

PROPERTY REPORT

THE LATEST NEWS FROM RWR REAL ESTATE

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Market cycles –
a key factor to
making the most
of opportunities

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2018 BEGINS ON A MORE BUOYANT NOTE

Welcome to our first Property Market Report for 2018, one that we have to say, sees us feeling a little more buoyant about the prospects of the year ahead.

Firstly we have definitely seen improvement in the South Perth - Como rental market – in fact as you will see in our Property Management Report we're very keen to obtain additional properties to manage as demand from prospective tenants is exceeding supply.

With respect to property sales there is certainly an increased level of buyer interest.

Houses for sale in South Perth- Como are in short supply at the moment.

We would love to tell you that as a result, values are zooming up. That's not the case, though we do think values have stabilised and judging by the improved tempo of interest, we may well see some improvement over the coming year.

We're often asked when will the market return to the levels of 2014/2015 and though things are on the gradual up, it's probably not going to be until at least 2020. See property



market cycle story – next page.

There's been talk of interest rates staying at current levels for the remainder of 2018. If that happens, it has to be great news for buyers because low interest gives them greater buying capacity as well as affordable repayment levels.

One thing worth remembering if you're wanting to make a move: If you buy and sell in the same market you're unlikely to suffer damage. We think the current market remains a very good time to be a buyer because those who do buy now and hold for the long term are going to fare very well when the market returns to its previous levels.

Mark Robinson, Mark Wellingham, Directors

WHAT BUYERS WANT SEEMS TO BE IN SHORT SUPPLY

The South Perth region currently has a supply shortage of properties that buyers are seeking.

For instance, vacant land and family homes are thin on the ground and houses sought by baby boomers rarely come onto the market.

We frequently field enquiries from people wanting a house on a small lot rather than an apartment.

It must have a two car garage, space for a trailer or boat, a small garden and able to be locked and left so they can take a holiday without concern.

The property can be on a green title or survey strata, but if on a strata not incurring hefty management fees. There is some interest in apartments with proviso of low strata fees.

We have received a number of enquiries for this type of property. If you have one to sell, call us because there's no doubt, we can find you a ready buyer.

To give you an idea of demand for small lots we have recently sold 15B and 15C Greenock Ave, Como and Lots, 1,2 & 3, 75 Gardener St, Como.

MARKET CYCLES – A KEY FACTOR TO MAKING THE MOST OF OPPORTUNITIES

If you're thinking of making an investment in property, one of the key things to be aware of is the market trend – ie where the market is currently at in the property market cycle.

It needs to be understood that the property market tends to fluctuate in cycles, governed by such factors as population growth, the state of the economy, public confidence, interest rate levels, the tempo of buyer purchasing and so on.

Obviously the ideal time to make a purchase is when the cycle is at its bottom point or when it is just starting to gain momentum again so there is a capital gain to be had when you sell it – hopefully at the peak of a cycle.

There's a saying that timing is everything in markets and of course the challenge is in choosing the correct time to purchase and to sell.

It pays to remember that even though there are a few years of falling prices every decade, well located real estate has increased in value. Imagine if you could buy the house your parents bought at the price they paid 30-40 years ago.

THERE IS NOT ONE PROPERTY MARKET:

While many people generalise about 'the' property market, in reality there are many submarkets. Each state is at a different stage of its cycle and within each state, the markets are segmented by geography, price points, the type of property and economic drivers.

For example, the top end of the market will perform differently to the new homebuyers' market or the investor segment or the median priced established property sector.

The market cycle has generally been described in categories as Boom, Downturn, Bottom, Stabilisation and Upturn. The strength and length of time in any of these stages depends on the factors mentioned above.

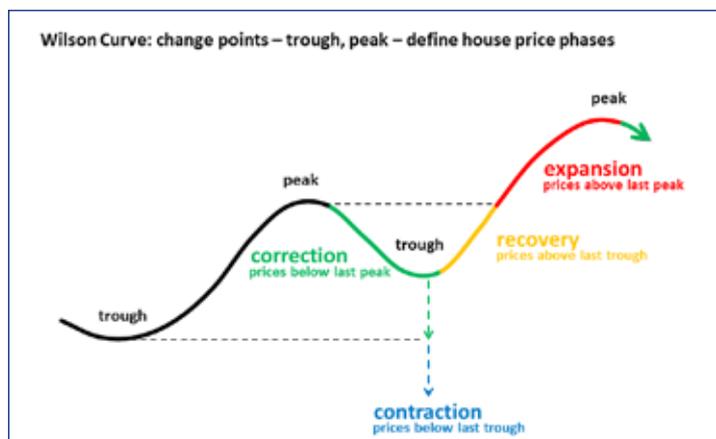
DIFFERENT VIEW OF CYCLE

Dr Andrew Wilson, a leading housing market expert, presents the cycle in a different way.

He says that prices typically rise and fall in an underlying cyclical pattern with house prices typically following the business cycle with supply and demand factors determining its characteristics.

The house price cycle, as with the business cycle, consists of growth and decline phases.

1. The Correction Phase: House prices are below the previous price peak of the cycle but above the previous price trough of the cycle
2. The Contraction Phase: Prices are below the previous price trough of the cycle
3. The Recovery Phase : Prices are above the previous price trough of the cycle but below the previous price peak of the cycle
4. The Expansion Phase: Prices are above the previous price peak of the cycle.



Property management report:

Tempo of the rental market continues to rise in slowest year for 24 years



After reaching as high as 6.9% in 2016-17, Perth's rental market vacancy rate is now down to 5.5%.

According to REIWA as at February 13 there were 8,562 vacant properties in Perth. This figure is 18% lower than the vacancies at the same time last year.

Unfortunately for investors the median rent remains at \$350/ week.

Interestingly, Shane Garrett, Senior Economist for the Housing Industry Association of Australia recently made the observation that the pace of rental growth in 2017 across Australia was the slowest in 24 years. It was just 0.6%.

We've been doing some analysing of our own figures lately. In addition to renewing leases with existing tenants we have taken 16 new leases in recent weeks, leaving our vacancy level at just 1.8%.

In fact as a result of an increase in enquiries we could definitely handle more properties so if you have a property that you feel is not being well managed, please make contact with our Senior Property Manager, Linda Healey.

Linda is a well-recognised expert in this field. She is happy to inspect your property to give you an assessment as to what she thinks it will return in the present market.

