

Hegney Property News



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Property Investors Head for the Hills

A strong social trend has emerged from the most recent REIWA statistics.

Investors seeking lifestyle opportunities are sitting up and taking notice of outer-lying suburbs which deliver good size properties, provide a sense of escape, are easily commutable to the CBD, with affordability that completes a very attractive package.

With coastal developments dominating the property industry in recent years, these latest REIWA figures show that the magnetism of a village type atmosphere, an hour from the city, can also offer an attractive alternative.



	House Sales Year to June 2005	Median House Price Year to June 2005	Average % change 1 year	Average % change 5 years
Jarrahdale	19	\$245,000	82.80%	21.90%
Sawyers Valley	9	\$350,000	65.10%	18.70%
Chidlow	38	\$284,500	58.10%	17.90%
Cardup	9	\$383,000	53.20%	-
Banjup	11	\$630,000	50.50%	-
Mundijong	29	\$255,000	46.60%	16.00%
Mt Nasura	82	\$274,800	44.60%	13.20%
Serpentine	24	\$312,500	42.20%	17.50%
Helena Valley	65	\$354,000	36.20%	13.40%
Mt Helena	67	\$271,000	29.70%	13.30%

(Source: REIWA June 2005 Quarter)

Property Buyers Bureau Director, Stewart Kestel, has also noted an increasing demand from investors seeking properties within these areas.

Mr Kestel states that the impact of the Midland Redevelopment Authority and the maturing of the Midland town centre has contributed to an improved public profile of these regions.

He also acknowledges that the Swan Valley, for many years a 'sleeping giant', has finally awoken and now not only attracts substantial tourism interest but also the interest of the astute property investor.

Add to this the continuing emergence of Ellenbrook as a quality suburb and with major developers now seeing the true potential of these outer-lying suburbs, the outlook provides great optimism.

Areas like Jarrahdale, Chidlow, Mundijong and Mount Nasura have seen a massive increase in the median house price over the last 12 month period and with many property investors searching for affordable alternatives to coastal strip developments, this emerging outer suburb growth is a trend worth consideration.

Gavin Hegney
Executive Chairman
Hegney Property Group



As we enter the new financial year it is timely that we review our property portfolio and investment strategies.

One of the key issues we should consider is long term property trends and their impact on property values.

People are urged to look at long term growth rather than the short term situational growth when investing.

Over the last 10 years there has been a push towards beach and lifestyle and we have seen growth in suburbs such as Trigg, City Beach, Hillarys and Cottesloe which have all outperformed the average.

Recent REIWA figures also point to an emerging growth trend in outer lying suburbs such as Jarrahdale, Chidlow and Helena Valley.

The thirst for lifestyle product is stimulating growth in these areas.

Other top performers include areas such as Rivervale and Carlisle yet they have been somewhat stimulated by the Northbridge Tunnel and Graham Farmer Freeway. The question is 'will these suburbs continue to perform in the long term?'

Investors need to buy looking forward in time, not backward. For example, determining what is happening and likely to happen in the years ahead are questions that need to be answered for successful property investment.

This follows our property investment philosophy: 'buy the right property in the right location and let time do the work'.

For example, in this newsletter we look at the price growth rates of Rockingham and Armadale and the results are very surprising.

We also examine the debate on the purchase of single residential sites against development sites.

We highlight developments within the Hegney Property Group and the continued success of our growing range of services including the Property Buyers Bureau and our tax depreciation company CAST.

I hope you find this first newsletter of the 2005/06 financial year rewarding reading.

GAVIN HEGNEY
EXECUTIVE CHAIRMAN



Property Buyers Bureau Hits \$68m in Acquisitions



Stewart Kestel

From its inception, Property Buyers Bureau has been strongly focussed on customer service and providing valuable and independent advice, tailored specifically to our clients needs.

This customer focus has proved its worth with Property Buyers Bureau accumulating over \$68 million worth of acquisitions since August 2003, in excess of 200 plus purchases and savings to clients totalling more than \$1.3 million.

Over the past hundred years property has created the greatest growth in individual wealth. However, finding the right property for the right price to create the greatest capital growth, whether as an investment or principal residence, can be difficult. Property Buyers Bureau do just that every day.

Bargain properties emerge constantly. They can look great initially, a nice house at a cheap price, however over time these properties may not deliver the sort of sustained capital growth that an average property in a solid suburb can deliver.

For a bargain in a suburb growing at 9% to show equivalent capital growth compared to a property in a suburb growing at 12% after say a 10 year time period, it needs to show a one-off growth rate of 47% in the first year to stay on track with our standard solid performer. The chances of finding a property like this are very unlikely.

Everyone has at least two options when choosing to purchase property – do it yourself or outsource the process.

The process can be time consuming, extensive and stressful. Property Buyers Bureau offer services that alleviate these factors as well as tapping into a lucrative and secure investment. Property advisers/valuers are constantly sourcing and assessing not only properties but also localities, identifying those with the greatest capital growth and/or rental returns.

A number of Property Buyers Bureau advisers specialise in the purchase of property for clients utilising their self managed superannuation funds.

A recent success story for Property Buyers Bureau has been the purchase of a potential duplex block utilising the client's self managed super fund, one hour south of Perth in a great location approximately 500m from the beach. The block was acquired for under \$200,000 resulting in strong savings for the client and is a property that will have significant future capital growth.

This property is the second property purchase for this eastern states client. This style of investment is becoming extremely popular for east coast investors where the capital outlay is modest and the upside is great. This has been magnified as property prices on the east coast have risen, making property investment prohibitive for many investors.

Property Buyers Bureau targets many of its services towards people who are unable to spend time researching and negotiating for property themselves. Various levels of service are provided, from finding and acquiring the property all the way through to settlement. They can also provide advice to clients as they adjust and improve their property portfolios, with a focus on maximising their property investments into the future.

Acquisitions + Appointments

Hegney Property Group - New Commercial Manager Appointed

The Hegney Property Group's continued emergence within the Australian property market is providing development opportunities not only in the services Hegney provide, but also for the Hegney staff.

The commercial valuation division in particular has sustained significant growth in recent years under the guidance of General Manager, Nathan King.

This ongoing growth has opened the door for advancement of Regan Harray who has recently taken over as commercial division manager. Regan has been employed with the Hegney



Regan Harray



Scott Bellerby

Property Group for approximately 3 years with specialised skills in commercial valuations.

The commercial division welcomes the addition of Scott Bellerby who has been with the Hegney Property Group since 2004. Scott will play a key role in the future expansion of the commercial division, helping service the increasing demand for efficient commercial consultations and valuation requests.



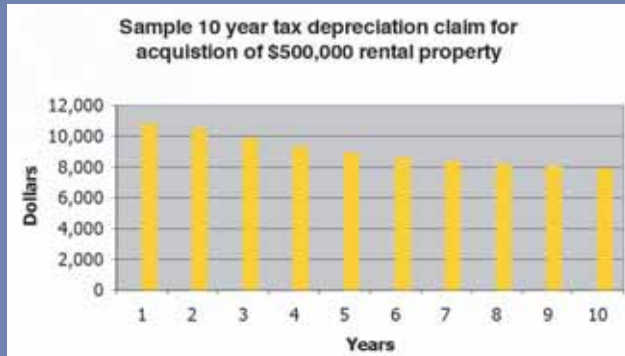
Property Investors

Beware



Most property investors are aware there are significant cash flow advantages available to them through tax depreciation. They should also be aware of the impact capital gains tax has when selling the property and understand that a balancing adjustment might need to be paid back to the ATO.

Scott Watters, Managing Director of CAST depreciation services, says this in itself is not a bad thing, "If you purchased a \$500,000 property in 2003 and held it for 10 years, you could claim approximately \$90,000 worth of depreciation. This amount will come off your assessable income, actually saving you \$90,000 multiplied by your tax rate (say 47%) which equals \$42,300. \$42,300 now is worth a lot more than \$42,300 in ten years time and you would have had the cash flow advantage of the deductions for the last 10 years!"



Scott also says, "Investors need to be fully aware of the consequences upon selling their property, planning is the key. The depreciation benefits in the early years will make your investment work harder for you and your after tax yield will look surprisingly healthy. The secret is understanding the purpose of tax depreciation, and matching that and the very real cash flow benefits, to your investment strategy. Used wisely tax depreciation will deliver real property investment benefits."

Buy the right property and let time do the work

House prices in Rockingham will continue to rise because of the new southern railway system

Case Study – Rockingham & Armadale

Back in 2000, the Hegney Property Group predicted a major upswing in property prices along the Rockingham to Mandurah strip because of the construction of the Southern Freeway and plans to build a new railway from Perth to Mandurah.

Significantly, the Hegney Property Group predicted that the growth in property prices along this coastal strip would be sustained over a number of years because of the growing population movement to coastal areas and the fact that this area of Perth was substantially undervalued.

Taking the company philosophy of 'buy the right property and let time do the work', it is useful to compare the price growth rates for Rockingham and Armadale over the last five years.

During the March 2002 quarter, the median house price in Rockingham was \$110,200 which was \$27,000 higher than the median house price for Armadale at \$83,200.



than Armadale compared to a price difference of just \$27,000 back in 2000.

Rockingham house prices significantly outperformed Armadale house prices during this period because of its coastal location and improving transport infrastructure. This trend is expected to continue over the next five years because of the completion of the new southern railway line which will result in a surge in population within the Rockingham area putting an upward price pressure on coastal land in this area.

For the investor who purchased a property in Rockingham in 2000 and held onto it for 10 years, they could expect an annual return on their investment of over 25% while an investor in Armadale could expect an annual return of around 10%.

Armadale is undergoing a number of changes that are expected to have a positive impact on the property market. These include the establishment of the Armadale Redevelopment Authority, the improvement of road networks such as Tonkin Highway and the recent initiative being the international rowing course known as Champion Lakes.

These improvements will create opportunity within this region.

Median House Price

	2000	2005	% Growth Rate
Armadale	\$83,200	\$155,000	86.2%
Rockingham	\$110,200	\$273,000	148.0%

By the March 2005 quarter, the median house price in Rockingham had increased by \$162,800 or 148% to \$273,000 while the median house price in Armadale rose during the same five year period by \$71,800 or 86.2% to \$155,000.

This higher price growth rate over the last five year period has meant that the median house price in Rockingham is now \$118,000 higher



Single Residential Vs Development Sites Which offers the better growth?

growth

Historically, most investment property owners would buy a house in a reasonable location, with barely a second thought to the capital growth advantages that property may bring. These rentals were generally positively geared and the investor would chip away at the loan applying extra contributions when possible to reduce the debt.

Today, the focus has changed with most astute investors looking for both a strong rental yield and positive capital growth to build equity which in turn enables the investor to build a property portfolio.

The question now is not just 'how much rent will I get?' but also 'what capital growth will the property deliver?'

So what type of investment property should you buy?

Traditionally, properties in the \$600,000 plus range have delivered good capital growth, especially those which are coastal or near city properties. Blue chip property is a proven performer, consistently outperforming the median average.

However, for many property investors, a budget of \$300,000 is more realistic. Selecting a top performing property within this range can be more challenging and the investor needs to seriously consider the number of options available.

One question which may need to be answered is 'do you purchase a well located single residential property in preference to a property with development potential in a weaker performing suburb?'

There is significant evidence to suggest that the properties with development attributes outperform single residential properties.

Development sites capture a broader cross-section of the market, i.e. home owners, investors and developers whereas single residential properties tend to attract predominantly home owners and to a lesser degree investors.

Development type properties also provide opportunities for short term speculators looking at quick turnover during times of accelerated growth in the property market.

For example, the suburb of Balga has significantly outperformed the nearby suburb of Ballajura because re-zoning has allowed some older homes in Balga to be redeveloped whereas most of Ballajura has single residential development only.



	Median House Price	% Annual Growth Over Last 5 Years
Ballajura	\$235,000	+ 11.6%
Balga	\$200,000	+ 16.5%

Astute investors should remain informed of suburb zoning changes which can be done through regular contact with the local authority who can shed light on any amendments to the Town Planning Scheme.

It is no coincidence that Government authorities use zoning changes to rejuvenate tired suburbs, stimulating private investment and developer interest.

Understanding your options and being aware of opportunities arising as the property landscape changes, is the key to developing a successful investment property strategy.



Scott Watters



CAST Tax Depreciation Service Goes National

CAST, the WA property tax depreciation service launched by the Hegney Property Group is now operating nationally.

Launched earlier this year, CAST has quickly established a professional reputation and a growing local client base within the WA property market.

Following on from this success, the service has now been launched in New South Wales, Queensland, Victoria and South Australia.

Managing Director Scott Watters said: "CAST's national exposure is

an exciting part of the Hegney Property Group's evolution because it is the first Hegney initiative to extend nationally."

"CAST helps property investors access the cash flow advantages that tax depreciation provides.

"A detailed, thorough inspection process coupled with quantity surveying expertise delivers maximum benefit to the investment property owner.

"Tax depreciation is an opportunity that many property investors do not utilise fully. CAST depreciation services ensures the investment property owner is capitalising on the property's financial potential."

RESERVE YOUR PLACE NOW. The Hegney Property Group is hosting a **PROPERTY INVESTMENT SEMINAR**

To register your interest, contact the Property Buyers Bureau on (08) 9388 8989 or email seminars@hegney.com.au



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