

# inside choice

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Buyers Advocates – Generally  
a welcome addition to the real  
estate landscape

Australian Capital City  
Median House Prices

Hidden benefits of Income Protection

The Property Market – looking  
back and looking ahead

Europe and the economy

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# Buyers Advocates – Generally a welcome addition to the real estate landscape

If you've heard the hype about the growing presence of buyer's advocates in real estate, then believe it. Their numbers are indeed swelling and there is certainly a place for them, however if you are considering engaging the services of one, be sure to select one that is going to represent your needs.

For the uninitiated, a buyer's advocate (sometimes referred to as a buyer's agent) assists people who are buying a property to live in or for investment purposes, and generally speaking their value proposition will include –

- The ability to access more properties and often before they are formally on the market via their real estate agent contacts.
- They will do the searching for you saving you time.
- Their experience at auctions and in private negotiations will help you save money on the purchase price.

The cost of the service varies from advocate to advocate and can take the form of a flat fee or a percentage of the purchase price. Some charge a retainer fee upfront, others only charge upon conclusion. Depending on who you speak to, both charging mechanisms have strengths and weaknesses, but as is the case when listing a property for sale with a real estate agent, people should be

focused on trying to achieve the best net outcome which means striking the right balance between cost and benefit.

Choosing the right buyer's advocate for you will depend on your need, so before you appoint one to act on your behalf, be sure to have a clear understanding of what you are trying to achieve and then align yourself with an advocate that is experienced in delivering against that need.

Some advocates specialise in a geographic area, some specialise in a market segment and some specialise in a type of stock; obviously their respective value propositions are defined by their specialisation and where possible anyone in the market for an advocate should be looking to harness this.

Whilst the majority of advocates act for the client, like in all service industries there are those that blur the lines. Of concern are those that promote a quick and easy path to financial independence by building an ever expanding property portfolio. Often such strategies involve 'creative' finance structuring designed to neutralise the impact on an investor's cash flow, which is fraught with danger as debt levels grow. When investing in any asset class that requires an ongoing financial commitment, reasonable care must be taken to ensure it will remain affordable allowing for the occasional speed hump along the road such as being without a tenant for a period of time.

Financial planners and finance brokers should not sell property. Buyer's advocates

should not sell financial or finance structuring advice. If you can find three that can work harmoniously together with your best interests in mind you are more likely to get a well considered and beneficial outcome.

Don't be afraid to ask real estate agents about their experience dealing with advocates as part of your due diligence process. Real estate agents are never shy to express their views and given they are often the meat in the buyer/seller sandwich, they will have ample experience and hence opinion on advocates. Whilst the sentiment offered by a real estate agent may be negative, that could well translate to a glowing appraisal for the advocate in question. If the real estate agent bemoans the fact that the advocate you are enquiring about is a brutal negotiator, seems to get the better of other bidders at auctions and is active in the market, then they could be the person for you.



Nick Caple – Director

# Australian Capital City Median House Prices



Capital City	Median Value September 2011	GROWTH		
		3 month % change	Median Value September 2011	12 month % change
Melbourne	\$542,968	-0.9%	\$560,701	-3.2%
Sydney	\$637,646	-1.8%	\$648,320	-1.6%
Brisbane	\$429,339	-2.7%	\$460,239	-6.7%
Adelaide	\$432,299	-2.0%	\$455,585	-5.1%
Canberra	\$566,095	-1.4%	\$561,078	0.9%
Perth	\$524,055	-1.6%	\$555,899	-5.7%
Darwin	\$614,063	-1.6%	\$616,093	-0.3%
Hobart	\$327,340	0.0%	\$335,526	-2.4%
National	\$536,011	-1.6%	\$555,495	-3.5%

National house prices fell for the fifth consecutive quarter, with the mainland capital cities all recording falls. Brisbane is now Australia's cheapest city to buy a house with a September median price of \$429,339. Melbourne's house prices were the least affected of the mainland cities falling by 0.9% for the period. Perth and Adelaide have been the hardest hit over the 12 month stretch with annual falls in median prices of 5.1 - 5.7%.



Lauren Cunningham – Relationship Manager

Source: Australian Property Monitors. All results are indicative only.

## Hidden benefits of Income Protection

**Income Protection – it covers more than simply being unable to work.**

All forms of personal insurances are important in the context of a broader financial strategy; protecting what you have is as important as building upon what you have. Perhaps the simplest of the personal insurances to grasp is income protection because there is a direct correlation between your income and the amount of cover you need, and also because understanding the implications of not being able to earn an income due to sickness or injury are readily recognisable – significant cash flow pressure!

Whilst income protections primary benefit it so to pay an income in the event you cannot work due to sickness or injury after an agreed period of time, a good quality policy will have a few built in ancillary benefits that shouldn't be underestimated.

One such ancillary benefit linked to quality products is a 'specific injury benefit'.

As the name suggests, this benefit applies when you suffer one of the injuries stipulated

by the insurer. Such specific injuries range from extreme incidents such as permanent loss of the use of limbs, hands, feet and sight through to less extreme injuries such as fractured bones like your jaw, your collar bone and your wrist. Depending on which one of these injuries you suffer, you could be entitled to benefit payments irrespective of whether or not you are off work for the normal waiting period.

A recent example of this centres around injuries sustained by two clients of Choice Capital who were involved in a cycling accident in October. Both of them fell heavily and sustained broken collar bones. The recovery process for them is ongoing and has included operations to have plates and screws inserted, but they were both able to return to work within a couple of painful weeks so did not qualify for the 'standard' income protection benefit payment. Fortunately for them however the policies put in place for them had the 'specific injury benefit' that included broken collar bones, and each of them received lump sum payments the equivalent of one month's income protection

benefit to help cover some of the costs that were not covered by their private health insurance.

It is important to note that not all income protection policies include ancillary benefits such as the specific injury benefit. Our experience suggests that income protection policies held through industry super funds do not have such benefits, and nor do corporate policies. If you have income protection in place and would like me to check whether your policy has any additional benefits, please don't hesitate to contact me.



Andrew Gooding – Senior Financial Planner

# The Property Market – looking back and looking ahead

After a challenging year in the property market we thought it would be interesting to get the thoughts on what we have seen and what to expect from both sides of the fence, so we asked a specialist in buying and a specialist in selling.

## Thomas Georgiou

Buyer's Advocate  
from Advantage Property, Elwood



### Where are we on the price cycle compared to the 2007 peak, 2008 GFC or say 2010?

Although the Melbourne property market has been very strong over the past decade, the last 4 years have been turbulent due to global economic conditions impacting our market. Prices soared in 2007 with 18.8% capital growth and then the GFC in 2008 saw the market decline approximately 12%. The post GFC boom encouraged growth of 23.5% in 2009 and 21.5% in 2010 while 2011 experienced a decrease of 12%. Melbourne properties have still averaged approximately 9.95% capital growth per annum over this 4 year period which is in line with the 10 year average and demonstrates that property has performed very well in the medium to long term.

### What is your assessment of the year that was in the property market?

In 2011, the Melbourne property market experienced its toughest conditions for a decade as property prices declined approximately 7% - 12% within the first 6 months of the year. Buyers adopted a 'watch and wait' mentality as a fear for the global economy and the Australian retail sector crept in. This reaction led to a number of properties not selling under the hammer, and auction clearance rates slipped from approximately 72% to an annual average of approximately 55%. The last few months on 2011 saw some buyer confidence return,

although unsold and undesired properties saturated the market. A demand for quality real estate was evident especially in the apartment /unit market up to \$600,000 as these properties attracted competitive buying conditions and strong sales prices were achieved.

**"there were some incentives offered to stimulate the market"**

### What do you think we can expect over the next 12 months?

Although property prices decreased and then stabilised in 2011, there were some incentives offered to stimulate the market again. An additional 20% Stamp Duty concession was offered to First Home Buyers from 1st July on top of the existing First Home Owners Grant of \$7,000. The RBA's decision to cut interest rates by 25 basis points in both November and December was welcomed by all and there is agreement that more interest rate cuts are on the agenda for 2012. These factors should enhance buyer confidence and see Melbourne's market improve with 5% - 7% growth for entry level properties, more competitive buying conditions and an increase of auction clearance rates to average 60% - 70%.

## Rob Watson

Director at Century 21, Elwood



### Where are we on the price cycle compared to the 2007 peak, 2008 GFC or say 2010?

The instability the market has suffered over the past few years has seen a lull followed by a more heightened rate of spending. Buyers

where strongly influenced by the media to pay crazy prices for properties which caused the market to reach a point of breaking. We have since seen a correction in prices and buyers are now more aware of the global financial market and their hip pocket security. I can only see the market getting better due to the reserve bank's stimulus in dropping the interest rates, we need to get cash flowing again and I think this will push the market in the right direction.

### What is your assessment of the year that was in the property market?

The market was almost split in two last year, during the beginning of 2011 it was going along at a steady rate, prices were not heated but stable. As the year went on we saw a turn in the market and spending in general, people are now more than ever aware of their cash flow and security. If anything, buyers came to the realisation that getting themselves into a huge amount of debt just to secure their dream home and compromising their freedom to take holidays and buy little luxuries is not what they want to do. This shift in mentality has also been pushed onto vendors who are now coming to the realisation that they need to correct their expectations to meet the buyers price they are willing to pay. Over the last two months of 2011 I saw people starting to lift their hands at auctions and becoming more optimistic with the market, hot properties were selling and overall there was a more sensible buying price.

**"I can only see the market improving based on what's happened over the past two months, people are beginning to acquire real estate more freely"**

### What do you think we can expect over the next 12 months?

I can only see the market improving based on what's happened over the past two months, people are beginning to acquire real estate more freely but still keeping in mind their serviceability to their debt won't be excessive. In my opinion the property market is in for a more buoyant and steady year ahead.

## Staff Profile: Jess Dressler

Jess joined the Choice Capital team in late August 2011 and has quickly settled into her role as a Finance Consultant. Jess has a keen interest in property and worked as a real estate agent prior to joining us at Choice Capital.

In early 2010 Jess became Melbourne's youngest female auctioneer and went onto call numerous auctions in the Bayside area. Having grown up in the local area she was able to provide accurate property sales advice to a diverse client base that she worked hard to create for herself. The knowledge Jess acquired of the property market has proven to be invaluable during her time at Choice Capital and she thoroughly enjoys not having to work on weekends anymore!

Jess currently lives in Port Melbourne with her partner Carl and loves being so close to her work.

We asked Jess to tell us a bit about herself.



Jess Dressler – Finance Consultant

### Greatest workplace achievements:

Managing a busy restaurant in Elwood at the young age of 17. It was here that I first learnt the fine art of effective negotiation and the challenges of management given the staff I managed were often quite a bit older than me.

### Favourite Drink:

Vodka, soda, bitters and fresh lime.  
Great on a hot summer's day!

### Favourite Restaurant:

The Pelican in St Kilda and The Aylesbury Rooftop restaurant on Lonsdale Street.

### Holiday Destination:

Dying to go to South America and Africa.

### AFL Team:

Growing up in a family with all girls and a European father whose main interest was in soccer, I must be the only person in Melbourne who doesn't follow AFL.

### Loves:

Snowboarding, Swimming and going for a jog along the beach.

### Pet Hates:

When things are un-just.

### 2012 Prediction:

The apocalyptic doomsayers will get it wrong again!

## Making your move easier!

In order to make the move into your new home easier, Choice Capital can provide a trailer for the use of our clients.

This trailer will be available for all current clients as a free service. To book the trailer for your move, please email Nicole at [admin@choicecapital.com.au](mailto:admin@choicecapital.com.au) or call 03 9686 4976.



## Happy Choice Clients

We would like to express our thanks to Lauren Cunningham and Josh Durrant for their assistance with setting up loans for our investment properties. Both took a great deal of effort to make the process smooth, easy and relaxed for us. They took all our requests and requirements into account, found great products for us, answered all of our (many) questions and kept us up to date throughout the entire process. We really appreciate your exceptional service and will continue to use Choice Capital for all our investment needs.

**Arvind Chandran and Kate Branford.**

## Product of the month 5.80% fixed rate for 2 years!

Annual package fee waived for the first year

- > No application fee
- > Fee Free platinum credit card available
- > Convenient, well known lender
- > Guaranteed interest repayments for 2 years



# Staff News



## BRW Corporate Relay

This year saw Choice Capital enter several teams into the inaugural BRW corporate relay race around Albert Park Lake.

During the preceding weeks the tension in the office was palpable as the mind games began and rumours of secret training sessions circulated the building. Unfortunately the event was rescheduled at the last minute due to adverse weather conditions and only a handful of the crew were able to compete meaning a few of the big 'match-ups' never eventuated. Irrespective, the night turned out to be fantastic with a great atmosphere and the camaraderie amongst the teams was a highlight. There were certainly a lot of laughs at team transition and everyone thoroughly enjoyed themselves. I'm sure we would all love to do it again next year, and some of us are already gearing up for the Nissan Triathlon in March.

## Andrew & Nick 'Ride For the Kids' in the Tour de Bress Charity Ride

On Friday the 21st of October Nick and Andrew were amongst 21 people who took part in the inaugural Tour de Bress bike ride to raise money for the Save the Children charity. Meticulously organised by Choice Capital client Andrew Mc Trusty right down to the support vehicles to escort them safely up the Calder Highway, the ride departed Federation Square in steady rain which persisted for the majority of the 127km trek north to the Bress Winery located just outside of Harcourt in central Victoria.

The journey was punctuated by a welcome break at Woodend which thankfully signalled an end to the rain, and also an end to the civilised pace that had prevailed to that point. A few of the more eager riders decided it

was time to stretch their legs over the final 25km's perhaps armed with the knowledge that when they arrived at the winery, not only would they be greeted by some cold beer and fantastic wines, but also a pair of masseuses set up to rub down some pretty weary legs. The event was a huge success and raised \$24,475 for the charity – the highest ever fund raising figure achieved by a community group for Save The Children.

A big thank you to everyone that donated to a great cause, and to all the wonderful Save the Children staff that turned out in the rain to see them off.

Stay tuned for details of next year's event!



## Bike giveaway

If you added up the money that the 15 or so people (most of whom are Choice Capital clients) that make up the Elwood Canal Peloton cycling group have spent on road bikes in recent years it would be well north of \$100,000. These lycra wearing boys ride up and down Beach Road three or four times a week and have been doing so as a collective since 2006. Choice Capital decided to launch a promotion to the boys for the chance to win a custom design handmade Elwood Canal Peloton/Choice Capital commuter bike to help with their street credibility and to get them out of wearing all that lycra! The promotion was a huge success and clearly struck an emotive chord with the cycling mad mob. The lucky winner of the giveaway was Dawie Aker who can now be seen cruising Melbourne's coolest bohemian strips on the bike wearing skinny leg jeans, fluro wayfarer sunglasses and a grin from ear to ear.



## Soup Kitchen

Choice Capital's Josh Durrant recently visited the Sacred Heart Mission Soup Kitchen on Grey Street in St Kilda with Edward Kidd, Business Development Manager of Westpac Bank. The pair spent the time preparing food and clearing up for local homeless and disenfranchised people. Josh told us "It really made me appreciate how well I have it in life. It's something I would encourage others to do and I would like to do it again sometime soon."



## Chrissie leaving

**Chrissie Betts has been a valued member of staff at Choice for the past 4 years and it is with a heavy heart that we announce her departure. Chrissie is travelling home to England, in order to be close to her family, especially her brother and his partner, who have recently had two children.**

Chrissie joined Choice Capital in early 2007, and was the first member of James's financial planning team. She grew with the company, moving into the roles of Financial Planning Assistant to Para Planner to Financial Planner and finally the Operations Manager.

Chrissie reflected that "the constant progression and development throughout my time at Choice has certainly been a highlight". Chrissie is sad to be leaving us suggesting "everyone here is like my Aussie family" and she will be very sadly missed. Chrissie's organisational skills and ability to make things happen have not gone unnoticed and we hope the cold weather in England is enough to bring her back soon!

We wish her all the best in her endeavours

and thank her for all she has done for us here at Choice Capital.



Chrissie Betts - Financial Planning Manager

## Births & Engagements

See below for the latest good news items for Choice Capital staff, clients and friends:-

### Births

Clint and Suzi Ebeyer welcomed a healthy baby girl  
- Zara Ebeyer into the world on 21 September 2011 weighing 3.6kg.

### Engagements

Christmas came early for client Lauren Petrie, when partner Joel romantically popped the question on 9 December 2011.  
Congratulations to you both from us all at Choice Capital!

Matthew Fleming proposed to his partner, Jane Jury, on the morning of 25 December 2011 a wonderful Christmas present for both of them as she said yes!  
Congratulations Jane and Matt from all of us here at Choice Capital.

# Europe and the economy

As Europe continues to search for an answer to its debt crisis, many Australian investors are asking "What impact will this have on us?"

We are continually reminded by our government that Australia is well placed economically to weather the continuing financial storm being experienced by much of the world's 'developed' countries, so do we need to be concerned?

Much of the government's rhetoric in this regard stems from the fact we are physically removed from Europe (and America) and our economy is more aligned with the Asia region, hence we are not as obviously affected by many of the issues being faced by the European Union. There is some truth in this, however the impact of Europe's economic woes could pose very real problems for the Australian economy – here's how.

The developed countries of the world are increasingly inter-connected through technological innovation - particularly in the world of finance and investment. Geographic proximity means little as this and open trade agreements ensure any restrictive boundaries have largely been erased. More than ever

countries from every corner of the world trade, exchange goods and services, borrow and lend to each other.

Europe accounts for approximately 30% of export trade with China – this is where we could be significantly impacted. Goods manufactured in China destined for Europe demand raw materials, and much of these materials are derived from Australia, more specifically, Australian resource companies.

If demand from Europe continues to stoke the fire under the Chinese manufacturing industry, demand for raw materials from Australia will continue. Australian companies prospering from this demand will continue to employ - creating jobs, maintaining low unemployment, higher spending and a prosperous economy.

Conversely of course, if the European economies crumble the opposite will occur. The same scenario described above could also be applied to the USA.

From another perspective, Europe is also a major source of Global Capital Market. Australian banks and other financial institutions source considerable capital from Europe. As the debt crisis continues, more capital may be required

by these countries to prop their economies up, making less available for elsewhere.

This competition for funds drives the price of 'money' upwards making borrowing from Europe more expensive which in turn translates to higher interest rates for Australian companies (ie banks) borrowing from this market.

It is for these reasons and others that the economic turmoil in Europe should be of some concern to Australians. Fortunately for us though, there are many more factors that influence our economy than simply the state of European financial markets.



James Taylor – Director

## Our Services

- Residential home loans
- Commercial loans
- Equipment and Motor Vehicle Finance
- Home and Contents Insurance
- Income Protection Insurance
- Life Insurance
- Corporate and Small Business Insurance
- Financial Planning
- Cash Flow Management
- Superannuation
- Tax Planning



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