



Weekend Fin

- Fashion in focus: the art of Mario Testino
- Zara Phillips horses around with the AFR
- Pulling power of words in Manhattan

January 12-13, 2013 • \$3.00 • afr.com



BETTER THAN TERM DEPOSITS
**STRESS-FREE
INVESTING
FOR INCOME**
SMART MONEY • 23

Weekend Edition

THE AUSTRALIAN FINANCIAL REVIEW

Hopes rise on 'positive contagion'

US, China signal global recovery

Jacob Greber
Economics correspondent

An outbreak of what European Central Bank president Mario Draghi has dubbed "positive contagion" is fuelling hopes 2013 will mark an end to the rolling crisis of the past five years.

Worldwide, financial market participants have entered the year in an upbeat frame of mind, as investors push up stock prices and bond yields, while the Australian dollar hit \$US1.0599 this week, its highest in almost four months.

Signs of hope from the world's biggest economies include a resurgent US manufacturing sector, optimism that Europe has beaten its currency crisis; a fresh export boom from China; and stimulus plans to drag Japan out of a two-decade mire.

ANZ Bank senior economist Justin Fabo – a former global forecaster for the Reserve Bank of Australia – expressed cautious optimism about the outlook.

"We've been really optimistic on several occasions now and been burnt badly... but your gut feeling – including because time heals wounds – is that things might be better this time," he said.

The good news prompted ANZ Bank on Friday to push back its prediction for the next RBA interest rate cut from next month to March.

While threats remain – including

Green shoots

'The major theme for 2013 will be the timing of the switch out of defensive assets, which look expensive, and into shares that still have attractive valuations.'

Philip Baker • 34

- ▶ Japan's \$110bn boost • 12
- ▶ Draghi hails euro's health • 14
- ▶ America's fracking fuel boom • 22
- ▶ Growth hope drives SA • 40

a potential fallout from a global currency war, high sovereign debt levels in Europe, and ongoing problems with the US budget – hopes are rising that this year would be the first since the 2008 collapse of Lehman Brothers in which a broad-based recovery takes hold.

US figures published this past week showed the labour market has improved, with fewer long-term unemployed, as the nation's huge manufacturing sector picks up steam thanks to the weaker US currency and falling energy costs caused by new oil discoveries.

In Europe – the primary source of economic and financial market turmoil – government and central bank policy makers have declared the worst is over.

Mr Draghi left the ECB's benchmark interest rate unchanged on Thursday, citing a recovery in financial markets, falling risk

Continued page 4



Why alpha executives climb higher

When the going gets tough, the tough get running, swimming, rock climbing, or even diving with sharks.

Andrew Cornell, Weekend Fin • 42

DCXP expeditions MD
Katie Sarah climbing in the
Adelaide Hills. Photo David Mariuz

Rudd urges dole hike

Joanna Mather and Gemma Daley

Prime Minister Julia Gillard rebuffed her predecessor Kevin Rudd on Friday after backbench MPs supported his comment that Labor would be heartless not to approve a rise in the Newstart Allowance when it had abandoned its pledge to return the budget to surplus.

Ms Gillard rejected Mr Rudd's provocative entry into a debate that is dividing Labor and stoking leadership tensions. Mr Rudd backed calls by backbenchers, welfare groups and the Business Council of Australia for an increase in the allowance.

▶ Full report • 7

Indigenous arts executives fired

Exclusive

Two executives at Maningrida Arts & Culture, one of the largest indigenous arts centres, have been sacked prompting two other managers to quit in protest.

▶ Full report • 3

McCann joins pay row

Michael Hobbs

Macquarie Group and Origin Energy chairman Kevin McCann has hit out at consultants advising on executive remuneration, claiming they adopt a "rigid" one-size-fits-all approach that fails to consider the nature of individual companies.

Mr McCann joined a growing chorus of listed companies and directors calling for changes to the way businesses report executive remuneration and how proxy advisers, which research and report on executive pay, interact with stakeholders.

▶ Full report • 3

PROPERTY SPECIAL THE SUBURBS THAT BEAT THE MARKET • 20

Perspective

Blue sky attracts optimists

Prestige property hunters who believe the market has bottomed have helped an upswing in results in some pockets of luxury.

Ainslie Chandler

It has been a disappointing few years for those lucky enough to live in the nation's top-end suburbs.

Property prices in the most prestigious locales plunged during the financial crisis and values are yet to recover; transaction volumes are still slow and buyers still wary.

But in 2012 some areas have started to make up ground as bargain hunters think they spy the bottom of the market. Those in the sector are quick to quash thoughts of a full-blown recovery, arguing it is more of a stabilisation.

To understand the trends in top-end suburbs for 2012, the *Weekend Financial Review* asked industry analyst Australian Property Monitors to evaluate the performance of the top 10 per cent (top 25 per cent for Canberra and Adelaide) of capital cities' property markets, by median price.

APM senior economist Andrew Wilson says top-end markets tend to be unique in their behaviour, each driven by a different group of factors, including lot size, views and location, which make them coveted. This is why performance has been so mixed in 2012.

The high values of the properties and relatively low volumes can also lead to sharp rises and falls in average values of transactions in some markets, he says. For instance, the sharp jump in Sydney's Rose Bay in the past six months is a case in point.

The standout market for 2012 has been Melbourne, Wilson says, where momentum has been building as buyers identify opportunities in the \$1 million to \$2.5 million price bracket, through the city's inner east, inner south and bayside suburbs.

"It will be interesting to see if Melbourne will continue with its momentum," he says, suggesting buyers may no longer see the opportunities in 2013 that they saw in 2012. "The economy has got some considerable question marks over it."

In Sydney and Perth, Wilson says the All Ordinaries Index needs to climb through 5000 points for a sustained period before confidence in prestige housing will return.

Company profits and dividends need to rise to create confidence in markets "dominated by conservatism," he says.

Sydney

Rose Bay, abutting Sydney Harbour in the eastern suburbs, was the city's best performer for the final six months of 2012, and APM figures showed a 27.5 per cent rise in the median price. However, year-on-year, the leafy enclave gained only 5 per cent and the growth follows a steep dip in 2011.

McGrath Estate Agents' Hamish Robertson says the numbers of properties transacting in the area increased in 2012 as owners became more willing to accept lower offers and buyers saw some value in the market. A home that was worth about \$5 million a few years ago can be snapped up for \$4.25 million, he says.

Much of the momentum in Rose Bay has been being created by upgraders – families moving from apartments to semi-detached homes or to detached homes, according to Roberts.

"If they are securely employed or in a solid business, interest rates are remarkably low and it could be a good time to buy," he says.

Meanwhile, North Curl Curl was a tearaway winner in an otherwise subdued northern beaches market, adding 26.2 per cent for the year, to reach a \$1.4 million median price, after dropping sharply in the wake of the global financial crisis. But neighbouring Curl Curl was one of the year's worst performers – its median price was down 6.4 per cent to \$1.22 million, after recovering some ground in 2010.

Overall, the northern beaches still underperformed in 2012. And the lower north shore and eastern suburbs have stayed flat or shown small improvement, off a low base. Ainslie Chandler

Melbourne

Melbourne's traditional blue-ribbon suburbs, Toorak, Malvern and Armadale, have remained relatively stable. The number of transactions picked up towards the end of the year after the onset of the spring selling season, although there was little improvement in values.

Of the 148 listings in Toorak in the past year, only 51 sold. At the top end, vendors who do not receive their desired price are more likely to hold on to their home than sell. But agents agree that sales numbers improved towards the end

of the year as vendors began to be more realistic. Armadale had most success, with 74 of the 99 homes listed changing hands.

Andrew Baines of Kay & Burton says while Melbourne traditionally responds to auctions, uncertainty and low confidence have encouraged vendors to use private sales, and that has paid off.

South Yarra has been a standout suburb for private sales and Baines says Kay & Burton has had seven good results recently, including \$4 million and \$5 million sales in Fairlie Court, Chambers Street and Walsh Street.

Rebecca Thistleton

Perth

In a sign the top end of Perth's market appears to be stabilising, none of the city's most prestigious suburbs made it into the list of the best or worst performers of 2012. Instead, says APM, the second tier is making the biggest moves.

After copping the brunt of falls following the financial crisis, Perth's illustrious "golden triangle", which occupies prime land between the Swan River, the ocean and the CBD, has had a quiet year.

Flashy Dalkeith is down 2.5 per cent to a median house price of \$2.6 million; leafy Mosman Park is down 4 per cent to \$1.09 million; and beachside Cottesloe finished the year up slightly, rising 0.8 per cent to \$1.61 million.

It was a different story north of the city, and prices fell sharply on the millionaires' row of West Coast Drive, which hugs the coast all the way from Trigg to Sorrento.

According to APM, prices in Trigg fell 19.6 per cent over the past 12 months, as the median house price fell to \$843,750. Further north in Marmion, the fall was slightly less, down 15.1 per cent to \$910,000.

Acton Coastal's Chris Jonker says there is some confidence in the under-\$1.5 million market, but he's seen 40-50 per cent price drops in multimillion-dollar waterfront properties since the GFC.

"Particularly on West Coast Drive, people were just land banking," he says. "They were going to use the equity to build a new house but they've lost the value now. So they just quit the stock, and flooded the market."

Natalie Gerritsen

Sweet streets

Best performing top end suburbs in Australian capital cities

Sydney						
Suburb	Listings	Sales	Median	6mths	1yr	
Rose Bay	75	33	\$1,900,000	27.5%	5.0%	
North Curl Curl	63	32	\$1,397,500	27.0%	26.2%	
Abbotsford	48	29	\$1,200,000	26.3%	23.7%	
Double Bay	62	27	\$2,260,000	18.9%	-13.3%	
Little Bay	61	10	\$1,232,500	17.2%	20.8%	
Melbourne						
Suburb	Listings	Sales	Median	6mths	1yr	
Armadale	99	74	\$1,376,750	51.5%	42.8%	
Toorak	148	51	\$2,250,000	28.6%	58.5%	
Middle Park	47	29	\$1,255,000	23.0%	6.2%	
Hampton	139	67	\$1,110,000	18.1%	0.9%	
Kew East	66	35	\$1,050,000	18.0%	0.5%	
Brisbane						
Suburb	Listings	Sales	Median	6mths	1yr	
Ascot	102	25	\$1,200,000	47.7%	29.0%	
Sherwood	88	43	\$687,000	32.4%	9.0%	
Newstead	33	41	\$685,000	18.1%	-7.6%	
Yeronga	104	45	\$655,000	17.8%	25.6%	
Gumdale	47	14	\$760,000	11.8%	-29.3%	

Brisbane

Prices in Brisbane's prestige suburb, Ascot, known for its large, colonial-style homes and big backyards with tennis courts, are rebounding.

APM figures show the suburb recorded 25 sales and a 47 per cent jump in median house prices in the six months to October.

But while signs are good, like its neighbour, Hamilton, it has come off a relatively low price base.

Prices have been hit hard as business people, hurt by a slowing economy, have had to downsize. One bought into the suburb for \$9 million in 2007 and sold out in August 2012 for \$5 million.

Some vendors are getting itchy and that is showing up in places such as the traditionally exclusive Palm Avenue, where high-profile business and fashion people reside. At least eight properties on that street are up for sale.

Ray White Ascot's Leigh Kortlang says that situation is "highly unusual". "Property was usually

very tightly held there," Kortlang says. "Although there have been a few on the market for some time."

Hamilton, which fronts the Brisbane River, has shown some price resurgence, up 9.8 per cent in the six months to October and 7.5 per cent in 2012.

After the 2011 floods, not all prestige riverfront properties have prospered: in the same six-month period, St Lucia has lost 9.8 per cent and New Farm 12.9 per cent. Matthew Cranston

Canberra

Vendors of top-end stock on the Canberra market in the past year have chosen to withdraw their homes from sale rather than sell for less than expected.

Robert Westropp-Evans of Luton Properties says the prestige end was sluggish last year and Griffith, Forrest, Red Hill and Yarralumla experienced small price falls.

The number of days properties were on market was longer than in

FBA 018

