



THE REAL ESTATE MARKET: activity could bounce back at any time!

By David Evans, Principal

Welcome to another edition of our **Property Market Report.**

You've no doubt heard that the Perth real estate market is slow going at the moment.



How long this lasts is hard to predict because there is strong demand for well-priced, well presented properties. We recently sold a property in Craigie after receiving three offers.

According to SQM Research there were 24,757 properties for sale in July. By the end of August this number had reduced to 23,232 – still 2,000 more than a year ago.

At some point, low interest rates will revive the market. It's just a confidence thing as we get over the 12,000 jobs lost over two years in the mining industry. This left a huge gap in the property market as people headed to where they could find work.

Unfortunately negativity always over-rides positive news such as the fact that many businesses are doing well, and there's still a lot of infrastructure development occurring.

It's interesting to note that lost in the doom and gloom news is the fact that when the new Crown Casino hotel opens it will add over 2,000 permanent jobs while Coles recently announced it had employed an extra 6,000 people in WA over the last two years.

Furthermore, Perth's population passed 2 million last year, having the highest percentage growth in Australia, despite the loss of mining jobs. That's forward momentum you don't hear mentioned.

PROPERTY INVESTMENT

As the population increases, many suburbs are undergoing zoning changes for higher-density building. This will translate into subdivision opportunities for many property owners, while density growth has to be good for businesses.

Translating this for property investors, for the time being the over-the-top rentals have gone.

It could be suggested the current market is the time to buy as it is often said, profits are made at the time of buying – rather than at the time of selling.

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Strategies to make the best of lean times

By Kylie Maddocks

Having mentioned that property investment is a long term activity, rather than short term, it has to be said that this is not the best of times, as Perth's vacancy rate is about 5.2%.



That's roughly 50% above the normal level.

Rentals have undergone reductions over the past 18 months and capital growth has also slowed.

The prospects for rental increases in the very near future are not great and the potential for strong capital growth is not promising, unless you have the good fortune of having your property in an area undergoing rezoning.

With this in mind, investors who have held an investment property for some years do have an option as to what they could do.

For instance: You might capitalise on recent year's growth to replace it with a newer

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property. The advantage of a newer investment property is the tax depreciation benefits which can be substantial.

Make it competitive

The other option is to ensure your property is competitive for retaining or attracting a new tenant. Being competitive means ensuring maintenance issues are attended to and that the property will appeal to a prospective tenant.

Don't forget maintenance is a tax deductible item.

Also, be mindful of the fact that it is better to reduce the rent by say \$10 to \$20/ week, if need be, rather than having your property sit vacant for a month or more while you hang out to obtain the rent you're hoping for – and then face the inevitable of having to reduce.

If your property falls into vacancy, it's essential to be aware that it is competing with others available in the area. Value, in this market is the operative word.



It's called **reading**.

It's how people install new software into their brains.

Humour & Sagacity

Santa Claus has the right idea. Visit people only once a year.

- Victor Borge

Be careful about reading health books. You may die of a misprint.

- Mark Twain

By all means, marry. If you get a good wife, you'll become happy; if you get a bad one, you'll become a philosopher.

- Socrates

Don't worry about avoiding temptation. As you grow older, it will avoid you.

- Winston Churchill

The only time I ever enjoyed ironing was the day I accidentally put gin in the steam iron.

- Phyllis Diller

PROPERTY SALES:

How to make the best of a slow property market!

We mentioned earlier in this edition that the market tempo has been slow – and that to maximise chances of achieving the best price possible for a property in this type of market, sellers have to be smart.

There are several really important points to be aware of.

- Buyers are savvy these days – they have usually done their research, so they know property values
- Pricing your property accurately is imperative
- Give serious consideration to the first offer you receive

If you're interested in selling in the spring season, bear these points in mind because people who follow them are achieving the best possible outcome and are getting on with their plans, rather than being stuck in limbo.

In a booming market you can place your asking price ahead of the market, and if the buyers aren't prepared to come up to your price, you can adjust. In a quieter market, your asking price has to be right on the realistic price, otherwise it will simply be regarded as

Footnote: Andy Bredow is the Branch Manager at David Evans Real Estate, Wanneroo.

Andy has been in the real estate industry for 11 years and has been our manager in Wanneroo for the past 8 years. In 2014 Andy was awarded the prestigious Grand Master Award for having sold over \$50million worth of property in a year, he is also the holder of Triennial Certificate, Diploma of Property and Diploma of Management and is a recognised expert on property in the northern suburbs. Andy can be contacted on 9405 1999 or via 0415 042 048.

over-priced and ignored.

You don't have the luxury of pricing above the market and then adjusting downwards.

Overpricing is one of the worst mistakes you can make because it often means a long wait, price adjustments and a final price below what you would have achieved if it had been correctly priced in the first place.

The first offer

Sellers need to be aware that in this market the first offer is often the best offer. In fact, we would go so far as to say the first offer is the best offer at least 95% of the time.

Invariably, when an offer is received very soon after a property is put to the market, sellers feel that because the offer came in fast, the property must be too cheap.

We have seen disappointment many times when sellers hang on for that little bit extra.

When you decide to sell, it might not happen, but if it does, be aware – if the first offer comes in close to the asking price don't fall for "It's gotta be too cheap trap".



Banks tighten investor loans

Banks and other financial institutions have tightened their LVRs on property investment loans.

Where banks were offering 95% LVR, in most cases they're now financing just 80% of an investment property's value.

This follows the Australian Prudential Regulation Authority's decision to uphold a ruling that Banks should limit their portfolio of loans to investors to just 10% of the total and that they should increase the capital that they hold against mortgages.

The need to increase capital holdings has increased some of their costs which resulted in several banks increasing their interest rates on investment loans – some by up to 0.47%.

The aim of the moves has been to take the heat out of the Sydney and Melbourne markets, prompted by the fact that over the 12 months to March 2015 the total value of outstanding mortgages to owner occupiers increased by 7.2% while there was a 12.4% rise in credit to investors - the greatest rise in investor lending since September 2010.

SUBURB WATCH

	Median to June '15	Qtly change	Annual change	Median Rental
Ashby	\$505,000	-1.0%	-2.0%	\$450
Balcatta	\$546,000	-0.4%	1.5%	\$400
Baldivis	\$460,000	0.0%	-2.1%	\$400
Balga	\$416,000	-2.1%	-4.4%	\$380
Ballajura	\$487,000	-0.4%	1.5%	\$420
Banksia Grove	\$425,000	1.2%	1.2%	\$410
Beldon	\$511,500	-0.7%	2.1%	\$420
Bullsbrook	\$360,000	0.3%	1.0%	\$430
Butler	\$435,000	-0.9%	-0.9%	\$395
Carine	\$786,000	-7.0%	-3.6%	\$530
Carramar	\$529,500	-1.5%	0.7%	\$478
Clarkson	\$435,000	-0.4%	-1.1%	\$410
Connolly	\$680,000	0.0%	-2.9%	\$513
Cooloongup	\$340,000	1.2%	3.7%	\$350
Craigie	\$500,000	0.0%	0.1%	\$400
Currambine	\$588,250	2.2%	5.0%	\$480
Darch	\$612,000	-0.8%	1.7%	\$495
Duncraig	\$725,000	-1.6%	2.8%	\$463
Edgewater	\$576,000	0.7%	5.5%	\$450
Girrawheen	\$415,500	-2.2%	-0.8%	\$350
Greenwood	\$560,000	-1.8%	-1.3%	\$480
Hammersley	\$560,000	1.8%	-1.8%	\$420
Heathridge	\$500,000	0.0%	-1.0%	\$420
Hillarys	\$820,000	-3.5%	-4.7%	\$600
Hocking	\$540,000	-0.9%	0.3%	\$425
Iluka	\$850,000	0.3%	-2.5%	\$693
Joondalup	\$540,500	-2.6%	-1.7%	\$430
Kallaroo	\$660,000	-2.2%	-5.0%	\$483
Kingsley	\$610,000	-1.6%	0.0%	\$450
Kinross	\$547,500	-0.5%	0.9%	\$460
Landsdale	\$585,000	0.0%	-0.5%	\$500

	Median to Mar '15	Qtly change	Annual change	Median Rental
Leda	\$340,000	0.1%	1.5%	\$360
Madeley	\$635,000	5.4%	9.5%	\$470
Mandurah	\$338,250	1.0%	4.1%	\$320
Marangaroo	\$468,000	-2.1%	0.6%	\$440
Merriwa	\$380,000	-0.5%	0.0%	\$380
Mindarie	\$713,500	-1.9%	6.5%	\$560
Mirrabooka	\$440,000	-1.1%	4.8%	\$395
Mullaloo	\$732,500	0.7%	4.8%	\$500
Nollamara	\$470,000	-0.2%	0.0%	\$395
Ocean Reef	\$770,000	-0.6%	-2.2%	\$590
Padbury	\$560,000	-1.8%	-0.4%	\$430
Pearsall	\$495,000	0.5%	-1.0%	\$450
Port Kennedy	\$414,500	-0.8%	2.3%	\$400
Quinns Rocks	\$507,750	1.6%	1.6%	\$400
Ridgewood	\$440,000	1.1%	2.6%	\$395
Rockingham	\$450,000	1.4%	3.1%	\$365
Safety Bay	\$447,500	-0.6%	2.9%	\$380
Shoalwater	\$488,500	0.3%	-5.1%	\$368
Secret Harbour	\$475,000	-0.5%	-3.1%	\$450
Sinagra	\$513,500	0.0%	2.8%	\$460
Sorrento	\$1,027,500	1.7%	2.0%	\$640
Tapping	\$532,000	-0.6%	-1.5%	\$480
Two Rocks	\$430,000	3.4%	3.6%	\$345
Waikiki	\$410,000	0.0%	4.3%	\$380
Wanneroo	\$465,000	-1.1%	-2.1%	\$420
Warnbro	\$373,750	-0.7%	1.0%	\$370
Warwick	\$600,500	-6.2%	-0.7%	\$498
Westminster	\$445,250	-0.1%	-1.0%	\$400
Woodvale	\$685,000	-0.3%	3.4%	\$530
Yanchep	\$440,000	-3.3%	-1.1%	\$385

Source: REIWA

For an estimate on the likely selling price of your property in today's market call your local branch today...

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