



GABRIEL & PARTNERS

NEWSLETTER

trends...tread carefully on property



A topic close to the hearts of most Australians is house prices. We have one of the highest levels of home ownership in the world – 85% of all occupied dwellings are houses, and 90% of the population lives in separate houses and semi-detached, row or terrace houses.

Apartments, units and flats account for just under 9% and other dwellings including caravans, cabins and boats a little over 1%. For most Australians, most of their household wealth resides in the family home.

Much has been written about the latest residential property boom in Australia and some outrageous claims have been made in the past 12 months about property and property prices. How is it possible to sort fact from fiction? The Australian Bureau of Statistics releases a house price index for each capital city, and the consumer price index for each state capital. This makes it possible to calculate the real return after inflation.

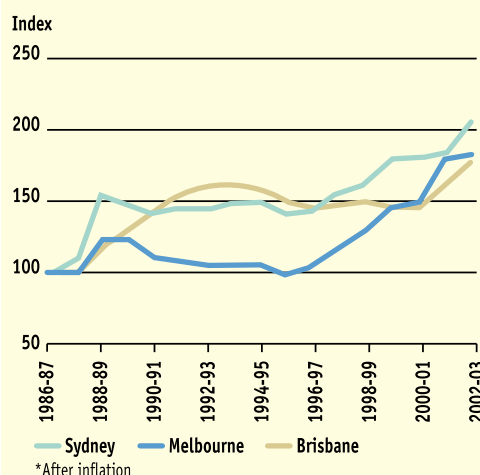
First, a qualification. The data reviewed here is for separate, established houses and excludes new project homes and flats, units and apartments. The data covers the period from 1986-87 to the first half of 2002-03. I have assumed prices will flatten over the next six months and that the return for the six months to December, 2002 indicates the likely return for the full financial year.

The chart shows the last two residential housing price booms, and the table shows the real returns by state capital over the past five and 16 years.

What are the conclusions? Sydney remains the top property performer over the longer term, delivering an average annual real rate of return after inflation of 4.5% over the past 16 years. Hobart has been the worst performer over the long term, with a real return of 0.32% followed by Adelaide with 1.05%. Melbourne has enjoyed the highest returns during this cycle, with a real average annual return of 9.1% over the past five years. This partly reflects a catch-up. Melbourne had the sharpest fall in prices after the previous property peak, in 1989-90, and remained below trend until 1996-97.

There are some marked differences in the state cycles. Brisbane, for example, did not have the slowdown in the early 1990's and outperformed all other states between 1989-90 and 1993-94. After that, prices fell in real terms until 2000-01.

CAPITAL GAINS* Largest house price increases



Residential property cycles tend to run for 10-12 years. Property booms usually start late in the decade. For example, the late 1970's, the late 1980's and the late 1990's were periods of strong real price increases. The peaks are usually followed by periods of falling or more subdued price growth. The low point for real residential property values usually happen about the mid-point of the following decade. Now that we are in early 2003, it is clearly time to be cautious.

LEADERS OF THE PACK

Housing returns by state capital*

CAPITAL CITY	JUNE 1998 TO DEC 2002		JUNE 1987 TO DEC 2002	
	%	RANK	%	RANK
Sydney	5.41	2	4.50	1
Melbourne	9.12	1	3.81	2
Brisbane	3.79	4	3.66	3
Adelaide	5.37	3	1.05	7
Perth	3.47	5	2.85	4
Hobart	0.76	7	0.32	8
Darwin	-1.2	8	2.60	5
Canberra	1.88	6	1.75	6

*Annual average real returns

This article, written by Jennifer Mead, director of Getwise, has been reproduced with her authority.



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HOME &
INVESTMENT
finance

We have recently joined the private **Lawfund** group that provides extremely competitive finance for all types of private and investment mortgage loans.

Lawfund has access to some 32 finance providers, including all the major banks and is only available through accountants or solicitors.

We are confident that **Lawfund's** independence will provide the most efficient and economical solution to obtaining mortgage finance and it can be arranged through our office thereby avoiding many of the problems associated with the providing of financial information.

We recommend **Lawfund** as a source of finance for any family member.

Additional information can be obtained from your normal contact at our office.

farewell Amanda...
welcome Tyson...

As many of you may or may not be aware Amanda, our receptionist at the front desk, resigned after almost 8 years with us, to start a family. She and her husband Tim are now the proud parents of a healthy baby boy, Tyson Duke Gosby born on 6 April, 2003, and "weighing" in at 7lbs 10oz (definitely the term to use for a little guy named Tyson).

We wish Amanda and her family all the best for the future. Her smiling face and friendly greetings will be greatly missed however she has been replaced by Brooke, another smiley face, who was Amanda's assistant.

Our latest staff member at reception is Lauren who will now be Brooke's assistant.



BRACKET CREEP

A new study argues that in spite of the goods and services tax and tax reform, high tax rates are increasingly hitting ordinary Australians. According to the study, by 2004 more than 30% of Australian taxpayers will face marginal tax rates of more than 43.5%. The report says Australians will pay a record 31.8% of gross domestic product in taxes of all kinds this year, higher than before the new tax system.

TOP MARGINAL TAX RATE TRENDS FOR SELECTED ECONOMIES

	Current top marginal rate %	Proposed top marginal rate %	Income threshold \$A
Australia	48.5	48.5	60,000
Canada	45.7	45.7	114,800
France	52.75	Cut by a third by 2005	82,600
Germany	48.5	42	98,000
Hong Kong	15	15	330,900
Ireland	42	42	106,900
New Zealand	39	39	53,400
Singapore	26	20	323,400
United Kingdom	40	40	83,900
United States	47.4	44.3	549,100
	(includes state tax)		(estimates)

Source: Australian Taxation in an International Context

Alive and Well

"DOB IN
a TAX CHEAT"

It is interesting to note that tax office publications are now promoting the reporting of tax evasion. The ATO newsletter that accompanied the last BAS included the following:

Reporting tax evasion

If you think someone might be deliberately evading tax, let us know. If a business is not giving receipts, using a false ABN, not providing payment summaries or claiming private expenses as business deductions, then they may be evading tax.

Phone us on our evasion hotline on 1800 060 062. Confidentiality is assured.



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