

# real estate wrap

Your guide to what's happening in the Dubbo market

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## **REIA's Deposit Power Housing Affordability Report released:**

### **Number of first home buyer housing finance commitments increases 94.3% in 12 months**

Housing affordability has seen a very small drop over the June quarter, despite the Reserve Bank's further reduction in the official interest rate of 0.25 percentage points.

"To understand why housing affordability decreased over the quarter, we need to look at the contributing factor, median house prices. Median house prices increased nationally over the June quarter, which affected the average loan size, which in turn affected the amount of home loan repayments, offsetting the impact of the lower interest rates levels," said Real Estate Institute of Australia (REIA) President, Mr David Airey.

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 state or territory that showed the greatest improvement in housing affordability was Tasmania, with the proportion of income required to meet loan repayments decreasing 0.6 percentage points.

As a consequence of the low levels of mortgage interest rates and the First Home Owners Grant Boost (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 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.

"The State and Federal government incentives for first home buyers appear to have worked in stimulating activity in the low to mid-end of the market. At Deposit Power, applications for Deposit Guarantees remain strong in the first home buyer segment of the market," said National Manager for Deposit Power, Mr Keith Levy.

*Real Estate Institute of Australia - September 2009*



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## **Did You Know...**

The board game Scrabble was originally called "Cris Cross Words" by inventor Alfred Butts.



Chocolate maker Cadbury uses more than sixty thousand tonnes of cocoa each year, in the United Kingdom alone.



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**DUBBO PROPERTY PRICE GUIDE**

Quarterly growth	12-month growth	Avg annual growth	Median price	Weekly median advertised rent
- 1.08%	- 2.13%	7.33%	\$230,000	\$235
Gross rental yield	Days on market	Number sold	3-year growth	5-year growth
5.31%	62	526	6.98%	29.94%

**How it's calculated.....**

**Quarterly growth:** Median price percentage change on an annualised basis between the 12 months to May 2009 and the 12 months to February 2008

**12-month growth:** Median price percentage change between the 12 months to May 2009 and the 12 months to May 2008

**Average annual growth:** Average percentage change over the past 10 years expressed as a per annum figure

**Median price:** Median price for the 12 months to May 2009

**Weekly median advertised rent:** Median price of rental listings for the 12 months to May 2009

**Gross rental yield:** Estimated rental return, based on an advertised rent and median price

**Time on market:** Median number of days between the initial listing date and sale date

**5-year growth:** Median price percentage change over the past five years to May 2009

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**AVOIDING PURCHASERS WITH COMMITMENT PHOBIA**

One of the greatest causes of vendor stress in sale by private treaty is an offer falling through before contracts are exchanged.

There are many reasons why potential purchasers fail to commit, but experienced agents are more skilled at detecting and eliminating high-risk offers. While agents are bound by law to submit all offers presented, experienced agents minimise vendor disappointment and loss of marketing time by advising clients not to accept offers they know are unlikely to proceed.

Sometimes offers are made by intending buyers who have not yet placed their property on the market for sale and who need the finance from the sale of that property before they can complete their next real estate purchase. Buyers in this category are most often (not always of course!) just beginning to assess the market. They have found a house they really like almost at once and before they are ready to act. Often they have not done enough homework to know market values and their offers are not based on a genuine understanding of the current market. Some continue to look around while waiting for their own home to sell, even though they have agreed in principle to buy another property. Such purchasers are not deliberately trying to deceive or inconvenience property sellers when they pull out of a sale - they were simply too inexperienced and eager when they made their offer. Some purchasers offer to get bridging finance so they can proceed immediately; however, vendors should realise that in most (not all of course!) cases, the cost of bridging finance and the "what if" factor of not knowing what their own home will ultimately sell for, end up working against the sale.

Since professional real estate agents will advise against taking a property off the market upon the receipt of offers from unqualified purchasers, no loss of time or money is incurred. The harm done by uninformed purchasers who retract high offers is more insidious. Often the offers made by purchasers who have not really researched the market are higher than the property's ultimate market value; in other words, the price is above what the vendor can realistically expect to achieve. Unfortunately, the effect on the vendor's expectation is lasting. Most vendors continue to measure all subsequent offers against the high one, even though it fell through.

In the anxiety of undertaking what for 97% of people is their biggest ever financial transaction, it is easy for vendors to forget that no mere offer in itself actually represents market value, let alone a firm sale price - until a qualified purchaser backs it up with cash. If vendors could dismiss unrealistically high offers with the same incredulousness that they dismiss unrealistically low offers, they would sell faster and for a higher price in the long run.

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