



ScopeCo Financial Solutions & Management Newsletter

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Martyn Barnes
Director

Suite 1, 419 Bay Street
Brighton VIC 3186

Tel: +61(0)3 9596 0600
Fax: +61(0)3 9596 0688
Mob: 0414 357 142

E-mail: [Click Here](#)
Website: [Click Here](#)

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Housing Affordability Remains High



The latest industry report confirms that housing affordability remains high.

This is good news for buyers, and reflects low interest rates and more realistic house prices in many areas.

The latest REIA Deposit Power Housing Affordability Report revealed that housing affordability remains close to a six-year high. The report also shows that the number of first home buyer housing finance commitments increased 94.3% in 12 months.

Commenting on the report, the REIA President, David Airey, said:

"First home buyer participation reached its highest level during the June quarter, increasing to 27.9% of all housing finance commitments, compared with 26.8% in the previous quarter. This compares favourably with the quarterly average of 20.1% over the 26 year period since September 1991."

"Figures also show that the total number of loan commitments issued nationally for the quarter increased by a dramatic 20.0% from the previous quarter to 143,292 loans. This represents an increase of 30.8% compared to the June quarter 2008 when there were 109,584 loans issued nationally."

Keith Levy, National Manager of Deposit Power, added

"All of this activity may suggest that the next cycle in the Australian housing market is about to begin, and now would be an excellent time to buy if you are looking to capitalise on the lower interest rates and housing affordability that is better than it was twelve months ago."

It's early days yet, but the good news is that we are certainly starting to see some 'green shoots' of recovery and confidence returning to the housing market."

Affordability remaining healthy

Over the June quarter, the **Australian Capital Territory** remained the most affordable state or territory in which to own a home, with the proportion of income required to meet loan repayments recorded at 17.3%; a figure well below the national average.

New South Wales remained the least affordable state or territory in which to own a home, with the proportion of income required to meet loan repayments at 31.1%.

The complete state breakdown is shown in the table below:

Area	Jun qtr 2009	Mar qtr 2009	Jun qtr 2008
NSW	31.1%	30.3%	42.6%
VIC	27.3%	27.7%	38.3%
QLD	29.8%	30.1%	40.8%
SA	28.0%	28.5%	38.4%
WA	25.9%	25.9%	34.8%
TAS	27.2%	27.8%	36.7%
NT	22.2%	21.7%	25.2%
ACT	17.3%	16.8%	23.2%
ALL	28.9%	28.8%	39.5%

Compared to the same quarter of the last year, all states and territories reported an increase in housing affordability with the largest improvement evident in **New South Wales** where the proportion of income required to meet loan repayments decreased by 11.5 percentage points.

The lowest improvement was in the **Northern Territory**, where the proportion of income required to meet loan repayments improved by a moderate 3.0 percentage points.

At the national level, the proportion of income required to meet home loan repayments decreased to 28.9%, down from 39.5% in the same quarter of the previous year.

Number of loans increasing

As a consequence of the low levels of mortgage interest rates and the FHOG Boost there was a considerable increase in the total number of loans (excluding refinancing) over the June quarter.

In the March quarter 2009 there were 119,358 loans recorded, however, by the end of the June quarter 2009 this had increased by 20%, taking the number of loans to 143,292.

Over the year, the total number of loans increased by 31%. Over the June quarter, the number of first home buyers increased by 19.4%, reaching 54,924; the highest since the September quarter 1991. This is an increase of 94.3% over the year.

First home buyers

The state or territory with the largest number of first home buyers continues to be **New South Wales** at 18,244. The **Northern Territory** reported the lowest number of first home buyers at 337.

The complete state breakdown is as follows:

Area	Jun qtr 2009	Mar qtr 2009	Jun qtr 2008
NSW	18,244	15,073	8,854
VIC	13,136	10,387	7,637
QLD	10,881	9,834	4,994
SA	3,711	3,144	2,025
WA	6,873	5,517	3,776
TAS	898	1,039	457
NT	337	331	216
ACT	844	685	303
ALL	54,924	46,010	28,262

Victoria was the state or territory with the largest increase in the number of first home buyers, increasing from 10,387 in March quarter 2009 to 13,136 in June quarter 2009, an increase of 26.5%.

Selling a Property at Auction

Selling a property via auction is becoming increasingly popular in Australia.



So what are the benefits, and how do you ensure that you get the best auctioneer working for you?

There are six main benefits to selling your property via an auction:

1. **Premium Price.** Auctions create a competitive bidding environment and have the ability to establish an emotional connection between the property and the purchaser in a short period of time which in turn will escalate the house value, and therefore achieve a premium result.
2. **No Price Capping.** Advertising with a price potentially eliminates buyers that may have otherwise stretched themselves under a competitive environment to buy their dream home. Auctioning your property takes price out of the equation.
3. **Creates Urgency.** Having a set date creates the urgency for a prospective purchaser to be organised for auction day. If a buyer inspects the property seven days prior to auction day then they have seven days to be ready to perform and make a bid.
4. **High Impact Advertising.** This gives you the opportunity to attract maximum amount of purchasers in a minimum amount of time. It also gives buyers more of a chance to see the advertisement, recognise it, and develop an immediate emotional connection between the property and themselves as a buyer. You never get a second chance to make a first impression.
5. **Structured Selling Plan.** Having a set date creates a structured selling plan in which to achieve a sale either prior to auction, at auction or post auction. It gives the vendor and agent clarity on their roles in the selling process.
6. **Immediate Exchange / Unconditional Contract.** An auction gives you an immediate unconditional contract with no cooling off period. Once the hammer falls a buyer is bound to the contract and an immediate exchange then takes place.

Choosing an auctioneer

Although you may have already selected the real estate agent that you want to sell your home, you can also have a say in which auctioneer they use.

Although most agents will have a preferred auctioneer, as the customer you need to be content that this person is right for you.

So how do you choose an auctioneer?

- Firstly, it's essential to ensure they are competent and qualified. Try to select an agent with multiple successful auctions under their belt and don't be afraid to ask them exactly what their track record is like. First timers may be enthusiastic and positive but may not have the skills and experience to get you the best price possible.

By visiting the website of your local real estate institute, which can be found by visiting www.reia.com.au, you can get a list of auctioneers who are Institute members. This means they operate to certain standards and are suitably qualified.

- Talk to the auctioneers. Ask them for a breakdown of how they would promote your house and their personal preferences regarding the auction process. Ask them for evidence of their track record.
- Attend an auction being run by your preferred auctioneer to see how they perform "live". You want an auctioneer that is professional, engenders excitement and urgency, and works hard to ensure the very best price is achieved.

Summary

Auctions can be a great way to sell your property. Provided you do your homework and choose the right agent and auctioneer, it can make the selling process much shorter whilst still achieving a good price.

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