, 2010 = 5% and 2011-13 = 8%pa. Median weekly rent expected to rise by 23% over the next 3 years.

This is a longer e-mail than normal and I apologise for that. I wanted to give you each a flavour of the market from people who deal with it daily, rather than financial commentators who concentrate on the share markets and know very little how real property and confuse listed property trusts with real property.

A key point in all of this, get your finances in order now while funds are still available. That means revaluing and refinancing your existing properties to maximise available funds, both as a safety net and available for a deposit for the next property when you come across that bargain.

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If you have any questions about any of these topics, give me a call.

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