

VICTORIAN GOVERNMENT CHANGES THAT WILL GREATLY AFFECT THE MELBOURNE PROPERTY MARKET MARCH 2017



SPECIAL ANNOUNCEMENT.

If you own a prime Melbourne property

If you have been thinking of buying....

Big changes announced in March 2017 are coming....

There will be winners and losers. ...



First, the legal stuff..

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There will be a lot of conflicting information coming out. Here is our clear take on what we feel sure will happen based on 30 years experience in the Australian property markets.

Read on and make your own decision.

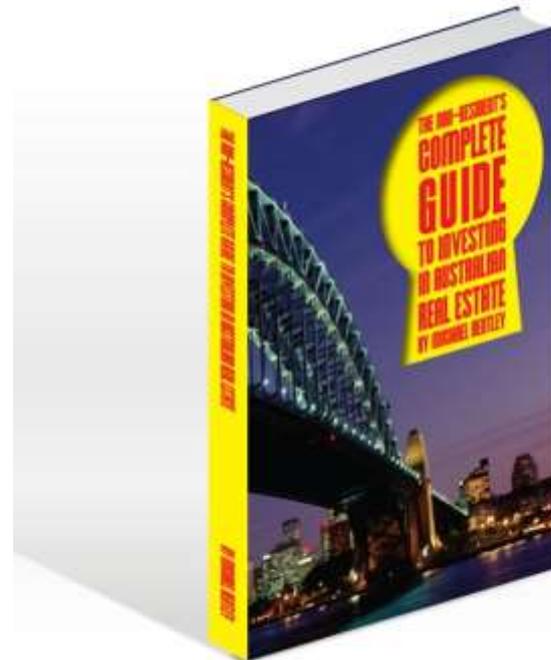


MICHAEL BENTLEY

MANAGING DIRECTOR CITYLIFE INTERNATIONAL REALTY

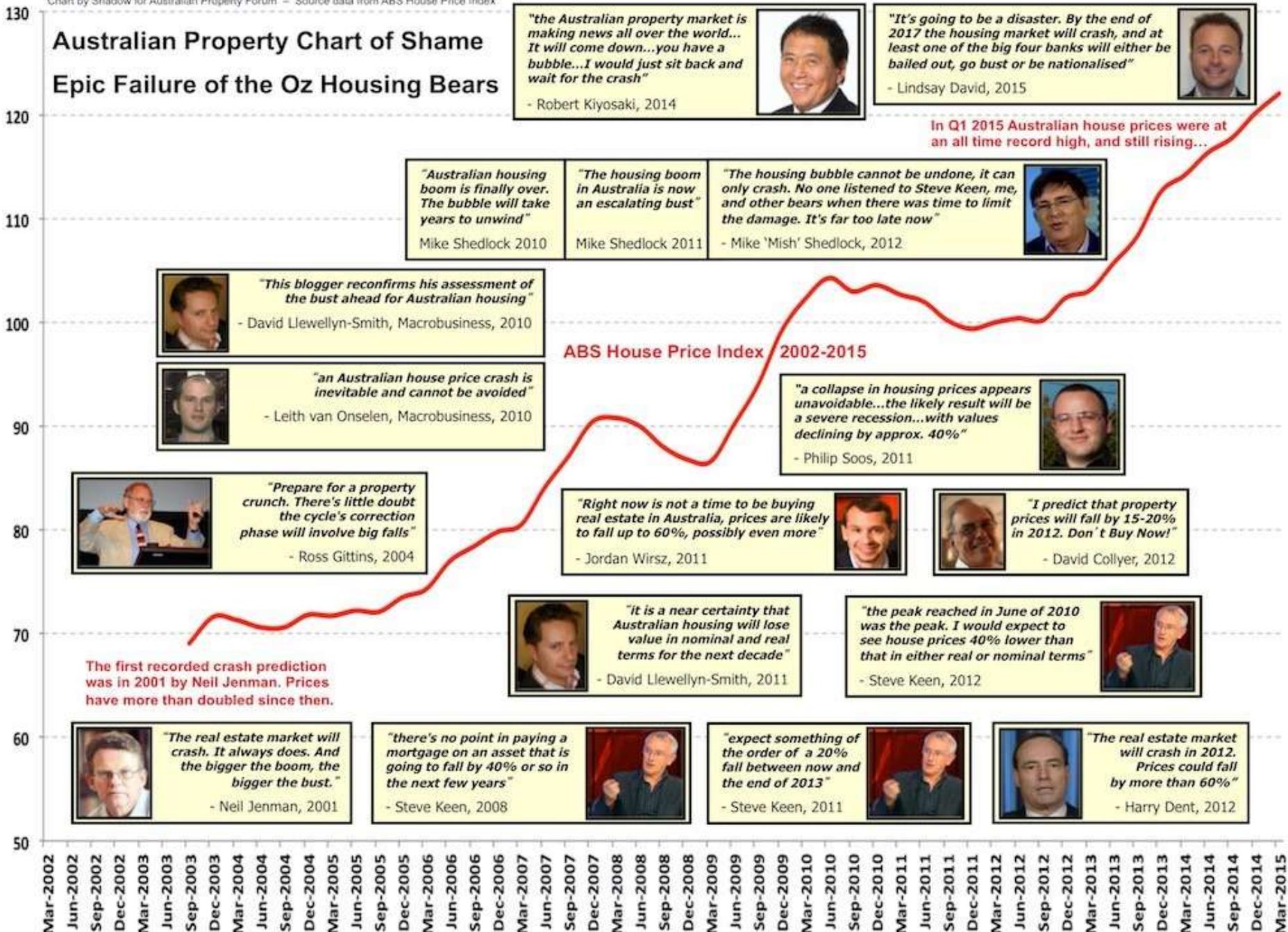
Author of 3 top selling books:

How to Build a Property Portfolio of Four Properties from One Deposit”
NEW E- book (WWW.BUY4PROPERTIES.COM)



www.ForeignInvestorsGuide.com

Australian Property Chart of Shame Epic Failure of the Oz Housing Bears



"the Australian property market is making news all over the world... It will come down...you have a bubble...I would just sit back and wait for the crash"
- Robert Kiyosaki, 2014



"It's going to be a disaster. By the end of 2017 the housing market will crash, and at least one of the big four banks will either be bailed out, go bust or be nationalised"
- Lindsay David, 2015



"Australian housing boom is finally over. The bubble will take years to unwind"
Mike Shedlock 2010

"The housing boom in Australia is now an escalating bust"
Mike Shedlock 2011

"The housing bubble cannot be undone, it can only crash. No one listened to Steve Keen, me, and other bears when there was time to limit the damage. It's far too late now"
- Mike 'Mish' Shedlock, 2012



"This blogger reconfirms his assessment of the bust ahead for Australian housing"
- David Llewellyn-Smith, Macrobusiness, 2010

"an Australian house price crash is inevitable and cannot be avoided"
- Leith van Onselen, Macrobusiness, 2010



ABS House Price Index 2002-2015

"a collapse in housing prices appears unavoidable...the likely result will be a severe recession...with values declining by approx. 40%"
- Philip Soos, 2011



"Prepare for a property crunch. There's little doubt the cycle's correction phase will involve big falls"
- Ross Gittins, 2004



"Right now is not a time to be buying real estate in Australia, prices are likely to fall up to 60%, possibly even more"
- Jordan Wirsz, 2011



"I predict that property prices will fall by 15-20% in 2012. Don't Buy Now!"
- David Collyer, 2012



"it is a near certainty that Australian housing will lose value in nominal and real terms for the next decade"
- David Llewellyn-Smith, 2011



"the peak reached in June of 2010 was the peak. I would expect to see house prices 40% lower than that in either real or nominal terms"
- Steve Keen, 2012



"The real estate market will crash. It always does. And the bigger the boom, the bigger the bust."
- Neil Jenman, 2001



"there's no point in paying a mortgage on an asset that is going to fall by 40% or so in the next few years"
- Steve Keen, 2008



"expect something of the order of a 20% fall between now and the end of 2013"
- Steve Keen, 2011



"The real estate market will crash in 2012. Prices could fall by more than 60%"
- Harry Dent, 2012

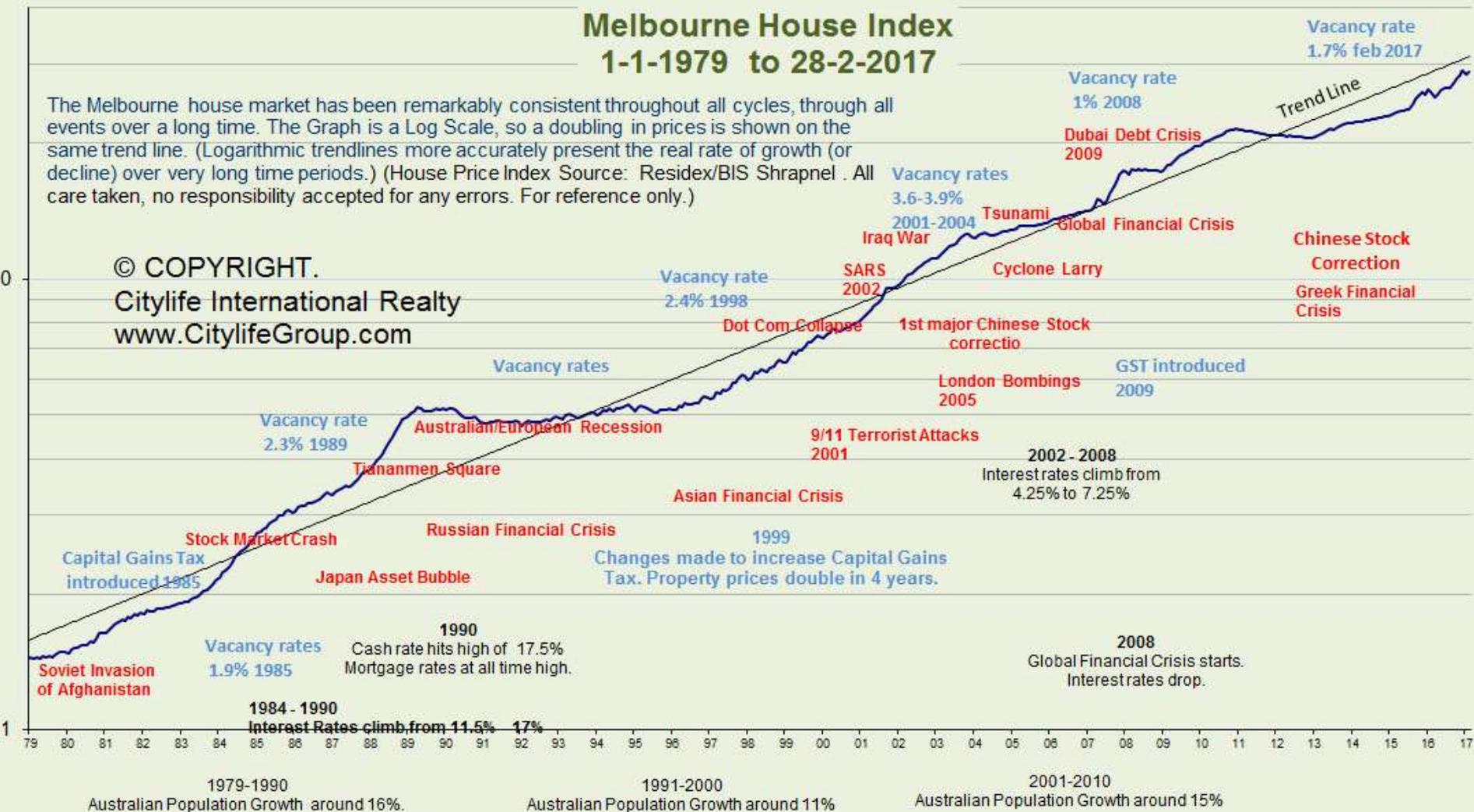


In Q1 2015 Australian house prices were at an all time record high, and still rising...

Melbourne House Index 1-1-1979 to 28-2-2017

The Melbourne house market has been remarkably consistent throughout all cycles, through all events over a long time. The Graph is a Log Scale, so a doubling in prices is shown on the same trend line. (Logarithmic trendlines more accurately present the real rate of growth (or decline) over very long time periods.) (House Price Index Source: Residex/BIS Shrapnel. All care taken, no responsibility accepted for any errors. For reference only.)

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Citylife International Realty
www.CitylifeGroup.com



1979-1990
Australian Population Growth around 16%.

1991-2000
Australian Population Growth around 11%

2001-2010
Australian Population Growth around 15%

SUMMARY OF SOME THE MAJOR THINGS HAPPENING AND ANNOUNCED BY THE VICTORIAN GOVERNMENT AND THE POSSIBLE EFFECT ON THE MARKET AND ADVICE FOR OVERSEAS INVESTORS:



September 2016:

“Today’s prices are tomorrows bargains”

ITEM: Central City planning changes to limit supply of future super towers, and lower height buildings overall as well as other changes.

LIKELY EFFECT: Melbourne CBD will see far less apartments, and those approved will be more liveable, and be more expensive.

OVERSEAS INVESTORS: If your Melbourne apartment is suitable for future owner occupiers you should NOT sell, as it is likely it will be in strong demand in the future, both for sale and for tenants. No action should be taken. But if your apartment is a tiny studio, with no car parking, it is likely you will still enjoy better rent over coming years. But you are unlikely to see much capital growth as these properties will not be popular with owner occupiers and first home buyers.

1 March 2017:

Today's prices are tomorrows bargains"

ITEM: Better Apartments Design Standards introduced to improve the liveability and sustainability of apartments in Victoria.

LIKELY EFFECT: Apartments will become more expensive for developers to build. Some projects may be shelved, or prices will be higher. Poor quality projects and poorly designed apartments will struggle to get approved. Supply will drop, especially at the cheaper end of the market.

OVERSEAS INVESTORS: Will no longer be able to buy cheaper apartments especially in the CBD. But they will benefit from buying better quality apartments that can be resold later to owner occupiers.

Commencing 1 July 2017:

ITEM: Stamp duty abolished for first time buyers below \$600,000. Between \$600,000 and \$750,000 also a concession, applied on a sliding scale. Both new and established properties under \$750,000. Full SD over \$750,000.

LIKELY EFFECT: First time buyers are NOT buying now. (They are waiting until July 1) After July 1 first time buyers will flood the market on properties below \$600,000. Prices will start to rise. There will be a ripple effect into the higher prices.

OVERSEAS INVESTORS: No effect/ no benefit unless migrating.

Commencing 1 July 2017:

Today's prices are tomorrows bargains”

ITEM: Off-the-plan stamp duty concession removed for all investors.

LIKELY EFFECT: Before July 1 there will be a rush of investors buying new off the plan properties to take advantage of the stamp duty benefits.

OVERSEAS INVESTORS: Should buy an off-plan apartment before 1 July 2017 to make substantial savings that will not be available after July



Commencing 1 July 2017:

ITEM: Introduction of a tax on vacant residential properties – the tax will be levied on dwellings left vacant for more than six months in a calendar year; amount is one per cent on the value.

LIKELY EFFECT: No effect.

OVERSEAS INVESTORS: No action



Commencing 1 July 2017:

ITEM: The first homeowners grant in country areas of Victoria increased from \$10,000 to \$20,000 for first home buyers building new homes valued up to \$750,000.

LIKELY EFFECT: Lower priced houses in the regional areas of Victoria will become more affordable for first time buyers.

OVERSEAS INVESTORS: No action or effect.



MARKET TRENDS AFTER 1 JULY 2017 :

LIKELY EFFECT: There will be less investment activity, especially from overseas buyers who didn't buy before July 1 and so missed the stamp duty saving. Rents will rise as supply of rental property supplied by investors will drop. Many developers will shelve projects, especially the lower quality projects aimed at investors. Overseas investors are likely in the short term to turn to other cities like Brisbane.

OVERSEAS INVESTORS: Buy a good quality off plan property before 1 July to enjoy the stamp duty benefits and the forthcoming price and rent rises.



1 JANUARY 2018 ON:

ITEM: Establishment of HomesVic, the opportunity for first home buyers to co-purchase their property with the Victorian Government. From 1 January 2018, first time buyers will be able to apply for HomesVic to take a share of their home purchase of up to 25 %. Available to couples earning up to \$95,000 per year and singles earning up to \$75,000. When homes are sold, HomesVic will recover its share of the equity and reinvest. Buyers must have a minimum of five per cent deposit.

LIKELY EFFECT: Even more first time buyers enter the market especially on the lower price range. Prices will likely rise.

OVERSEAS INVESTORS: No action or effect.

EXECUTIVE SUMMARY:

There will be (already being seen) a rush of investors buying off the plan investment properties before July 1, 2017.

After July 1 investors will dry up for a period, and be replaced with a rush of the first time buyers who have been waiting in the wings.

This will have the effect of pushing up properties below \$750k, which will have a ripple effect upwards pushing all prices up.

With foreign investors especially out of the market for a period after July 1, developers will shelve/cancel abandon many of the poorer projects.

Continued....

Combined with the new height restrictions in the CBD, as well as the Better Apartments Policy, many new projects also will never start. Better projects will appear, and will be more expensive to build, again pushing prices up.

Rents will go up. Melbourne already has a rents crisis, with very low vacancy rates at just 2%, the same as Sydney. Even the Melbourne CBD is now only at 3.4%, down from 8.9% in Jan 2014.

It is well recognized that vacancy rates below 3-4% means there is little rental property available.

Poorly designed projects aimed at investors, not owner occupiers, will never start. This will have a further effect of improving the market by limiting future supply with the better projects/apartments in higher demand.

Continued...

After rents start rising and vacancy rates drop even further there could be a social backlash against the changes and policy. Media attention will focus on the rents crisis.

If rents go up first, values will follow.

It is highly likely Melbourne could see a shortage of new quality apartments within a few years.

Prices will rise: Every property observer who understands the market agrees that the stamp duty changes will likely only **drive up** the price of property.

The changes the government has made will severely restrict supply in an environment when demand is still strong leading to only one thing... **price rises**

Today's prices are tomorrows bargains"

WINNERS WILL BE:

- Those already with good quality properties suitable for owner occupiers.
- Investors who secure a good property aimed at owner occupiers before 1 July.
- All landlords, as rents will go up.
- Prices will rise for the better apartments.
- After 1 July, other cities like Brisbane could benefit

LOSERS WILL BE:

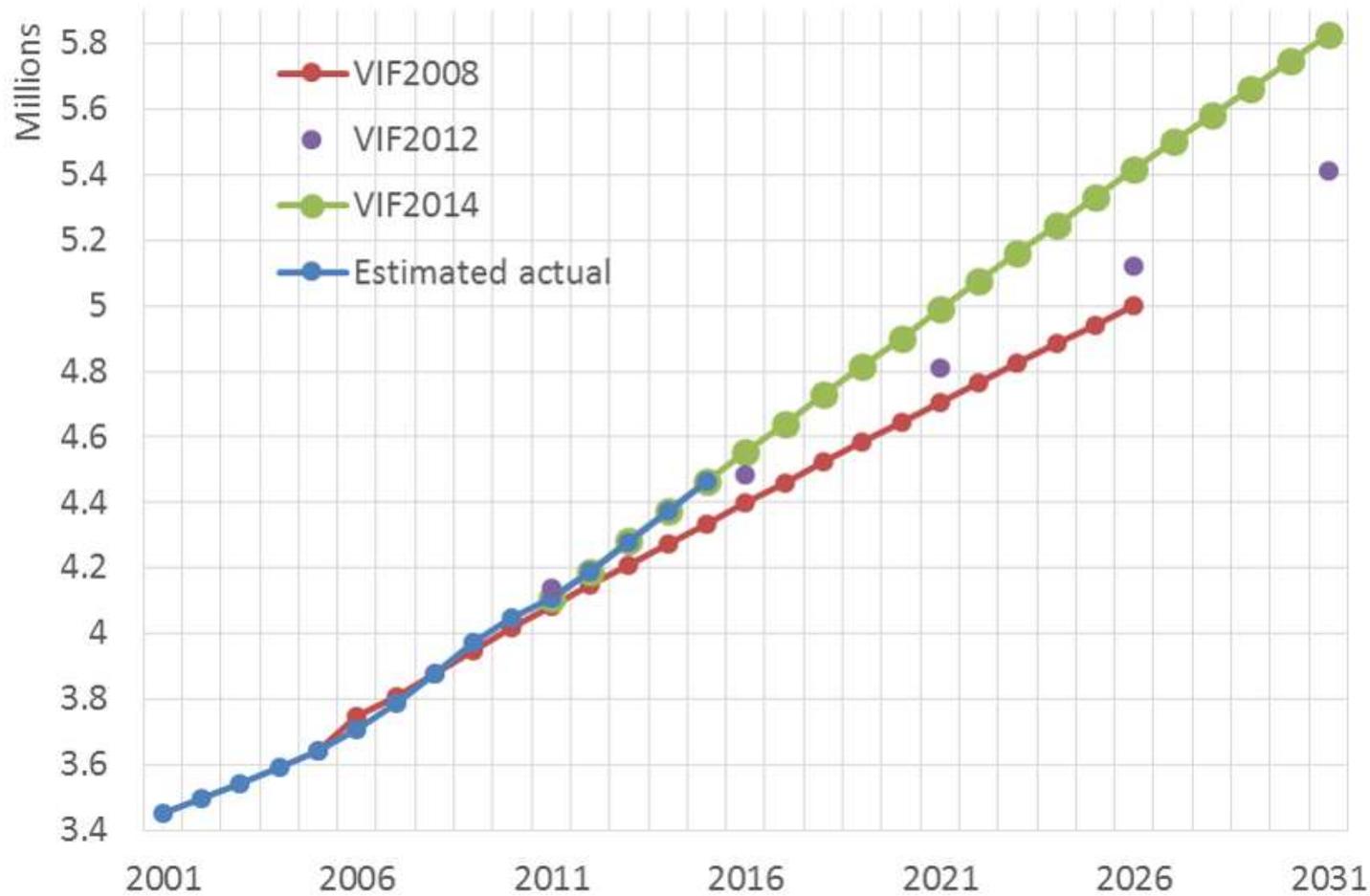
- Those who already own poor quality, or small, apartments in mass produced blocks. (As owner occupiers and first home buyers will be the main buyers through 2018-2020)
- Those yet to buy in Melbourne and who don't make a decision before 1 July.
- Those who make a decision before 1 July, but select a poor, investor type apartment.
- Those waiting for the bargains and "market collapse" in Melbourne, as it is unlikely to happen.

ACTIONS TO TAKE NOW TO BENEFIT:

-**Purchase** a quality apartment in Melbourne off-the-plan before 1 July that is suitable in the future for owner occupiers. You will benefit from Stamp Duty savings and the forthcoming rental and price rises.

-**Avoid** house and land in outer suburbs as a foreign investor as construction loans are not available and supply is going to be greatly increased in the cheaper end of the market.

Melbourne LGAs estimated and projected population



PAST 20 YEARS FEB 1997-FEB 2017:

Growth has been : **426%**

If you put 30% deposit and borrowed the balance, your return is over 1,000%

Next 20 years?

**Even if only HALF as good,
STILL sensational!**

“FITZROY NORTH IS THE HOTTEST SUBURB IN VICTORIA”

Paul Lunardi, Managing Director of Nelson Alexander said he expected Fitzroy North to take the top spot as it was very popular among potential buyers.

He said the location normally attracts different types of buyers ranging from the first, second and third time buyers.

Certain factors were attributed to the Fitzroy North's popularity.

These include its close proximity to the city, hospitals and universities as well as the tranquil environment it provides to potential buyers.







With an expansive podium-level terrace space on level 8, offering views of the CBD, the common areas are bright, spacious and considered, providing a functional space for all residents.



Outdoor terrace is designed to take advantage of natural light, air and views, whilst retaining seclusion and shade.

HEDGELEY

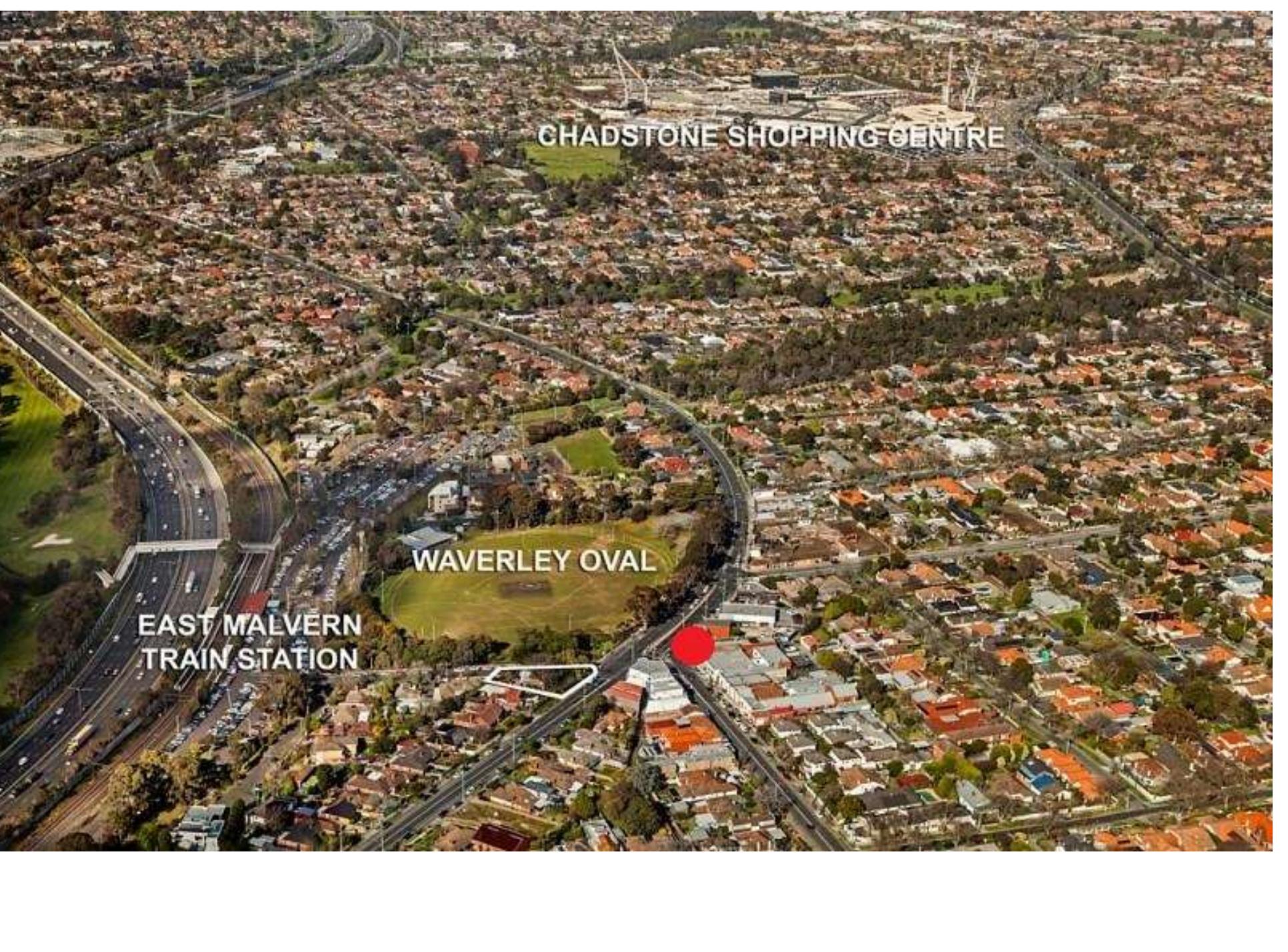
MALVERN EAST

LITTLE
PROJECTS

HEDGELEY, Malvern East

Outstanding Location





CHADSTONE SHOPPING CENTRE

WAVERLEY OVAL

EAST MALVERN
TRAIN STATION

Chadstone Shopping Centre

AUSTRALIA'S LARGEST AND MOST PRESTIGIOUS SHOPPING CENTRE IS ONLY 7 MINUTES AWAY.

Chadstone Shopping Centre has just completed a \$660million makeover. The centre now spans 21 hectares and has over 530 stores.

Additional shopping amenities include:

- Springvale Homemaker Centre
- Waverley Gardens Shopping Centre
- The Glen at Glen Waverley



7 min drive
from Chadstone –
Australia's largest
and most luxurious
shopping centre.

CHADSTONE SHOPPING CENTRE
HAS JUST UNDERGONE A

\$660M makeover

making it now a 21 hectare mecca, with
every conceivable luxury brand represented,
now including high end dining and a hotel.

NORTH FACING FACADE



ARTIST IMPRESSION

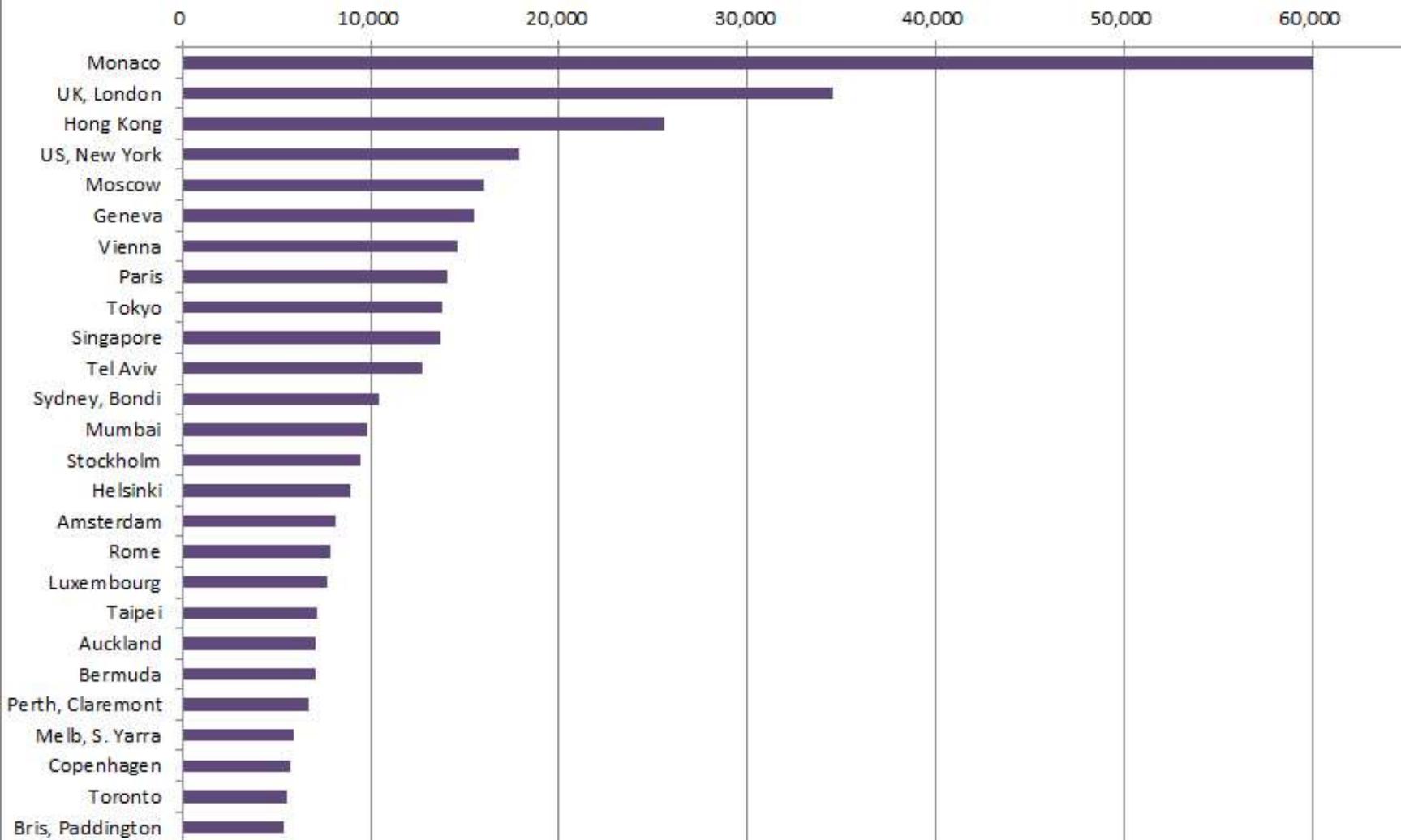
RESIDENTS LOUNGE



ARTIST IMPRESSION



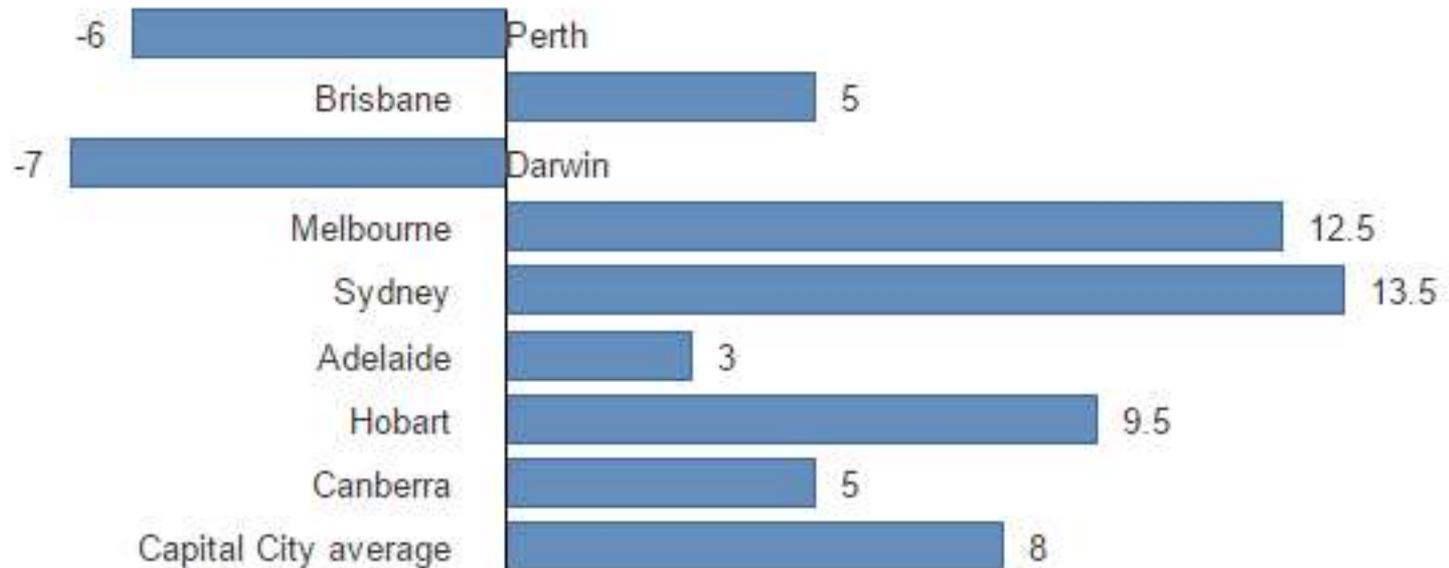
Worlds Most Expensive Cities in US\$ per square Metre



Source: Updated 2016: Global Property Guide: World's most expensive cities, based on average USD secondary sale price for a 80-120 sqm. 2-3 bedroom apartment in inner city locations, and may not include recent surges (or falls) in prices. (New projects can be significantly more expensive). Exchange rates affects the prices also. Australian cities from SQM research.

SQM Research 2017 property price forecasts

Scenario 1 (base case)



Midpoint of SQM's forecast range

Source: [SQM Research](#)

NEW E-BOOK...

www.Buy4Properties.com





If you wait until the wind and the weather are just right, you will never plant anything and never harvest anything.

(Bible)

izquotes.com

