

The White Paper

News and views from a real estate agent
October 2014

What happened to the markets in September?

It seems to be that time in every property cycle when fears become a chorus of describing the existing property market as dangerous - for individuals and for our nations.

It only seems yesterday when all the talk was "how can we recreate interest in the languished real estate sector?" "How depressing for everyone is a property market showing no growth or sustained strength?"

Well, we now have it. In Australia, one-and-a-half great years. In New Zealand, they're approaching three years of wonderful activity.

Spring is the best season for selling residential real estate and Ray White's opening month of spring in September 2014 - with a result of \$3.1 billion - put a smile on our faces.

We're seeing it everywhere. Massive increases in the number of residential high rise products being released and absorbed. What a transformation is happening in the inner city markets of Sydney, Brisbane and Melbourne.

Over the last month, Loan Market has settled close to \$1.2 billion in mortgages across both Australia and New Zealand. Interest rates, particularly fixed rates remain low and activity is strong, especially in NSW.

There has been a lot of talk recently in Australia about the Reserve Bank introducing macro prudential tools which would have the effect of curbing lending, particularly to investors, rather than raising of rates as a way to slow down what they perceive as a strong real estate market. NZ introduced such tools last year. Broadly we support such measures rather than using the club of interest rates, although if the RBA do this we would urge them not to penalise first home buyers from entering into the market as has been the effect in NZ.

Perhaps the most encouraging news of the month was the re-election of John Key, New Zealand Prime Minister. Strong leadership leads to a strong economy. Everyone wins.

What's new at Ray White

The announcement that, subject to receiving approval from ASIC, we were planning to launch the company's new financial planning business called the Wealth Market caused a great deal of market comment.

"What's a real estate agent doing in this space?!" There was little regard for the fact that this will be a logical development from the family's specialist Loan Market business - a separate entity established twenty years ago to provide mortgage services to the group's clients.

Wealth Market will be a new business owned by Loan Market. We believe it is appropriate than when a client takes out a new mortgage then they should at least have the option of taking out protection so that the family home is not lost should a tragedy strike. We think it is an important component of responsible lending.

Wealth Market will be one of the first dealer groups to be created post FOFA legislation designed to clean up the financial planning industry. It will have no legacy, no grandfathering and no conflict - there will be no product providers that will be shareholders in this group.

Launching post FOFA also means there will be no commissions received by us from product manufacturers. In addition our planners will not be able to offer direct property as an investment options to their clients.

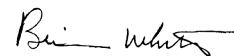
Our ambition is that Wealth Market will bring transparency to an industry that has been tarnished by conflicts and the ability for clients to make an informed choice about their options for creating wealth. We lodged our application for our dealers licence with ASIC in July.

There were a number of celebrations during the month: Geoff Schell endorsed Ray White Rural's 20th year with the remarkable sale of the iconic Collinsville Station and stud; 21 years since the group committed to New Zealand; our Ray White Double Bay flagship office repositioned in the most dramatic premises imaginable. They celebrated further with a string of major transactions - the biggest sale being well over \$30 million. In a sale that is still confidential, Ray White has sold the highest valued home ever sold in Brisbane.

Some of our recent commercial results have been quite remarkable. In the largest pub transaction this year, the iconic Northies Cronulla Hotel and the Mona Vale Hotel were sold for a combined \$55 million by Andrew Jolliffe. Such was the interest created by the marketing of the properties, that the sale was concluded before the closing date of the campaign.

The sale of CWA's property in Potts Point, Sydney by Jeff Moxham brought a huge amount of interest from local and international property developers, and was sold quickly and well above initial expectations, for \$18.4 million.

Channel 9's The Block Glasshouse auctions are set for 11 October. Matt White, Ray White's great grandson, is selling for contestants Michael and Carlene. You can view their property at www.raywhitetheblock.com



Brian White
Joint Chairman
Ray White Group

