

## the market

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# Going for broker

*A revolution is changing the face of mortgage lending.*

WHEN was the last time you spoke to your bank manager? You do remember bank managers, don't you? Those people who helped you when you wanted a home loan or advice on organising your finances?

What's the bet you steer right away from contacting your bank as much as possible because you know it will be that interminable process of pushing keys on your telephone and never, ever getting to speak to a human being.

At this stage, mortgage brokers are proving rather more accessible. So it's no wonder that economic commentator Phil Ruthven is forecasting mortgage brokers will initiate 80 per cent of home loans within 10 years.

Ruthven, chairman of IBISWorld, an international strategic information provider, says that home mortgage broking is one of Australia's fastest growth sectors and will move from its current 23 per cent of market share of owner-occupier finance to 50 per cent by 2006 and 80 per cent by 2010.

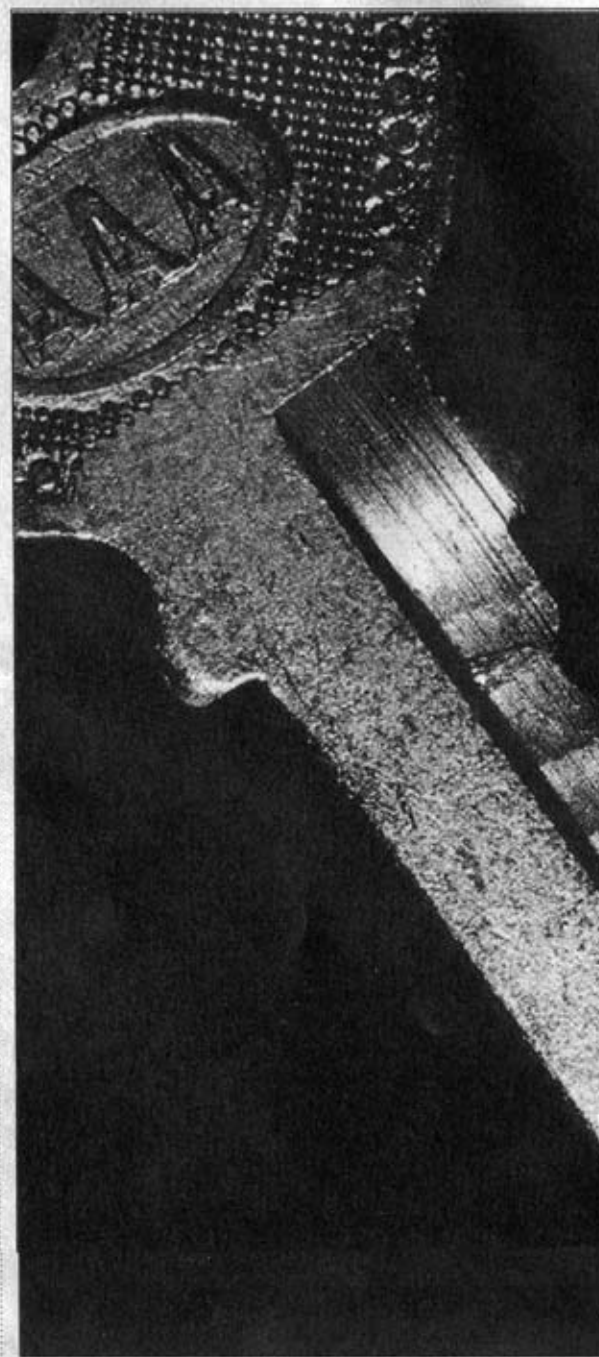
The mortgage broking industry had an expected annual revenue growth rate of 12.4 per cent compared with GDP of 3.8 per cent, he told a recent conference in New Zealand.

About 830,000 dwellings were expected to change hands this year in Australia, with new lending for the year anticipated to be about \$129 billion.

Richard Gardner of Money Street isn't at all surprised at such a rosy future for mortgage brokers.

"It's already happened in the US, where about 80 per cent of home loans are through a third party," he says. "Finance and banking institutions are diversifying out of retail and customer services, leaving a huge void. There's not the same sort of relationship between customers and banks anymore - banks are losing that generational relationship, where a person banks with a certain bank because their mother or their grandfather did.

"The banks are taking a phenomenal amount out by rationalising services - something like \$5 billion, \$7 billion - that's an awful lot for a population of 21 million people," he says.



Are brokers the key to good home loans? Photo: Tanya Lake

"Lending and borrowing is a very personal business, very individual. And not everyone can do it on the Internet and you can't do everything on the phone. People naturally gravitate to someone they can sit and talk with.

"Banks themselves were built on a hundred years of personal relationships."

Nevertheless, he says, before everyone throws in their lot holus-bolus with mortgage brokers, customers should ask them some hard questions.

"You don't want to deal with people who operate out of car boots and only on mobile phones. You want them to have offices and be bricks-and-mortar solid," Gardner says. "And you want to be able to check every 12 or 18 months that everything is on track, so you

have to establish a proper relationship. "But I pray that in the long term, all the cowboys in the broking industry will be weeded out and that the industry will be well regulated and controlled.

"You should make sure the broker is experienced and skilled. Of course, as a lot of very skilled people leave the banking industry because of rationalisations, they'll move into broking, making the standard so much higher."

## POINT OF VIEW

## Bush rivals water

Thank heavens not everyone wants a harbour view. Not only would Sydney become so lopsided it would tip into the harbour if everyone rushed to the waterside, but prices in a few select suburbs would be absolutely humungous while suburbs with, say, bush settings would be deserted. But the enjoyment of views is a very subjective thing. And so prices in suburbs other than on the harbour have performed very well indeed, according to the president of the Real Estate Institute of NSW, Chris Fitzpatrick.

"Houses in Ku-ring-gai are in high demand from those who enjoy a quiet and scenic natural environment on the edge of a national park. The median price of a house in Ku-ring-gai increased by 17.6 per cent over the last year to be \$720,000 at the end of 2001," Fitzpatrick says.

And Lane Cove, which also offers beautiful bush and river views with the national park spanning the Lane Cove River, increased by 12.2 per cent over the last year, with the median price of a house at \$651,000 in December.

"If the Australian bush captures your taste then you simply can't go past the panoramic mountain views of the Blue Mountains," Fitzpatrick says. "Relatively more affordable than its city counterparts, the median price of a house in the Blue Mountains, up 15.5 per cent over the last year, is \$242,500."

## CBD DEVELOPMENT

## High-rise sales boom

The council freeze on residential construction in the North Sydney CBD has prodded buyers into action, with more than \$100 million in sales in what may well be the last high-rise ever approved in the suburb. Already 194 apartments have been bought in the 36-level Beau Monde, which is to be built above Shoppingworld in Berry Street.

Fewer than 50 apartments remain, reports the exclusive marketing agent, Charles & Stuart, but among them are the yet-to-be-released penthouses and sub-penthouses, ranging from \$2.5 million to \$4.5 million. There are also some studio apartments (average size 40 sq m) from \$329,000, one-bedroom units (75 sq m) from \$453,000, one-bedroom-plus-guest room (77 sq m) from \$569,000, two-bedroom apartments (102 sq m) from \$726,000, and three-bedroom apartments (140 sq m) from \$1.8 million. The \$180 million Beau Monde is scheduled for completion in November 2005.

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