

## Welcome

Welcome to the spring issue of our newsletter in which we update you on what's happening in the local property market.



In the past few months we have been experiencing a period of uncertainty and conjecture among home owners and buyers about the direction of the market.

Because today's market has taken a new direction, one cannot rely on figures published in the press to determine what your property's worth. What is needed is up to date information on what's selling in your street and in your suburb and at what price.

While we cannot forecast the future, our daily monitoring of this market means we can tell you what is happening right now and give you some insights on what we feel may happen in the future.

When looking at value, every property is different and therefore needs to be examined individually.

We hope you find the information in this newsletter both informative and useful.

**Rick Lombardo, Principal**  
rick@realtyone.com.au

## SOLD IN 2 DAYS



*This superb Winthrop property has great street appeal and is surrounded by beautiful well tended gardens. It features a huge covered patio and a delightful koi pond. The 4 bedroom, 2 bathroom home has a separate study, a family room, kitchen and an informal dining area bathed in sunlight. Call Tony Papineau on 0409 310 686.*

## Improved confidence fuels demand for property in Winthrop/Murdoch and surrounding suburbs

By John Hender, Licensee



**A significant turnaround in market sentiment since March this year has seen demand and prices for residential property trending upwards in Murdoch, Winthrop and surrounding suburbs.**

This has been particularly evident in the demand for properties in the \$600,000 to \$1m price range.

What are the factors driving this demand? The main reasons are renewed buyer confidence, low housing interest rates, continued strong population growth, proposed large scale resource developments and government initiatives, particularly those aimed at first home buyers.

This is good news for sellers. However, it may be too early to predict the sustainability of the trend.

There is still a shadow of uncertainty hanging over the economy. In addition, the scaling down of the Government's First Home Owner Boost could have a negative impact on the demand for property.

If you are a seller, your focus should be on timing. Spring and the period prior to Christmas are traditionally a time of increased demand and this year seems no different. This could well be your best chance to capitalise on today's positive market sentiment.

A word of warning. There is no way of guaranteeing that this healthy turn in the market will continue for six months or even into the New Year.

If you wish to know the worth of your property in today's market, give us a call and we will come out and give you a thoroughly researched appraisal.

## Property Price Trends

|            | Median Price Yr to Jun 09 | Quarterly change in annual median | Annual change 1 yr | Ave annual % change 5 years | Ave annual % change 10 years |
|------------|---------------------------|-----------------------------------|--------------------|-----------------------------|------------------------------|
| Bateman    | \$585,000                 | -1.7%                             | -3.9%              | 13.4%                       | 12.2%                        |
| Bull Creek | \$540,000                 | 0.0%                              | -6.1%              | 11.6%                       | 11.6%                        |
| Kardinya   | \$500,000                 | -2.2%                             | -9.1%              | 11.1%                       | 10.5%                        |
| Murdoch    | \$640,000                 | -4.5%                             | -4.5%              | 11.8%                       | 10.0%                        |
| Willagee   | \$453,000                 | -0.2%                             | -4.2%              | 13.1%                       | 14.2%                        |
| Winthrop   | \$816,000                 | -0.5%                             | 4.6%               | 13.4%                       | 10.7%                        |

Winthrop Shopping Centre  
Somerville Boulevard  
Winthrop, WA 6150

**9313 9100**

adriana@realtyone.com.au

*"Dear Tony, thank you so much! Realty One is the No. 1 agent in Perth." L Ping, John & family.*

# What are the five key elements driving property demand and how are they stacking up right now?

**A low unemployment rate, strong population growth, affordability issues, confidence in the market and the exploitation of the State's mineral resources have for many years been key drivers of the demand for housing in WA.**

So, with the worst effects of the recession seemingly having passed, how do we stand right now when it comes to these five key areas?

The recent Gorgon announcement did two things: it gave a boost to property market confidence which had already started improving a few months ago. In addition, it focused attention on the dominant role which WA's resources play in the economic well-being of the state and the country.

Prior to the Gorgon announcement, the Australian Bureau of Agricultural and Resource Economics revealed that advanced minerals and energy projects to the value of more than \$55 billion were currently under way in WA.

## **Record population growth in WA**

The State's population continues to grow strongly. According to the Australian Bureau of Statistics, the first three months

of this year saw WA's population grow at its fastest rate in four decades, with the State's population increasing by 20,215 during the period. Of these about 14,000 were migrants.

When it comes to housing affordability, there is little doubt that lower property prices and historically low interest rates have made property ownership more accessible to many Australians.

The recent HIA-CBA First Home Buyer Affordability Report revealed a 14.6 per cent increase in affordability for the March 2009 quarter which came hot on the heels of a 40 per cent improvement at the end of 2008. For first home buyers, affordability was further improved by various government grants and stamp duty concessions.

## **Consumer sentiment shows a welcome lift**

We have all seen numerous recent reports of improvements in consumer and business confidence. One of these, the Westpac-Melbourne Institute Consumer Sentiment Index, revealed that the majority of Australian consumers believed economic conditions and their family finances would improve over the next year.

New housing finance figures, released at the same time, showed consumers were backing their judgement about the economy, arranging a record \$12.9 billion in new home loans in May.

We too have seen this improved confidence coming through on the ground in all the areas in which we operate.

## **There is another seldom mentioned driver of future demand in WA**

Though unemployment in WA has increased this year, the rate still remains relatively low. In this respect employers have helped keep the rate down by adopting a welcome but totally unexpected strategy of trying their best to avoid retrenching workers, even though this has led to some people having to work fewer hours.

Looking into the future, there's an additional factor which we at Realty One feel could have a major influence in the not too distant future. With a big number of Baby Boomers soon to retire, it is expected that there will be a need for a major increase in skilled migration to fill the resulting workforce gap, creating an additional demand for housing.

## **Property investment**

### **Out of pocket expenses significantly cut by lower interest rates**

**As a direct result of much lower interest rates a significant number of negatively geared investment properties are now costing their owners very little in monthly out of pocket expenses.**

This change in the market is proving attractive to a number of investors, especially those close to retirement and younger investors tired of killing themselves working in order to keep up with the monthly out of pocket costs of operating a number of negatively geared properties.

To get an idea of the change that has taken place as a result of low interest rates, let's look at one of the investment properties managed by Realty One. This apartment in Bayswater has a mortgage of \$220,000. Last year it was rented out at \$220/week or \$11,440/year. Loan repayments at an interest rate of 9.25% amounted to \$1695/month or \$19,340/year.

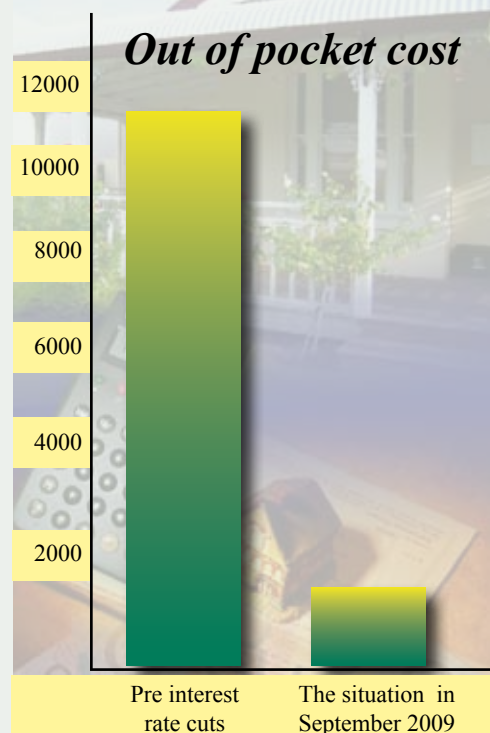
In other words it was heavily negatively geared with the owner being out of pocket to the tune of \$7900 plus expenses of \$3,200 – a total of \$11,100.

With interest falling to 5.25%, repayments on this loan have dropped to \$962.50/month or \$11,550/year. The rental has in the meantime increased to \$260/week or \$13,520/year – a yield of 6.1%. After expenses of \$3200 he is only out of pocket to the tune of \$1230 (\$11,550 - \$10,320).

Of course the \$3200 in expenses plus depreciation would in all likelihood also be tax deductible.

If you are thinking of investing in property, or would like to take the hassle out of managing your investment property, call Rebecca Clow now at 9313 9110.

Note: The information in this article is of a general nature only and is neither a forecast nor guarantee. Due to constantly changing circumstances we advise you to contact us before making any formal real estate decision.



# Why does upgrading make sense right now?

**Would it be wise to upgrade in today's market or should you wait a few years until you can sell your property at a price similar to what you would have achieved in the boom? This is a question on many lips.**

Your own circumstances will of course determine whether you can wait for three or five years until prices hopefully reach boom levels. You will of course know there is no way of determining when this could happen.

So what would be the advantage of acting now? To find an answer, let's kick off by comparing today's market situation to that during the last boom.

Assuming your existing home sold for \$600,000 in the boom and you upgraded to a home costing \$1.5 million, your gap would have been \$900,000.

Assuming both properties have gone down in value by 20%: your home would now fetch \$480,000 while you would have to pay \$1.2 million for the replacement home. Your gap has been reduced to \$720,000.

This amount could be a lot lower if, as has happened in some near city suburbs, prices for higher priced homes have dropped by a much higher percentage than those of lower priced homes.

You would also save on the commission paid to your selling agent and in addition



would save about \$10,000 in stamp duty on your new home.

When it comes to selling your own property and upgrading or downsizing talk to us and we'll tell you exactly what's possible in today's market.

Note: This is general information only. All prices, percentages and savings are assumptions made for your interest. They are neither forecasts nor guarantees.

## Is your strata company in serious need of good management?

**Are you finding that your strata management company is seldom accessible, never seems to inspect your complex or has allowed it to deteriorate to the point where it has a distinctly run-down look?**

If so, you should come in and see us for FREE advice on what you should do to get the level of care that you are entitled to expect.

We at Realty One are one of few agencies with a dedicated strata management division. In our determination to provide the highest level of specialised service, we recently commissioned a new software program which will further improve our own efficiency as well as deliver benefits to strata companies.

Says Strata Manager, Hazel Stephens, "With this program, strata companies will enjoy a number of benefits, including an improved quality of reporting for annual and extraordinary general meetings. In the near future, they will be able to access their account online 24/7."

Our strata management division is firmly focused on enhancing the equity in your asset. As owners of our own investment properties we understand that the value of your property can only be enhanced if it is well kept, regularly inspected and properly maintained.

Give Hazel a call at 9313 9122 to find out why we are the favoured choice of a number of strata companies.

*"Paul Menezes achieved above our expectations in a very short period of time. Paul's local market experience and Realty One's bank of buyers sold our home without advertising or opening for inspection. Thank you." Leo Rego.*

## Full block owners Zoning changes - make your voice heard

**The City of Melville's Town Planning Scheme No. 5 is currently under review.**

Coming up in October/November 2009, the council is giving the public/ratepayers the opportunity to submit their thoughts about the existing and recent changes in zoning to the town planning scheme, which could either stop or allow full block owners to subdivide.

If you have an opinion about this and own a property in the City of Melville we highly recommend you make a submission to the council, so that the majority of owners are heard. Of course if we can be of any assistance on this matter, please do not hesitate to call us at Realty One Applecross on 9315 6363.

## Could your property be affected by moves to create activity centres?

**The Melville and South Perth Councils and the Australian Planning Commission are now at an advanced stage of a study aimed at determining the possibility of establishing a vibrant activity centre in the precinct of the Canning Bridge rail station.**

The precinct under study extends for about an 800m radius around the station.

If eventually implemented, the move would lead to increased population density in areas in close proximity to the station, which could require a degree of rezoning.

According to an informed source, it is logical to assume that the Melville Council will eventually also undertake a similar study for areas in close proximity to the Bull Creek station.

Insofar as the Murdoch station is concerned, plans are already in place for the precinct's activity centre. The greatest intensity of activities is planned for an area within 400m from the rail station.

If you own property in close proximity to stations on the rail line, it's important to talk to us before selling your property.

FOR SALE



### Hay Street, East Perth

#### Charming modern apartment

A beauty for home buyers who are looking for a modern, contemporary and comfortable retreat at a low cost. The charming one bedroom apartment features air conditioning, stainless steel appliances, quality fixtures and fittings, one secure car bay, a generous sized balcony with city scraper views and a separate store room. The complex offers a heated pool, outdoor area, entertainment room, fully equipped gym, sauna and spa.

Call Jack Yeo at 0411 527 848.

FOR SALE



### Anzac Road, North Perth

#### Absolutely stunning

Two storey 3 bedroom, 2 bathroom plus study family home. All bedrooms are upstairs. The kitchen boasts marble bench tops with glass mosaic tiles and ample bench and cupboard space. The master bedroom features a good sized balcony with city scraper views and a walk-in robe. A shaded, paved alfresco area and a water feature are ideal for entertaining family and friends

Call John Nigrone at 0419 909 156.

**We've done it again.  
Sold in record time!**



A huge 4 bedroom, 2 bathroom elevated home with formal lounge and dining, huge kitchen, a massive games room with a bar, alarm system, ducted aircon, gas hot water system, reticulation, new carpets and a generous land area of 778m<sup>2</sup>.

Sold by Jack Yeo 0411 527 848.



FOR SALE

### Broadbent Loop, Leeming

Bright and spacious 4 bedroom, 2 bathroom family home with separate study and sunken games room. There is ducted evaporative cooling, ducted gas heating and a wood stove to keep informal areas warm in winter. Neatly paved backyard with large covered patio. Close to schools and shopping. Call Tony Papineau at 0409 310 686.

## Have you considered the benefits of commercial property investment?

**When we think about investing in property, most of us think residential. As a consequence, many overlook the benefits of diversifying their property portfolio to also include commercial property.**

There are benefits in investing in factories, warehouses, offices and shops not available with residential property. As an investor, one of the key differences is that commercial property will typically deliver higher yields. Another difference, when compared to residential property, is the type of tenants.

There will always be good and bad tenants and while bad tenants can be managed with the help of a professional property manager, they tend to be rarer when it comes to commercial property.

This is because the tenant has a vested interest in keeping the premises well presented because this has a bearing on their business success.

As a result, tenants will often fix small problems and undertake improvements at

their own expense. Commercial tenants also usually pay for outgoings such as property taxes, council rates, and insurance.

The leases for commercial tenants are more complex because contractual obligations are more defined. However, these obligations provide significant legal remedies for landlords to enforce agreements on maintenance, damage or rent.

For many people, the idea of investing in commercial property is uncharted territory but the advice of a real estate agent can take away the mystery.

Unlike most suburban real estate practices, Realty One also specialises in commercial and industrial sales, leasing and management. Our sales and leasing team is there to advise and assist you with the purchase or sale of commercial property.

We currently have available several commercial investment properties that could be of interest. Contact John Hender or Graham Files on 9313 9100.

## SELLING YOUR HOME?

**Call us for a no obligation, free of charge assessment of your home!  
We are your local agents in the Winthrop Shopping Centre -  
Our window display gives your property  
for sale great EXPOSURE!**

**9313 9100**  
adriana@realtyone.com.au

#### SPECIAL BONUS!!

**\$500 Rick Hart electrical store voucher to all property owners who list and sell with Realty One on or before 31 December 2009\***

\*Conditions apply

*"Tony, thank you for your excellent service. Both you and Julie were honest and open in all discussions. Your under-promise and over-deliver approach has left us with good memories of the Realty One experience." Simon Ackland*

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