

YourProperty

BY MICHAEL LAURENCE

Age of uncertainty

Our uneven housing market has lots of traps, but these expert tips will stop buyers being led up the garden path.

WHEN BIDDING for a terrace house in inner-Sydney Surry Hills reached \$840,000 at a recent auction, the vendors became excited: it was \$40,000 more than their expected sale price. But their excitement soared as the hammer fell at \$940,000.

Such furious bidding reflects how the residential markets in Australian capitals except Perth and Darwin are gathering pace. This is confirmed with the latest Australian Bureau of Statistics house price index showing that prices rose in the June quarter by 6.5% in Brisbane, Adelaide (5.7%), Melbourne (5%) and Canberra (2.6%). Sydney and Hobart were both 2.3%.

The terrace's sale price and the ABS figures, however, mask the reality that the recovery is extremely patchy and prices in some outer suburbs, particularly in Sydney, are falling. The latest rise in official interest rates will further weaken this part of the market as battlers

struggle to pay their mortgages. In this kind of market, there are some traps to avoid:

MARKET DANGERS Buyers in a rising market often mistakenly believe that all properties are going up in price, warns buyer's agent Patrick Bright, chief executive of EPS Property Search. "But only the top 30% of properties are worth buying at this time."

PAYING TOO MUCH "The biggest booby-trap for property buyers is to pay too much," says Louis Christopher, head of property research for Adviser Edge. This is a big danger in a rising market when prices are rapidly changing and sellers are trying hard to lift their prices. Study your target market before buying. Christopher says that, particularly in a strengthening market, buyers should guard against being caught up in the emotion of really wanting a property. "Don't get sucked in by emotion. If the price is above fair market value, walk away."

FLAT RETURNS
Rent and tenancy
figures can trick
investors into an
inadvisable purchase



FAIRFAX PHOTOS

PROPERTY LEMONS "In a rising market, many purchasers overlook a property's problems and end up with lemons," Christopher warns. Generally, he believes, it is smarter to stay away from properties in need of renovation.

VALUERS Christopher suggests buyers think about having a professional valuation of an intended purchase. "This will give you peace of mind that you are not being ripped off." An initial step may be to gain a report on prices achieved for similar properties from such groups as Australian Property Monitors.

BUYER'S AGENTS Consider hiring a buyer's agent to track down a property to your specifications, suggests Christopher. "A buyer's agent can save you time, negotiate for you and ensure you are not paying too much."

DEVELOPERS' VALUATIONS Christopher warns that some developers present their own valuations. "Treat these valuations with absolute suspicion," he says. "Don't sign anything until you have independent advice."

INVESTOR TRAPS Robert Mellor, director of building services for BIS Shrapnel, says sharply rising rents and record low tenant vacancy rates may trick some investors into believing that capital growth will automatically rise enough to make the investment feasible. Be particularly careful in the Sydney and Melbourne markets.