



NEWSLETTER

26/05/2011

WELCOME TO OUR FIRST NEWSLETTER

In this newsletter we would like to concentrate on the essential factors which define a good property.

Firstly let us re-emphasise the message embedded throughout our web site.

WE ARE QUALIFIED VALUERS WITH EXTENSIVE EXPERIENCE

McRae Property is able to buy the best property at the lowest price and our Valuation background supports each decision we make.

OUR BUSINESS IS ABOUT

- Acting in the best interests of our client.
- Being forensic in our methods and working within our valuation disciplines.
- Not making mistakes.
- Minimising risk and maximising gain.

WHAT IS A GOOD PROPERTY?

A good property must possess scarcity value which is generally found in Period style stock.

WHAT IS PERIOD STYLE STOCK?

Houses – with a Period facade and the character which goes with it, this may be Victorian, Edwardian or Art Deco or Apartments – 1930's and 1970's era.

These properties attract maximum capital gain. Accordingly, we generally favour period style stock for capital growth purposes.

Period style stock, whether in original condition or renovated condition, normally attracts greater attention from the public than other styles of stock.

WHY?

Because it has not been reproduced since about 1940. In those days, houses were built properly with solid materials and with more care.

This type of property appeals to many people who wish to renew or renovate behind the period facade, so it is the facade that is of paramount importance together with the higher ceilings and solid brick walls on offer.



ALTERNATIVELY – NEW STOCK

New stock has no scarcity value. Generally we do not recommend new stock.

DISADVANTAGES OF NEW STOCK

New stock is in abundant supply and does not increase in value compared to Period style.

Inner suburban and CBD new apartments grow at up to 6% pa max. Older style inner suburban apartments grow at up to 14% pa max.

We avoid property in the CBD and Docklands which consists mainly of new stock, with an abundance of poor investment standard stock .

We have valued property in Docklands, purchased 3 years ago for \$560,000, that is now worth \$50,000 less.

ADVANTAGES OF NEW STOCK

New stock may offer a more attractive rental return and depreciation benefits. There can be exceptions to our view on new stock, however this is very limited.

David McRae

Director

Qualified Valuer

Licensed Real Estate Agent

OFF THE PLAN NEW STOCK

99% of the time this is a definite DO NOT BUY.

REASONS

- Long sunset clauses can tie up a buyer for over 2 years.
- Due to normal contract conditions, developers have the capacity to deliver a product which may be different to the original product sold to the buyer.
- Stamp Duty savings do not compensate for the lack of long term growth.
- There is normally too much new stock in the market which diminishes growth of comparable new stock.
- The majority of new buildings are built to a minimum "Investment Standard".
- Most new buildings are too large and have high overheads due to inclusion of lifts, pools, gyms and tennis courts.
- New buildings rapidly age, both internally and externally.
- Too many investors buy into new buildings and as a result the Body Corporate' lacks the attention of owner occupiers.
- The price of new stock consists of developers profit, financial planner fees, huge marketing costs, all of which disappear once the sale is made.