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REALTY WITH REASSURANCE

PROPERTY REPORT

THE LATEST NEWS FROM RWR REAL ESTATE

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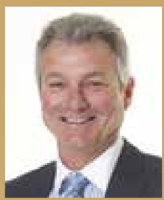

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Director

Buy now or wait to see if the market drops futher?

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MORE SUN-BETTER MARKET!

Welcome to the spring edition of our newsletter, a time when activity in the Perth property market traditionally picks up, though as we peer out of the office window, it's raining – not an encouraging sign - but things will improve.

On a sunnier note … have you noticed the news stories regarding the increased activity emerging in the resources industry?

News has emerged in recent times that there is $8.6 billion worth of mining construction work planned by BHP, FMG, Rio Tinto and Newmont.

Furthermore, takeovers are hotting up with Mineral Resources buying the Cleveland Cliffs Koolyanobbing mine, the CKI Group making a $13 billion bid for the APA Group, Sandfire Resources chasing a number of sites and the $322 million merger between SRG and GCS.

Back in the world of real estate: August saw more activity in the rental market leading to Perth's vacancy rate falling to 4.5%.

As at September 2nd the number of vacant properties needing a tenant was down to 7,584. This was 2% less than the previous week, 7% less than 4 weeks earlier and 25% lower than the same time last year.

A total of 1,140 properties were leased in the week ending September 2, so if this trend continues, we could see the median rent start to rise early next year. This would be glad tidings for many investors who have had to swallow substantial reductions over the last few years.

PROPERTY SALES

With respect to property sales there were 579 transactions across Perth in the week ending September 2nd - a 19% improvement on the previous week but listings are still high – in fact, at 13,347 properties for sale that's 4% higher than the same time last year.

The average time on the market is 77 days, however, this varies enormously according to the suburb. Some are averaging 208 days - tough going, so it still remains a brilliant time for those who sell and buy in the same market.

We wouldn't mind betting that quite a few of the 579 who bought recently are in that category because one of the observations made by the Real Estate Institute recently was that sales in some of the higher priced suburbs have been particularly brisk.

In all, small positive signs, hopefully the beginning of better things. Enjoy your spring.

Mark Robinson, Mark Wellingham, Directors

SUBURB STATISTICS

Suburb	Median house March 2018	Quarterly change	Median Unit March 2018	Quarterly change
South Perth	$1,280,000	3.4%	$578,000	-2.9%
Como	$900,000	2.9%	$465,000	-3.1%
Kensington	$847,000	12.3%	$500,000	-2.9%
Victoria Park	$900,000	2.3%	$465,000	-3.1%
Manning	$776,000	-4.2%	$600,000	-6.3%
Salter Point	$1,125,000	-3.4%	N/A	N/A

Source: REIWA

BUY NOW, OR WAIT TO SEE IF THE MARKET DROPS FURTHER?

Every now and again we're asked by people wanting to buy a property as to whether they should buy now - or wait, in the hope that prices will drop further.

Unfortunately there is not a perfect one off answer to be given as it somewhat depends on the buyer's situation.

For example if you want to move to a particular suburb, it would pay to not hesitate because the supply of good properties is not consistent. Quality properties in some areas are in short supply. If you see something that particularly appeals and it's within your budget – we would suggest you act now.

One of the big mistakes many people make is to put their move off until full confidence returns and the market is humming again – in other words doing what everyone else is doing. If your ideal home is available, now is the time to grab it because even if the market was to drop another 2%, so what? If you're going to be staying there as your long term haven that amount really is immaterial and by the time you move again, prices will be well above what you paid.

FIRST HOME BUYERS

And the same attitude should be taken by first home buyers.

In fact, if a first home buyer is able to obtain a loan they should be acting now because there is a fantastic selection available, interest rates are still low and if they're regarded as a good credit risk the banks are keen to do a deal.

If you're an established home owner wanting to upgrade to a bigger, better home, providing you have equity in your home there isn't a better time to act. Though you're not going to achieve top dollar for the property you sell, you will do so much better on what you save on the property you buy at the higher level.

So what about an investment property?

If you're able to obtain the finance, your income situation is secure and you're going to hold the property for quite a few years, the current market is offering great opportunities especially as the rental market is showing signs of improvement.

The key things to consider are the 'rentability' factor of the property, its condition and its location for being reasonably easy to obtain a tenant.

If you're thinking of buying an investment property, come speak to us before you act as we can offer you some useful guidance on all those factors. As leasing agents we know what tenants want and can advise on expected returns.

REGULATION CHANGES AND THE ROYAL COMMISSION – WHAT ARE THE LIKELY OUTCOMES?

The question arises: what are the ramifications for the property market and for people seeking loans, as a result of recent changes to banking regulations and the Royal Commission?

With respect to recent changes in regulations: the Australian Prudential Regulation Authority (APRA) removed the cap on investor credit growth on July 1 this year.

The cap was introduced in December 2014 to slow investor activity primarily in Sydney and Melbourne. However, the limits on interest-only loans, introduced in March last year are remaining in place.

The outcome of the changes means interest-only loans will remain more difficult to obtain than before March last year, however, standard loans for investors should become more readily available.

There is some speculation that the banks will be keen to increase their 'investor loan portfolios' and there could be some competition between them. This may result in some attractive deals being offered.

As Melbourne and Sydney property markets are in the early days of a slow-down it's possible that more investment activity will come to WA and other states.

With respect to the Royal Commission, the obvious outcome is that there will be a greater level of discernment ('responsible lending') from financial institutions in assessing people's ability to meet their mortgage repayments.

And as for Lo Doc loans they're likely to be a rarity if at all.

With the Commission's interim report due September 30 and a final report February 1 2019, the extra scrutiny on the banks may lead to less flexibility in loan approvals.

Low income earners in particular, may find loans more difficult to obtain. The outcome of this may result in a subdued property market taking longer to recover because market activity often percolates from lower priced properties upwards.

And with respect to the rental market?

If loans become more difficult for low income people to obtain, we may see the rental market tightening throughout the country.

In other words, the beneficiaries of all of this could be property investors.

A touch of HUMOUR

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