



PROPERTY REPORT

THE LATEST NEWS FROM RWR REAL ESTATE

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P2

How long can these interest rates stay as low as they are?

P3

New subdivision legislation your property values could rise!

P3

New Residential Tenancy Act puts pressure on self-managing property owners

P4

Digital TV brings obligations



WINTER MARKET MAY BE BETTER than selling in the spring

It's hard to believe that in the first week of May this year there were just 8,708 properties on the market of which there were 5,742 houses, 1,587 units and 1,379 lots for sale in the Perth metropolitan region. A year ago to the very week there were 13,759 properties for sale.

Since May the availability of properties has not improved, so the market is in a desperate shortage. This is good news for those people who are thinking of selling in the near future.

It could well be that people are withholding from selling in the belief that the better time to sell is in Spring.

Spring can be a good time to sell, but we're not so sure about it being better than this year's winter. This is because there's a sneaking suspicion there could be a rush of sellers coming onto the market in the Spring.

If that's the case, then winter will be a far better time to sell because it's all related to supply and demand.

A time of high supply is never as good as a time of low supply, when you're selling.

So what's happening in the market right now?

You may recall, we mentioned in our last edition there had been a turnaround in property sales in the first quarter of the year

and as a consequence, prices were moving upwards. If you have a look at our 'suburb watch chart' you'll see that the median price figures did indeed move upwards.

Strong demand

Demand has been strong for property priced up to about \$650,000. After that, it has tailed off and properties above the \$1 million mark have been relatively slow moving. Despite this we just recently achieved excellent sales for a property just over \$1 million and another in the \$3 million range so there is activity – just slow coming. Demand over the \$650,000 mark is patchy. There are pockets where demand is strong with great prices being achieved, then it dissipates for a while.

One thing is for sure, the market is offering wonderful opportunities for people to achieve a strong price for their lower priced property, then upgrade to a higher priced level. This is because as you move upwards, so the buying opportunities improve.

If upgrading is something of interest to you, do feel welcome to call us as we can advise you on the likely price of your property in the current market and show you some great opportunities for your next purchase.

SUBURB STATISTICS

Source: REIWA

| | Median price yr to Dec | Qtrly change | Annual change 1 year | Ave annual % change 5 years | Ave annual % change 10 years |
|---------------|------------------------|--------------|----------------------|-----------------------------|------------------------------|
| South Perth | \$1,180,000 | 1.7% | 2.6% | -1.6% | 9.8% |
| Como | \$808,000 | 0.5% | 3.6% | -0.3% | 8.7% |
| Kensington | \$810,000 | 1.6% | 4.9% | 1.8% | 9.6% |
| Victoria Park | \$605,000 | 4.3% | 3.4% | 1.9% | 8.8% |
| Manning | \$757,500 | 8.2% | 6.7% | 2.6% | 9.8% |
| Salter Point | \$1,030,000 | 9.6% | 3.8% | -1.1% | 9.1% |



Mark Wellingham
Principal



Mark Robinson
Principal



How long can these interest rates stay as low as they are?

With interest rates their most attractive in decades, there's an amazing array of moves taking place in property right now.

- Some people have been turning to fixed rate loans to secure the joy of low interest rates for more years to come on their home loan.
- Others are upgrading to higher priced homes because the low interest rates make payments easy, and it gives them greater buying capacity.
- Others are taking the opportunity to invest in property as in some cases the low interest payments have made it possible to be cash positive.
- Others are taking the opportunity to purchase instead of renting, because in many instances the rental fee has been equal to or higher than loan repayments.
- Others are taking the opportunity to build or to extend.



that countries with high level of sovereign debt ,of which there are many, will be working hard to keep inflation to a minimum.

Fixed rate loans

With three year fixed rate loans hovering in the 4.6% to 4.9% range, the indications are that the Banks are also expecting interest rates to remain low for some time to come.

In fact it could be suggested that the current period is the most conducive for taking a fixed rate loan seen for many years.

Many borrowers were caught out a few years ago when they opted to fix loans for three years at rates in the order of 8% p/a annum, only to see the variable rate drop well below that. With interest rates currently very low, the level of risk of the variable rate falling significantly further has to be far lower than normal.

Whatever, it wouldn't surprise us if after the Federal election when the country has more certainty in the direction it is going, there will be a flood of activity to make it a very lively time indeed.

For us as property agents it's an interesting time. Although there are relatively low numbers of properties on the market right now, we do know there are many people giving thought to how best to make the most of this rare, low-interest rate opportunity.

The most common question has been – 'how long will low interest rates last for'?

Well known economic pundits, Shane Oliver and Max Walsh believe interest rates are likely to remain low for several years to come.

Their argument is that the Reserve Bank's decision will be based on influences of the artificially high dollar, the high loan funding costs for the banks, low inflation and the fact

Don't be wood-ducked!

Have you heard the expression of being 'wood-ducked' in relation to property sales?

The expression applies when an agent tells a prospective seller the likely price of their property as being higher than what it is likely to fetch. The purpose of this unethical approach is to win the seller's listing.

The end result is that a home owner, conned into believing their home will fetch an unrealistic price, has to have the home sit on the market for a lengthy period of time with continual downward price adjustments.

All very well you might think...but the reality is that research has found that in nearly every instance where this occurs- the eventual selling price for the home owner is below the odds that they would have achieved, if they had listed the property for the correct price in the first place.

So be warned, if you're thinking of selling – always take note of conservative market evidence shown by an agent and don't be tempted by the highest claim.

RENTAL MARKET REPORT

Demand eases for upper level property

If there's ever been a dramatic turnaround in the rental market, it is currently underway for upper level properties.

While demand for property under \$500/ week is generally strong in most areas, the interest in upper level quality property has reduced dramatically to the point that it is now taking several weeks to obtain a tenant and rentals are dropping back.

When you consider that the rental market was running hot with record breaking low vacancy rates only 6 months ago, the turnaround has been quite remarkable.

It's possible that the withdrawal of 457 visa holder access to the Living Away From Home Allowance (LAFHA) has had an effect on rentals at the higher end of the market.

Owners need to be aware that at present, when rent increases are sought, tenants start looking for what they can obtain for the equivalent rent. And as there are now options available, they're moving quite readily.

The market is particularly soft from about \$950/ week upwards so a careful approach is required.



NEW SUBDIVISION LEGISLATION will affect property values

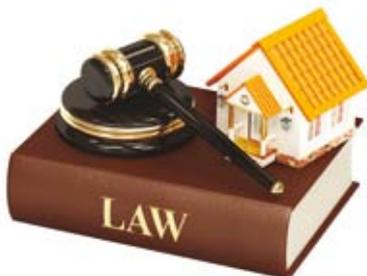
Como in particular as well as other areas within the metropolitan area will see some significant changes to land subdivision regulations as a result of changes to land subdivision R Codes coming into effect .

The area in Como between Murray Street and Canning Hwy, bounded by Birdwood and Ryrle Avenues is being rezoned from R15 (single residential) to R20.

This will enable many of the larger blocks in the area to be subdivided.

As from August 2, 2013 there will be some major ramifications on property values for some property owners throughout the metropolitan area because of changes to R codes being brought into effect by the State Government.

The R Codes are the basis for the control of residential development and in effect are the



guidelines that dictate the minimum lot sizes allowable in certain localities.

Some years ago in localities zoned R20, it was permissible to subdivide a 900sqm property into two lots of 450sqms.

This could be achieved by subdividing a block down the centre for two side by side properties, or if the block was too narrow, to establish a battle axe block where subdivision occurs by creating front and rear blocks with

a driveway running down the side of the front block to the rear property.

The allowable lot size for subdivision was subsequently changed to being larger which suddenly precluded many people from being able to subdivide and capitalise on their property.

As from August 2, the new minimum size for a block in an R20 zoned location is now 350sqms with an average being aimed for of 450sqms.

The outcome of this change in Legislation will be more properties becoming eligible for subdivision, thus increasing their value and presenting new opportunities.

Whilst the R20 code was used as an example in this article, all R codes have been altered.

For further details <http://www.planning.wa.gov.au/637.asp>

To spend or not to spend – AND ON WHAT?

If you're thinking of selling a property in the near future and you're wondering whether it's worth spending money on the place before putting it to market – do you know what is worth spending money on and what won't get you a return?

If you would like to know more on this subject,

we have a free report that is the ideal thing for those people who are thinking of selling.

There's lots of tips and advice that can save you money – and make you, money.

Anyone who would like a copy is welcome to call us on 9474 6899. We can either email it as a pdf to you – or post you a copy.



New Residential Tenancy Act puts pressure on self-managing property owners

Investment property owners need to be aware of changes brought about by the new Residential Tenancy Act coming into force on July 1.

Those who self-manage will need to be particularly astute because their vulnerability to difficult tenants will rise considerably, especially when it comes to terminating a lease agreement or seeking a rental increase.

Among the changes also coming into force is the requirement for bond money to be deposited with the Bond Administrator

within the Department of Commerce.

In the past, many 'self-managers' did not secure the bond money at all.

Another aspect to the changes is the requirement for 'prescribed forms'.

It is believed the need for 'prescribed forms' will mean that from 1 July 2013 any lease agreement completed on non-prescribed forms could be unenforceable.

Previously, a Property Condition Report was not compulsory, though we have always had

them as part of our tenancy management system.

Not only is the Property Condition Report mandatory, but its contents must meet minimum standards. There has to be a report supplied within seven days of a tenant taking occupation and a final copy provided on them leaving the premises.

Other changes to the Act include: time frame for rent increases, minimum property security standards, urgent repairs by tenant and more.

Digital TV brings obligations

With analogue free-to-air TV signals having been replaced with digital signals, investment property owners need to be aware they have obligations arising from the digital transition.

Under the Residential Tenancy Act in WA it is the owner's responsibility to ensure a rental property's antenna system continues to provide the tenant with television services once the analogue signal is switched off.

The requirements are that if tenants have their own analogue TV and the property's antenna receives the digital signal, tenants are responsible for purchasing and installing a set-top box or buying a new digital TV.

If tenants have their own digital TV or analogue TV with a set-top box but the property's antenna will not pick up the digital signal, the property owner is responsible for assessing the antenna set-up which may lead to purchasing and installing a new antenna.



If a furnished rental property includes an analogue TV, the owner is responsible for ensuring it works by installing a set-top box or replacing the old analogue TV with a new digital TV. If the antenna will not pick up a digital signal, the owner will have to arrange for an antennae upgrade or replacement.

In strata buildings, the strata company is responsible for maintaining and repairing common property, including a shared antenna system if it exists.



'Don't forget – 'get lucky'!

Our commitment to saying thank you to anyone who refers business our way will always be appreciated.

Our means of saying thank you to someone who refers someone wanting to have their investment property managed by us or having a property that needs to be sold is a \$200 voucher for spending at a local business.

Please feel welcome to contact us on 9474 6899 or visit rwr.com.au



South Perth walkabout is about town

Have you obtained a copy of the South Perth Urban Walkabout directory yet?

The directory/ map, instigated by RWR Real Estate and produced in conjunction with the City of South Perth was recently launched at a function in Dux's restaurant.

The map features local restaurants, cafes & eateries, bars, fashion & accessory shops, venues for entertainment, local gift and flower specialists and venues for pampering. It's available in display stands at a variety of venues throughout South Perth and at our office.



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