

The White Paper

News and views from a real estate agent
November 2013



What happened to the markets in October?

For the first time in ages, the word "bubble" is now appearing in property commentary. Is this a bubble we're going through?

First, how good it is to be back in an environment where property has reemerged as being positive. Staying outside the property game market is injurious to your financial health! It's seven years since the last time we could say that.

But the question is being asked, can it continue?

We're seeing record auction clearance rates. Property prices are increasing in most markets, particularly the big cities. The highest percentage of property is now being taken to auction. Confidence to upgrade one's home is being backed by enthusiasm of a cycle a-go.

Will it continue? One thing we've all learned is that cycles are an inherent component of property ownership.

Sooner or later, the cycle will lose intensity not least through government action making it more difficult - possibly - for intending purchasers. Nothing better exemplifies this government action than China: restrict the number of properties that can be owned.

At Ray White, we didn't get to \$3billion in October as we'd hoped but we just missed. Sydney, as it always seems to do early in a recovery, has led the way. The appeal of Sydney for Asian purchasers is supporting this.

Melbourne and Queensland were also strong. Also New Zealand continues to be particularly strong. It's not far off two years since New Zealand began its recovery. Is this a guide for the forthcoming Australian property cycle?

On a bearish note, prices are dropping in resource areas. A reminder of how closely linked property prices are to economic activity.

Project sales continue at remarkable levels - what would this market look like if it no longer had Asian interest?

Loan Market set a new submissions record with \$871million in loans lodged in Australia alone; further proof that the market is moving in our direction. In addition, Loan Market is now consistently settling over \$1billion each month in Australia and New Zealand combined.

The commercial market remains very firm with confidence from investors that the yield difference between cost of funds and actual return is the strongest for many years. On top of that, is the return of confidence that one can "bank on" increasing values to make their investments even more attractive.

What's new at Ray White

Owners of real estate agencies have a lot in common with property investors. The prospect of owning a real estate business increases rapidly with optimism. Applications for new agency businesses are the strongest now for some time with at least ten new Ray White offices due to open in Sydney before the end of 2013.

Other markets also have enhanced activity.

The marketing of the iconic Bishopscourt in Sydney attracted a lot of interest at the close of the campaign. At the time of writing no announcement can be made but the anticipation that the property would attract serious interest has been confirmed. More news next edition.

Of particular interest was the sale of Buddah Station in Narromine, one of our properties marketed at the recent Beijing International Property Exhibition. It was sold at auction to an undisclosed purchaser for over \$19million. With over 17,000 megalitres of irrigation entitlement on offer, the cotton farm is in the heart of the Central Western Plains of NSW and covers over 5,300 hectares.

Also of interest has been the sale of a waterfront bungalow located on the Whitsunday Islands marketed for auction with no reserve price. Marketing agent Steve Marks of Ray White Whitsundays says this is a rare and unusual method of sale but gives buyers a chance to snap up a deal. "Our vendors asked us how we could guarantee a sale and our answer was to have no reserve," he said. The campaign has attracted mass publicity including nationwide television. The bungalow is located on Long

Island which lies mid-way between the Australian mainland and Hamilton Island in Queensland's Whitsunday Island Group. "This is an opportunity to purchase a piece of island (at any price) and have a return on investment with holiday rentals," said Steve. The auction is scheduled for late November.



The Wealth Conference chaired by Ben White commences this Sunday 10 November on the Gold Coast. The largest specialty property management conference in Australia/New Zealand has attracted over 700 delegates. The conference will bring to fruition the work on some major projects to improve efficiency and the way agents conduct their management activities leading to a dramatically improved experience for investor-owners.

We are delighted that a large number of our members have been included in the A List event in Queensland - for non self-nominated agents (!). Over 80 agents were named on the A List and come from all parts of the state.

Service in our industry has always been paramount to success, and we are taking it to a new level with our customer satisfaction programme that was launched earlier in the year. Our network of offices has embraced the program - and their commitment to high quality service has been reflected in a current metric that provides us with a result comparable to companies such as Apple (famous for building success on a customer centric philosophy).

Brian White
Joint Chairman
Ray White Group