

Reply to Melbourne – City Office

14 December 2006

Mr Paul Gillett  
Solicitor  
Consumer Credit Legal Service  
Level 7, 459 Little Collins Street  
MELBOURNE 3000

Dear Paul

**RE: Vendor Terms - Property Market Context**

**1. INTRODUCTION**

Charter Keck Cramer has been instructed by the Consumer Credit Legal Service (CCLS) to provide an independent assessment of the residential property market context in several suburbs of Regional Cities where there have been incidences of properties being sold subject to vendor terms contracts.

The research is based around the analysis of several specific vendor terms property sales that have been provided by CCLS as examples of the general financial gains available to purchasers of properties under vendor terms arrangements. The specific transactions are considered with respect to other sales that have occurred in the same locality so as to determine their extent of representativeness of that property market. The specific examples provided by CCLS included:

- Maple Avenue, Wendouree;
- Billingsley Court Morewell;
- Valentine Street, Bendigo;
- Washington Street Traralgon.

**2. METHODOLOGY**

In order to undertake this analysis, all residential sales for the relevant streets since 1975 were sourced from PRISM which is a database managed by the Office of Valuer General of all property sales across Victoria.

The resultant data was reviewed and all repeat sales were then identified so as to enable an analysis of capital value change of the same property over time. This is perhaps a more specific measure of underlying property value changes although it must be noted that some properties may be renovated and refurbished between sales which will improve the resultant sale price but the data does not identify where there was any significant capital works done between sales.

Given the relatively low sample sizes associated with the analysis of sales information at a street level, analysis of property value movements was also undertaken at a suburb level. The annual median values of properties classified as Houses (so as to exclude flats, townhouses, farms and other property classifications) since 1975 was analysed. In addition, the value of house sales equating to the 10<sup>th</sup> and 25<sup>th</sup> percentiles for each year were also determined.

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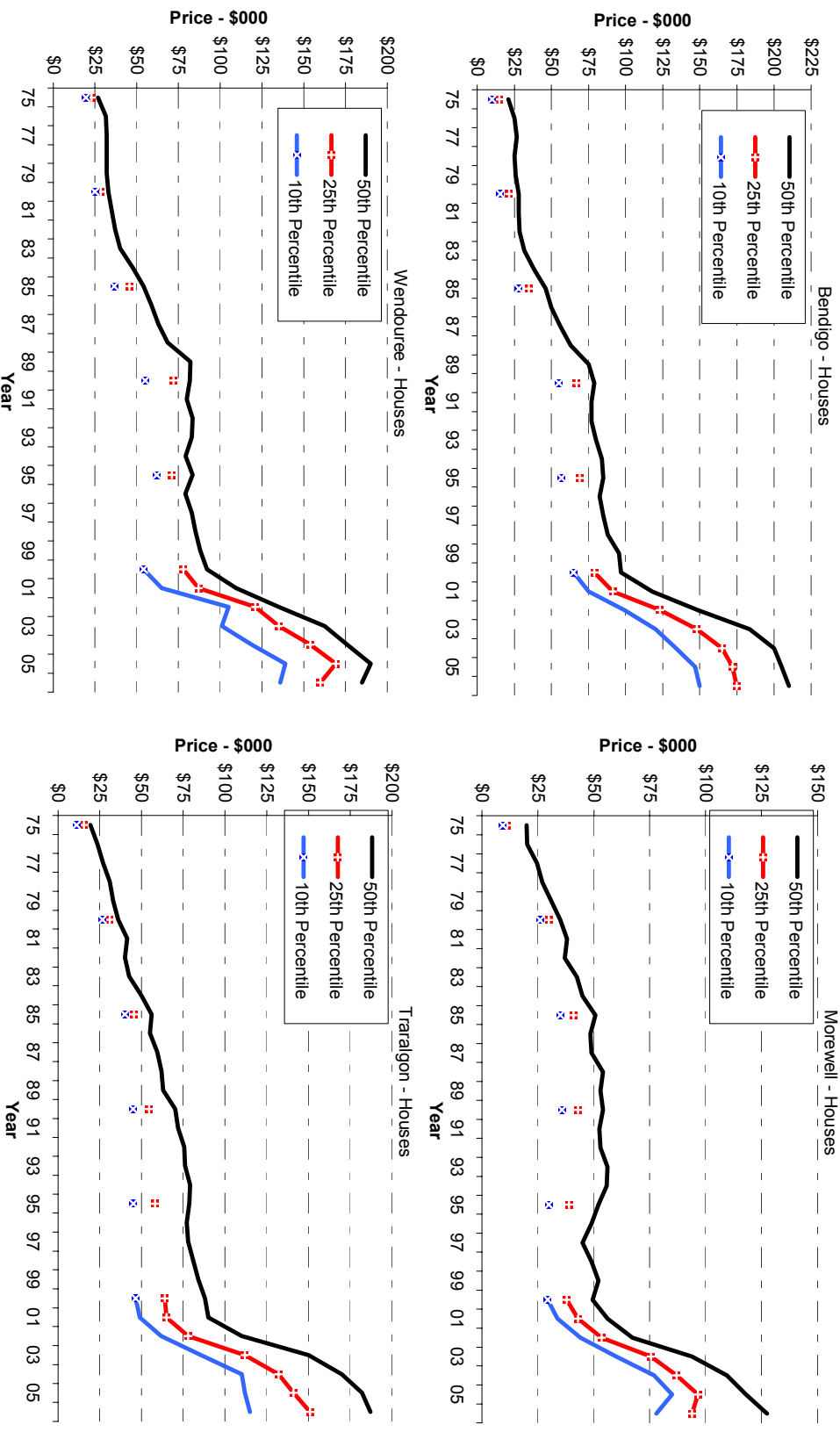


### 3. OUTCOMES

#### 3.1 SUBURB ANALYSIS

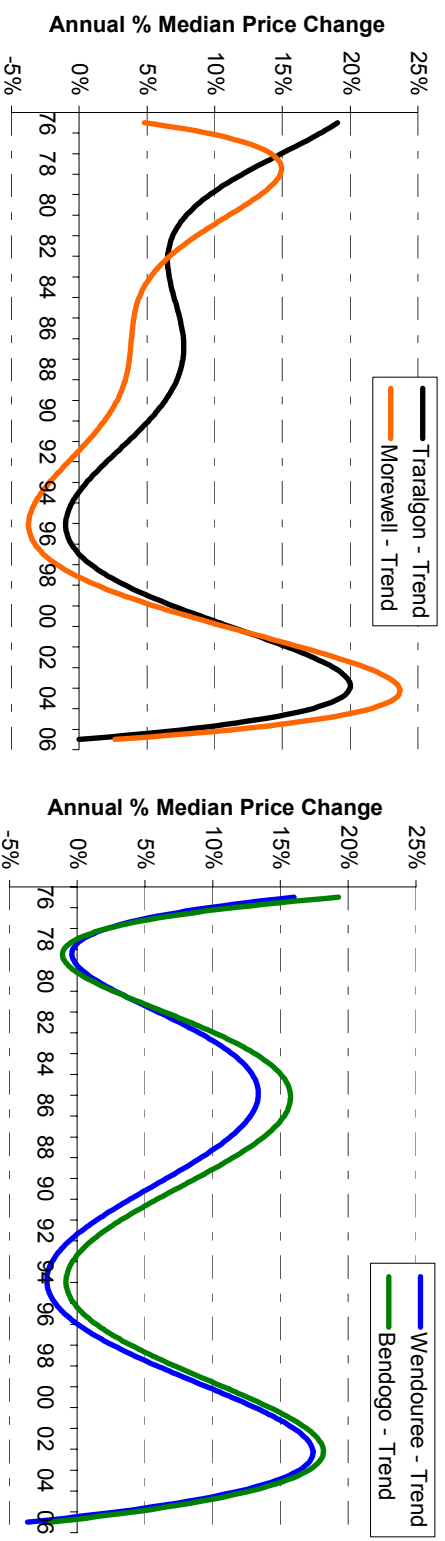
It is clear that suburb has experienced a nominal increase in property values over the longer term with this growth being most pronounced since 2000 after a long period of stagnation through the 1990s. Price movements at the lower end of the market (represented by the 10<sup>th</sup> and 25<sup>th</sup> percentile prices) indicates that whilst they have generally been following in the direction of the median price, the differential between them has grown with the rate of price growth in 2005 and 2006 (preliminary) being much flatter or negative when compared to that of the median price. It suggests stronger performance at the upper end of the local markets. In recent years the differential between the 10<sup>th</sup> and 50<sup>th</sup> (median) percentiles has been around \$50,000 in each sub-market.

**Figure 1: Houses – 10<sup>th</sup>, 25<sup>th</sup> and 50<sup>th</sup> (median) prices**



Interestingly, there has been distinct differences in the property market cycles (as indicated in the figure below) between Bendigo and Wedourae relative to Morewell and Traralgon with the latter not experiencing the same uplift in values during the 1980s and structural economic changes across the La Trobe Valley region having a greater effect upon the local housing markets through the 1990s.

**Figure 2: Median House Price changes**



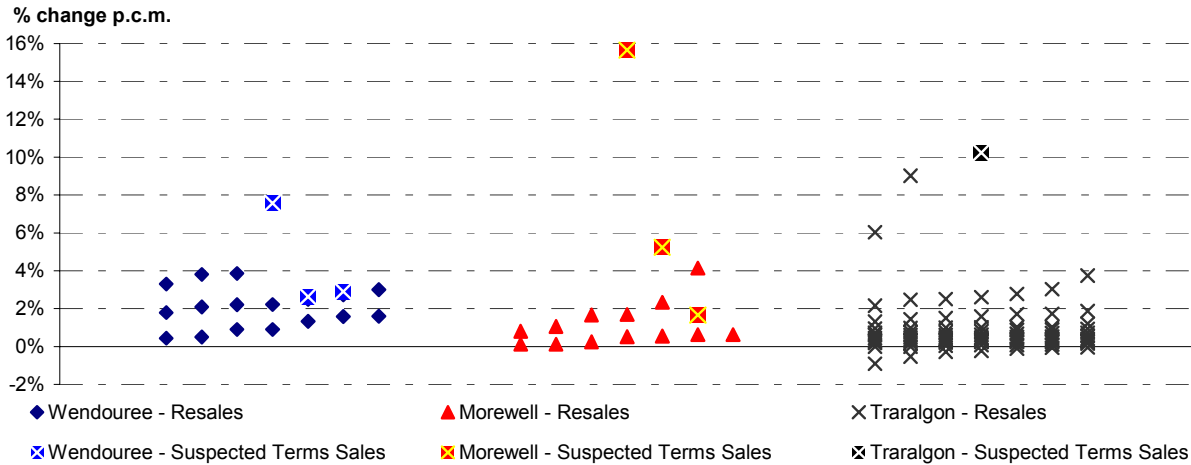
There has been significant variation in the year-on-year change in median prices across the suburbs with the range being between -10% to +40%. Between 1975 and 2006, the average annual change has however ranged between 6% - 7% p.a. across each suburb with distinctly stronger growth in 2000 – 2006 period of between 12% to 17% p.a. as compared to the preceding 1995 – 2000 period where the average annual change in medians ranged between -1% and 3% p.a..

### 3.2 INDIVIDUAL PROPERTY RESALES

Based upon the analysis of property transactions in the selected streets it has been found that there have 114 resales relating to 53 properties which have been resold over the study period. Of these 53 properties, it appears that there were 6 properties that have been subject to vendor terms sales (excluding vendor terms sales by government authorities such as the former State Electricity Commission). The suspected vendor terms transactions have been determined with reference to the parties involved such as a known vendor terms company buying and then selling to a private individual with a very short timeframe of a few months and at a significant premium.

The change in price has been measured on an average per calendar month (p.c.m.) basis so as to reflect the high increase and quick turnaround apparent in the vendor terms sales. Across the 114 observed resale transactions, the median price change was 0.75% p.c.m (equating to around 9% p.a. which is higher than observed at a suburb level but expected given the smaller sample). The middle band of resales (between the upper and lower quartiles) was 0.32% and 1.72% p.c.m.. With regards to the suspected vendor terms sales, it is significant that they were all in the upper quartile of price changes with 4 of the sales achieving growth of between 5% and 16% p.c.m.

**Figure 3: Individual property resales - Change in sale price (% change per calendar month)**



Interestingly, it is also observed that the purchasers associated with suspected vendor terms contracts have generally resold the property and also achieved strong price growth which ranged between 0.9% p.c.m. to 5.2% p.c.m. with the length of their holding period ranging between 2 months (4.1% p.c.m. gain) to 51 months (0.9% p.c.m. gain). Given that the suspected vendor terms transactions all took place in the recent house price boom, it should be noted that the strong price growth of subsequent sale is most likely the result of underlying market forces rather than those properties having been undervalued upon purchase (from the vendor finance provider).

Another issue when considering the identified streets is the representativeness of the underlying property values relative to the suburb within which they are located. In order to test this factor, the prices of repeat sales were compared against the median price of houses in the relevant suburb in the year of sale. It is found that:

- Maple Avenue, Wendouree: Sales prices in Maple Street were found to be 50% lower, on average, than the value of the prevailing median prices for the suburb of Wendouree over time;
- Billingsley Court, Morewell: Sales prices in Billingsley Court were found to be approximately 25% lower, on average, than the value of the prevailing median price for the suburb of Morewell over time;
- Washington Street, Traralgon: Sales prices in Washington Street were found to be approximately 25% lower, on average, than the value of the prevailing median price for the suburb of Traralgon over time.

It may then be implied that promoters of vendor terms contracts are targeting lower priced properties to offer prospective clients.

A listing of individual property resales within the nominated streets is provided in the following table. It is noted that those sales indicated in **Red** involve the transaction with the suspected vendor terms provider selling the property to a client. Those sales indicated in **Blue** represent the client of the vendor terms provider on-selling the property.

Property Address	Transaction Details	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
<b>Maple Avenue, Wendouree</b>								
37 Maple Av, Wendouree * suspected Terms Sales	Sale Price	\$37,000	\$44,000	<b>\$65,000</b>	<b>\$95,000</b>			
	Sale Date	Nov-96	May-00	<b>Dec-00</b>	<b>Jan-05</b>			
	Holding period (months)		43	6	<b>51</b>			
	\$ Change (holding period)		\$7,000	<b>\$21,000</b>	<b>\$30,000</b>			
	% Monthly change (holding period)		0.4%	<b>7.6%</b>	<b>0.9%</b>			
52 Maple Av, Wendouree * suspected Terms Sales	Sale Price	\$32,000	<b>\$65,500</b>	<b>\$120,000</b>				
	Sale Date	Nov-97	<b>Feb-01</b>	<b>Mar-04</b>				
	Holding period (months)		40	<b>38</b>				
	\$ Change (holding period)		<b>\$33,500</b>	<b>\$54,500</b>				
	% Monthly change (holding period)		<b>2.6%</b>	<b>2.2%</b>				
54 Maple Av, Wendouree * suspected Terms Sales	Sale Price	\$41,500	<b>\$81,000</b>	<b>\$118,000</b>	\$132,500			
	Sale Date	Jul-00	<b>Mar-03</b>	<b>May-04</b>	May-06			
	Holding period (months)		33	<b>14</b>	24			
	\$ Change (holding period)		<b>\$39,500</b>	<b>\$37,000</b>	\$14,500			
	% Monthly change (holding period)		<b>2.9%</b>	<b>3.3%</b>	0.5%			

Property Address	Transaction Details	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
56 Maple Av, Wendouree	Sale Price	\$40,500	\$64,000	\$87,000				
	Sale Date	Dec-98	Dec-01	Feb-03				
	Holding period (months)		37	14				
	\$ Change (holding period)		\$23,500	\$23,000				
	% Monthly change (holding period)		1.6%	2.5%				
57 Maple Av, Wendouree	Sale Price	\$35,000	\$82,000	\$104,000				
	Sale Date	Dec-98	Oct-01	Jun-03				
	Holding period (months)		35	20				
	\$ Change (holding period)		\$47,000	\$22,000				
	% Monthly change (holding period)		3.9%	1.3%				
60 Maple Av, Wendouree	Sale Price	\$30,500	\$77,000	\$89,515	\$105,000			
	Sale Date	Jan-97	Jan-03	Oct-03	Mar-04			
	Holding period (months)		73	9	5			
	\$ Change (holding period)		\$46,500	\$12,515	\$15,485			
	% Monthly change (holding period)		2.1%	1.8%	3.8%			
61 Maple Av, Wendouree	Sale Price	\$38,500	\$52,088	\$75,000	\$110,000			
	Sale Date	Aug-99	Aug-00	Dec-01	Apr-04			
	Holding period (months)		12	16	29			
	\$ Change (holding period)		\$13,588	\$22,912	\$35,000			
	% Monthly change (holding period)		3.0%	2.7%	1.6%			
66 Maple Av, Wendouree	Sale Price	\$25,000	\$47,000	\$128,000				
	Sale Date	Nov-85	Feb-89	Aug-04				
	Holding period (months)		40	190				
	\$ Change (holding period)		\$22,000	\$81,000				
	% Monthly change (holding period)		2.2%	0.9%				
<b>Maple Avenue, Wendouree</b>								
20 Billingsley Ct, Morwell * suspected Terms Sales	Sale Price	\$45,000	\$54,000	<b>\$72,765</b>	<b>\$80,000</b>			
	Sale Date	Nov-00	Jul-01	<b>Apr-03</b>	<b>Jun-03</b>			
	Holding period (months)		9	21	2			
	\$ Change (holding period)		\$9,000	<b>\$18,765</b>	<b>\$7,235</b>			
	% Monthly change (holding period)		2.3%	<b>1.7%</b>	<b>4.1%</b>			
11 Billingsley Ct, Morwell * suspected Terms Sales	Sale Price	\$57,500	<b>\$77,000</b>	<b>\$135,000</b>				
	Sale Date	Nov-04	<b>Jan-05</b>	<b>Mar-06</b>				
	Holding period (months)		<b>2</b>	<b>14</b>				
	\$ Change (holding period)		<b>\$19,500</b>	<b>\$58,000</b>				
	% Monthly change (holding period)		<b>15.7%</b>	<b>5.2%</b>				
4 Billingsley Ct, Morwell	Sale Price	\$11,784	\$28,000					
	Sale Date	May-76	Jan-94					
	Holding period (months)		216					
	\$ Change (holding period)		\$16,216					
	% Monthly change (holding period)		0.6%					
5 Billingsley Ct, Morwell	Sale Price	\$36,000	\$38,200					
	Sale Date	Jan-86	Jan-88					
	Holding period (months)		24					
	\$ Change (holding period)		\$2,200					
	% Monthly change (holding period)		0.3%					
7 Billingsley Ct, Morwell	Sale Price	\$16,500	\$35,500					
	Sale Date	Jul-78	Sep-96					
	Holding period (months)		221					
	\$ Change (holding period)		\$19,000					
	% Monthly change (holding period)		0.5%					
8 Billingsley Ct, Morwell	Sale Price	\$13,800	\$37,000	\$38,000				
	Sale Date	Jan-76	Dec-92	Oct-94				
	Holding period (months)		207	23				
	\$ Change (holding period)		\$23,200	\$1,000				
	% Monthly change (holding period)		0.8%	0.1%				

Property Address	Transaction Details	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
9 Billingsley Ct, Morwell	Sale Price	\$32,000	\$27,000					
	Sale Date	Oct-84	Jan-93					
	Holding period (months)		100					
	\$ Change (holding period)		-\$5,000					
	% Monthly change (holding period)		1.1%					
12 Billingsley Ct, Morwell	Sale Price	\$23,500	\$37,500	\$66,000				
	Sale Date	Oct-81	Aug-84	Jul-94				
	Holding period (months)		35	120				
	\$ Change (holding period)		\$14,000	\$28,500				
	% Monthly change (holding period)		1.7%	0.6%				
15 Billingsley Ct, Morwell	Sale Price	\$67,000	\$75,000					
	Sale Date	Mar-94	Jun-01					
	Holding period (months)		89					
	\$ Change (holding period)		\$8,000					
	% Monthly change (holding period)		0.1%					
16 Billingsley Ct, Morwell	Sale Price	\$37,500	\$86,000					
	Sale Date	Sep-94	Feb-01					
	Holding period (months)		77					
	\$ Change (holding period)		\$48,500					
	% Monthly change (holding period)		1.7%					
17 Billingsley Ct, Morwell	Sale Price	\$27,150	\$39,500					
	Sale Date	Oct-75	Jul-82					
	Holding period (months)		82					
	\$ Change (holding period)		\$12,350					
	% Monthly change (holding period)		0.6%					
<b>Washington Street, Traralgon</b>								
46 Washington St, Traralgon * suspected Terms Sales	Sale Price	\$65,000	\$57,000	<b>\$71,000</b>				
	Sale Date	Sep-95	May-00	<b>Jul-00</b>				
	Holding period (months)		56	<b>2</b>				
	\$ Change (holding period)		-\$8,000	<b>\$14,000</b>				
	% Monthly change (holding period)		-0.2%	<b>10.2%</b>				
7 Washington St, Traralgon	Sale Price	\$35,700	\$55,000	\$63,000	\$90,000			
	Sale Date	Dec-84	Aug-95	Sep-99	Feb-03			
	Holding period (months)		130	50	42			
	\$ Change (holding period)		\$19,300	\$8,000	\$27,000			
	% Monthly change (holding period)		0.4%	0.3%	1.0%			
13 Washington St, Traralgon	Sale Price	\$26,750	\$39,000	\$49,000				
	Sale Date	Jul-79	Aug-84	Jan-87				
	Holding period (months)		63	28				
	\$ Change (holding period)		\$12,250	\$10,000				
	% Monthly change (holding period)		0.7%	0.9%				
15 Washington St, Traralgon	Sale Price	\$25,200	\$35,000	\$35,000	\$42,500	\$44,000		
	Sale Date	Jan-83	Jun-84	Jan-89	Apr-93	35319		
	Holding period (months)		18	55	52	41		
	\$ Change (holding period)		\$9,800	\$0	\$7,500	\$1,500		
	% Monthly change (holding period)		2.2%	0.0%	0.4%	0.1%		
17 Washington St, Traralgon	Sale Price	\$22,500	\$76,500					
	Sale Date	Apr-77	Jan-03					
	Holding period (months)		313					
	\$ Change (holding period)		\$54,000					
	% Monthly change (holding period)		0.8%					
17 Washington St, Traralgon	Sale Price	\$17,500	\$22,500	\$76,500				
	Sale Date	Dec-76	Apr-77	Jan-03				
	Holding period (months)		5	313				
	\$ Change (holding period)		\$5,000	\$54,000				
	% Monthly change (holding period)		6.0%	0.8%				

Property Address	Transaction Details	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
27 Washington St, Traralgon	Sale Price	\$12,200	\$25,250					
	Sale Date	Mar-75	Aug-78					
	Holding period (months)		41					
	\$ Change (holding period)		\$13,050					
	% Monthly change (holding period)		2.6%					
30 Washington St, Traralgon	Sale Price	\$38,000	\$60,000					
	Sale Date	May-78	Sep-98					
	Holding period (months)		248					
	\$ Change (holding period)		\$22,000					
	% Monthly change (holding period)		0.2%					
33 Washington St, Traralgon	Sale Price	\$38,000	\$75,000	\$163,000				
	Sale Date	Feb-94	Dec-01	Jul-04				
	Holding period (months)		95	31				
	\$ Change (holding period)		\$37,000	\$88,000				
	% Monthly change (holding period)		1.0%	3.7%				
34 Washington St, Traralgon	Sale Price	\$36,500	\$57,000	\$132,000				
	Sale Date	Jul-95	Jun-00	May-04				
	Holding period (months)		60	47				
	\$ Change (holding period)		\$20,500	\$75,000				
	% Monthly change (holding period)		0.9%	2.8%				
35 Washington St, Traralgon	Sale Price	\$56,500	\$64,000					
	Sale Date	Jul-98	Nov-01					
	Holding period (months)		41					
	\$ Change (holding period)		\$7,500					
	% Monthly change (holding period)		0.3%					
36 Washington St, Traralgon	Sale Price	\$14,000	\$27,500	\$39,000	\$48,500	\$43,500	\$100,000	
	Sale Date	Jan-75	Apr-80	Jan-85	Dec-90	Mar-98	Mar-06	
	Holding period (months)		64	57	73	88	98	
	\$ Change (holding period)		\$13,500	\$11,500	\$9,500	-\$5,000	\$56,500	
	% Monthly change (holding period)		1.5%	0.7%	0.3%	-0.1%	1.3%	
37 Washington St, Traralgon	Sale Price	\$15,000	\$27,500	\$33,250	\$43,500	\$59,000		
	Sale Date	Jan-75	Oct-79	Mar-82	Jun-90	Dec-99		
	Holding period (months)		58	30	100	115		
	\$ Change (holding period)		\$12,500	\$5,750	\$10,250	\$15,500		
	% Monthly change (holding period)		1.4%	0.7%	0.3%	0.3%		
40 Washington St, Traralgon	Sale Price	\$25,000	\$34,500	\$44,000				
	Sale Date	Oct-76	Apr-83	Dec-91				
	Holding period (months)		79	106				
	\$ Change (holding period)		\$9,500	\$9,500				
	% Monthly change (holding period)		0.5%	0.3%				
42 Washington St, Traralgon	Sale Price	\$28,750	\$44,500	\$49,000	\$56,000	\$66,000	\$78,500	\$88,500
	Sale Date	Jan-79	Jan-87	Mar-91	Nov-91	Jun-93	Apr-98	Aug-00
	Holding period (months)		97	51	8	19	59	29
	\$ Change (holding period)		\$15,750	\$4,500	\$7,000	\$10,000	\$12,500	\$10,000
	% Monthly change (holding period)		0.6%	0.2%	1.7%	1.0%	0.3%	0.4%
43 Washington St, Traralgon	Sale Price	\$26,600	\$30,950					
	Sale Date	Jan-79	Nov-81					
	Holding period (months)		34					
	\$ Change (holding period)		\$4,350					
	% Monthly change (holding period)		0.5%					

Property Address	Transaction Details	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
47 Washington St, Traralgon	Sale Price	\$14,800	\$22,500	\$45,000	\$35,000			
	Sale Date	Nov-75	May-76	Oct-92	Oct-94			
	Holding period (months)		6	199	25			
	\$ Change (holding period)		\$7,700	\$22,500	-\$10,000			
	% Monthly change (holding period)		9.0%	0.5%	-0.9%			
49 Washington St, Traralgon	Sale Price	\$9,000	\$43,000	\$40,000	\$114,000			
	Sale Date	Jul-75	Jan-88	Aug-97	Jun-06			
	Holding period (months)		152	117	108			
	\$ Change (holding period)		\$34,000	-\$3,000	\$74,000			
	% Monthly change (holding period)		2.5%	-0.1%	1.7%			
50 Washington St, Traralgon	Sale Price	\$18,450	\$26,500	\$30,500	\$34,500	\$75,000		
	Sale Date	May-75	Sep-79	Dec-80	Sep-83	Feb-02		
	Holding period (months)		53	15	33	225		
	\$ Change (holding period)		\$8,050	\$4,000	\$4,000	\$40,500		
	% Monthly change (holding period)		0.8%	1.0%	0.4%	0.5%		
51 Washington St, Traralgon	Sale Price	\$38,000	\$52,000	\$69,000	\$141,000			
	Sale Date	Jan-85	Mar-94	Aug-00	Dec-05			
	Holding period (months)		111	78	66			
	\$ Change (holding period)		\$14,000	\$17,000	\$72,000			
	% Monthly change (holding period)		0.3%	0.4%	1.6%			
53 Washington St, Traralgon	Sale Price	\$21,250	\$42,500	\$45,000	\$117,000			
	Sale Date	May-76	Sep-84	Jan-89	Dec-03			
	Holding period (months)		102	52	182			
	\$ Change (holding period)		\$21,250	\$2,500	\$72,000			
	% Monthly change (holding period)		1.0%	0.1%	0.9%			
55 Washington St, Traralgon	Sale Price	\$39,500	\$47,000					
	Sale Date	Mar-80	Jul-84					
	Holding period (months)		53					
	\$ Change (holding period)		\$7,500					
	% Monthly change (holding period)		0.4%					
56 Washington St, Traralgon	Sale Price	\$34,000	\$56,000	\$70,000				
	Sale Date	May-83	Jun-94	Oct-02				
	Holding period (months)		135	101				
	\$ Change (holding period)		\$22,000	\$14,000				
	% Monthly change (holding period)		0.5%	0.2%				
57 Washington St, Traralgon	Sale Price	\$40,000	\$76,000	\$76,000	\$70,000			
	Sale Date	May-81	Oct-93	Jul-00	Jan-03			
	Holding period (months)		151	83	30			
	\$ Change (holding period)		\$36,000	\$0	-\$6,000			
	% Monthly change (holding period)		0.6%	0.0%	-0.3%			
58 Washington St, Traralgon	Sale Price	\$33,000	\$46,500	\$56,000				
	Sale Date	Feb-79	Aug-84	Sep-90				
	Holding period (months)		68	74				
	\$ Change (holding period)		\$13,500	\$9,500				
	% Monthly change (holding period)		0.6%	0.3%				
59 Washington St, Traralgon	Sale Price	\$38,000	\$36,000	\$37,500				
	Sale Date	Nov-93	Sep-94	Feb-99				
	Holding period (months)		10	54				
	\$ Change (holding period)		-\$2,000	\$1,500				
	% Monthly change (holding period)		-0.5%	0.1%				



Property Address	Transaction Details	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
61 Washington St, Traralgon	Sale Price	\$48,000	\$127,500	\$136,000				
	Sale Date	Dec-96	Mar-04	Feb-05				
	Holding period (months)		88	11				
	\$ Change (holding period)		\$79,500	\$8,500				
	% Monthly change (holding period)		1.9%	0.6%				
63 Washington St, Traralgon	Sale Price	\$24,300	\$41,700					
	Sale Date	Feb-80	Jan-85					
	Holding period (months)		60					
	\$ Change (holding period)		\$17,400					
	% Monthly change (holding period)		1.2%					
67 Washington St, Traralgon	Sale Price	\$63,000	\$73,000					
	Sale Date	Nov-94	Apr-00					
	Holding period (months)		66					
	\$ Change (holding period)		\$10,000					
	% Monthly change (holding period)		0.2%					
69 Washington St, Traralgon	Sale Price	\$11,000	\$22,000	\$27,000	\$39,000			
	Sale Date	May-75	Feb-78	Dec-79	Jan-89			
	Holding period (months)		33	23	110			
	\$ Change (holding period)		\$11,000	\$5,000	\$12,000			
	% Monthly change (holding period)		3.0%	1.0%	0.4%			
71 Washington St, Traralgon	Sale Price	\$43,500	\$46,000	\$60,000	\$78,500			
	Sale Date	Jan-86	Jan-89	Jan-90	Jan-02			
	Holding period (months)		37	12	146			
	\$ Change (holding period)		\$2,500	\$14,000	\$18,500			
	% Monthly change (holding period)		0.2%	2.5%	0.2%			
72 Washington St, Traralgon	Sale Price	\$52,500	\$51,000					
	Sale Date	Apr-90	Dec-95					
	Holding period (months)		68					
	\$ Change (holding period)		-\$1,500					
	% Monthly change (holding period)		0.0%					
73 Washington St, Traralgon	Sale Price	\$36,500	\$37,000	\$39,000	\$73,500	\$125,000		
	Sale Date	Apr-77	Jun-79	Sep-81	Apr-92	Nov-01		
	Holding period (months)		26	28	128	117		
	\$ Change (holding period)		\$500	\$2,000	\$34,500	\$51,500		
	% Monthly change (holding period)		0.1%	0.2%	0.7%	0.6%		
<b>Valentine Street, Bendigo</b>								
28 Valentine St, Bendigo	Sale Price	\$55,525	\$67,000	\$98,000	\$140,000			
	Sale Date	Sep-90	Mar-97	Oct-01	Jul-02			
	Holding period (months)		79	56	10			
	\$ Change (holding period)		\$11,475	\$31,000	\$42,000			
	% Monthly change (holding period)		0.3%	0.8%	4.4%			

Source: OVG – PRISM, Charter Keck Cramer

### 3.3 CONCLUSIONS

It is highlighted through this analysis that residential property markets have continued to demonstrate volatility and cyclicality which provides interim opportunities for significant capital gains to be made through the choice of timing in purchase and selling of property. It is also demonstrated that the most recent peak phase of the cycle (notionally defined as 2000 – 2003 and delivered very strong price growth of 10 - 15% p.a.) which coincided with the suspected increase in vendor terms financing which was largely driven by purchasers' fears about an impending affordability crisis. The sentiment about this issue during this period was strong enough

The analysis clearly demonstrates that the examples of vendor terms contracts (provided by CCLS for the purpose of this analysis) are not typical of the long-term movements in property prices but rather, are indicative of potential short-term gains available during the upswing and peak phases of the residential property market cycle. The cited examples are all in Regional Victoria where the entry prices are somewhat lower than in metropolitan Melbourne and were more severely hit during the 1990s recession with price growth then accentuated during the peak because of the much lower base from which prices started in the late 1990s.

If you wish to discuss any outstanding matters please contact the undersigned on 9691 1420.

Yours sincerely



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