

JAMES BUYER ADVOCATES

BUYER ADVOCACY : AUCTION & BIDDING ADVICE : PROPERTY SEARCHING : NEGOTIATIONS : PROPERTY INVESTMENT PLANNING

James Buyer Advocates are Buyer Agents, the opposite of real estate agents, in that **we work exclusively for buyers of property**. We provide **professional, independent and unbiased advice on purchasing property**. As Licensed Property Advisors and full members of the REIV, we provide a **fee based service** and receive **no commissions** from any agents whatsoever.

December 2003 PROPERTY BUYERS NEWSLETTER

Welcome to our December and final property buyers newsletter for the year 2003. Please note we have removed logos and other non textural components from the newsletter to ensure its safe arrival to your computer.

Topics Covered

What is the market really doing
The stats that count long term
Henry Kaye – some good and some bad
Agents in the news
Chris Caton – can say whatever he likes
Are we really a wealthier nation
Thank you for a great year
Our advice and predictions for 2004 and beyond

What the market is really doing – let us keep some balance

The Australian property market is fracturing – not falling apart just fracturing. That is splitting up and performing differently in various states, in various parts of the state eg regional versus inner city, within different sub asset classes like apartments versus houses. It is performing differently within groupings eg commercial offices versus commercial retail. It is also performing differently within certain time frames eg spring versus winter and so on. So what has changed – nothing has changed and everything has changed. Specific properties have not changed in that they are still a great investment as are specific businesses and specific shares or specific funds. What has changed is the way we analyse properties. Also there has been a surge in the amount of conversation every single aspect of property gets as it invades our coffee talk and Xmas parties. Traditionally property has had very little statistical coverage because of the “secretive nature of agent reporting” and the delay and access in government stats. That has changed. We now have all manor of reporting, copious press coverage and numerous “experts”. However how accurate is all this - with property stats unlike the ASX there is no compulsion on immediate reporting of sales. Eg the clearance rates that some commentators take as gospel are flawed in that it is voluntary and non factual reporting. If an agent is having a bad day (and some are) then they tend to “forget” all the pass ins as opposed to when the market is booming most pass ins are reported because Monday results page may bring a buyer. Agents want to keep their stats up. Also in softening markets the good agents start using the private sale method in greater numbers. Private sales are not reported in the papers. Median prices from the Real Estate Institutes – better than nothing but there is no compulsion to contribute your sales data, its up to the individual agent to “remember the sales” and many agents these days are not even members of the institutes. Our point, at best the facts/figures and the analysis per se has room for error. So please don't make your decisions on one “paper stat” it could be widely off beam. Having said that we

acknowledge that in our opinion the market has shifted in certain segments. Inner City – what the press say is true is going south – but knowledgeable commentators have been saying that for 3 years. The poorer quality properties are struggling and in fact not selling. Overpriced properties are now not being sold by “waiting a while”. However 4 bedroom, well appointed, well positioned and well priced family homes are still attracting very strong interest. Mainly because 2 year olds don’t read the negative paper stuff - they just want their own bedroom and so does mum and dad.

In Queensland all anecdotal reports are that the market is very strong across the board and in Melbourne it is fair to say that the combination of dummy bidding law changes and large increases in stock with no matching increase in buyers has seen a “less enthusiastic” response at auctions.

This happened last year and the year before as well so it will be end of March before trends can be established with some certainty - but we acknowledge that there is a sense of caution on any purchase that has a discretionary aspect.

The stats that count long term – lets keep some balance

The Bureau of Stats recently released its population change figures. www.abs.gov.au

Population figures are ones that we at James Private Property take very seriously and in a lot of ways they form one of the cornerstones in our long term property recommendations.

Property is demand and supply and long term increasing demand comes from population increases (migration, births/deaths) and economic improvements (wages, money flow etc).

Its bloody boring and doesn’t get the sexy headlines but these are the figures that count. Victoria has had a drop in state to state migration but has had Australia’s and the world average in population increase. Qld’s figures were very good and perhaps helps explain the leveling of our states and the “continuing boom” in Qld.

It’s a little deeper than this but feel free to talk to us in the new year about population trends.

Henry Kaye – balancing the good and the bad

In 2000 I went to a Henry Kaye Seminar – I thought it was fantastic. Obviously so did a lot of others. The truth is – it was fantastic. The overall message was to get off your back side and start investing for the future by buying properties was a very good message. We 100% agree with that.

However we also wrote several newsletters and an article appeared in Personal Investor sourced from our newsletter last year warning of National Investment Institute practices.

The message was OK. It was the delivery that let you down.

1. Primarily he had a conflict of interest between taking your money to teach you how to buy and taking your money when he sold you something. His advice was tainted as he received from both the buying and selling side.
2. The risks were never fully explained. Mezzanine finance, multiple property buying, wraps, flipping, gearing on gearing are all high risk strategies that in rising markets when used by skilled professionals can be successful. In flat and falling markets (as the inner city

apartment market has been for several years) or carried out by the unknowledgeable they can be disastrous.

3. The properties recommended for purchase through his “buying advisory service” were overpriced and overvalued and not of high quality. They did not match the rhetoric.
4. Off the plan purchases have had a number of basic flaws from a purchaser’s point of view for some time and not just the one Henry Kaye was involved in.

In this case shoot the charismatic messenger but perhaps not the original message of “You will need to invest wisely for your future and well positioned, well priced properties are a very good way to build wealth.”

Agents in the News – good and bad

James Tostevin, Gary Peer, Hocking Stuart and JP Dixon have all been in the news lately. We have transacted with all of them on a number of occasions and in most cases we recognize the agents have been representing the seller, we will even go further and say they are better than average selling agents. However if you are a buyer the tendency is to bag them. We see little point in doing that. Our primary role is to develop strategies to handle these practices and to actually go on the front foot for our buyers and secure the property at the right price. You will not see us buying poorly and then whinging about it later on (how does that help the client). We do not let it happen in the first place. In the meantime Neil Jenman “consumer advocate” (who is actually a selling agent with a love for private sale not auctions) can get the press. This sounds a little bitchy and **yes these practices should be stamped out** – but it’s the same with the above Henry Kaye article - in property there are few second chances – you need to get it right first time and every time, after the event is too late.

Also we are not against win-win deals with selling agents.

Below is a letter we received from a selling agent we hired on behalf of our client. It was a personal note so we have removed all references from a privacy point of view.

1st December 2003
Mal James
36A Wilson Street
Brighton Vic 3186

Dear Mal,

I am writing a short note to express my thanks in regards to your involvement in the sale of ???????. I must say I have never been placed in a position of dealing with a third party in an advocate role. At first I was somewhat concerned as to the influence and implication it may have with Vendor/Agent relations.

However I can safely say now that your input and participation has been one of valid professional opinion and always in the best interest of vendor and the best possible result.

With the subsequent sale, I hope we can all look back and feel a sense of a job well done.

Mal, I will have no hesitation if the need arises in referring your services to any contact I may have that you may be able to assist.

Merry Christmas and a prosperous New Year!

P.S. I do hope to catch up for a beer in the near future.

Yours faithfully

Chris Caton can say whatever he likes but is it balanced

Heard the latest BT ad featuring Chris Caton – he predicts property might drop by 20% in the next year(s). Thank you Chris for your thoughtful and unbiased analysis. What is your basis, your history and is this every property? It's a pity with all the new Financial Services Legislation that estate agents making the same comment about shares could be regarded as giving advice outside their scope of expertise. I must have missed your advice about shares dropping over the last few years.

Are we really a wealthier nation – perhaps the scales need realigning?

Not claiming to be Mother Teresa but with young people really struggling to buy/rent and homelessness on the increase we ask has Australia really become a wealthier nation in all aspects. JPP has entered into discussions with Hanover Welfare Centre with the view to setting up an advisory service for those sections of the community that have been left behind over the last few years. More on that in 2004 – its very exciting.

Thank you for your support this year?

It has been a great year for us and we have enjoyed it immensely. A couple of notes from people we have completed jobs for in the last month. Although it seems the market has slowed we have in fact completed 14 transactions since November 1.

Dear Mal

Please find enclosed payment on Epping Road (selling of) & payment on finding & purchasing a new home. I hope you have enjoyed your trips to Epping & Wallan, you know that place where the sun always shines the wind blows and if you landed on a mystery flight and went shopping you wouldn't be sure what country you were in.

Thanks a lot for all your help it has been invaluable to us

Regards

Judy & Brian Anderson

Dear Ian & Mal

Thank you so much for all your help in securing our new home.

We are just delighted with the house and your very attentive and professional service. Being expats, we were completely unaware of the intricacies of purchasing a home in Australia and you just took control of everything for us and made both Chris and I feel very comfortable with the process. I'm very certain that the house may have gotten away from us at auction, so your expertise in pre-empting the auction and negotiating an extremely fair price was superb! I think the best part of the whole experience (besides all the money you saved us) was that you took the stress out of buying. We've purchased several homes in the United States and I know how stressful it can get. I highly recommend your service to anyone considering buying a home, who feels they need either a bit of guidance, or want to circumvent all of the headaches associated with home buying, and maybe even save a bit of cash as we did. I'd particularly recommend your service to expats since the process of buying a home here is quite different from most other countries I thoroughly enjoyed working with you both and will most definitely avail ourselves of your services the next time we buy.

Sincerely,

Jan Martz

37 Chelsea Street Brighton, VIC 3186

Our advice and predictions for 2004 and beyond – hopefully balanced

Next year the market will present some good opportunities and some poor ones and property if bought well will be a good long term investment and if bought poorly will not. There are many different classes, styles and types of properties and at JPP we don't make any rash generalizations about property as a whole. Each property is taken on its merits in relation to your needs and goals. Good strategies will have to be worked through when selling as it may not be how much but if.

Xmas Break

Our office will be closed from Friday the 19th December to Monday the 12th of January. Clients have our mobile numbers and we will do periodic checking of emails during this time.

mal@jpp.com.au and ian@jpp.com.au Have a good Xmas and a great New Year.

Thanks for reading

Kind Regards

Mal and the team

Contact Us

If we can help you with any buying advocacy matter, or one of your clients/friends is in need of independent, qualified and experience based residential property advice, then please call us on 03 95910199 or email mal@jpp.com.au ian@jpp.com.au Our website is www.jpp.com.au

No thanks

It is planned to regularly release and send our clients property updates. If you do not wish to receive these, please reply email with **unsubscribe** in the subject field and we will remove you from list.