

## Is property still safer than shares?

*Against the backdrop of recent, turbulent economic times, it is worth revisiting the question: is property still safer than shares? If nothing else, the Global Financial Crisis (GFC) has taught us all the importance of investing in a stable asset class.*

The GFC brought with it the greatest downturn of the stock market since the Great Depression. Up to 40% (and more in some cases) was wiped off the value of the majority of Australia's superfunds, leaving many retirees suddenly facing an uncertain future. For some, their long-awaited retirement continues to be influenced by a significant reduction in value of their nest egg.

Meanwhile, as a result of the GFC, Western Australian real estate prices by and large only fell around 10%. The REIWA graph reproduced below provides concrete evidence of the stability of our property markets over time, even during turbulent global economic periods such as those experienced recently. Historically, no matter what the gyrations of the economy,

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- \* The team meet the world's number one sales professionals.

**markhay**

optimise your property potential

- Residential & Commercial Sales
- Investment Sales
- Portfolio Management
- Development & Project Marketing Specialist

Australian property prices rarely drop dramatically, and when they do fall, after a year or two of flat growth price levels invariably return to an upward trend.

Whether you are a homeowner or a property investor, it is comforting to know that your wealth will not be eroded by the volatile fluctuations of the stock market or the unpredictable failings of corporations.

There have been many occasions in living memory where ordinary Australians have had their entire share portfolios wiped out. When companies such as Enron, Ansett, Qintex (Christopher Skase) and Alan Bond's Bell resources went down the gurgler, tens of millions of dollars of shareholders' funds was lost. Imagine waking up one day and finding your whole investment has been erased. At best, a stab at investing in the stock market is an informed gamble, even for financial planners who claim to have the knowledge and expertise to make good stock market investment decisions. Many of these professionals did advise their clients to invest in companies that unforeseeably went bust, effectively reducing investors' holdings to zero.

Yet, this never happens with property. Property is a tangible asset class and not simply a value on a piece of paper. Bricks and mortar can never be reduced to a zero value, and if you hang onto a well located property through the invariable ups and downs of the economic cycle, you will always end up better off. The same certainly cannot be said of shares in failed companies!

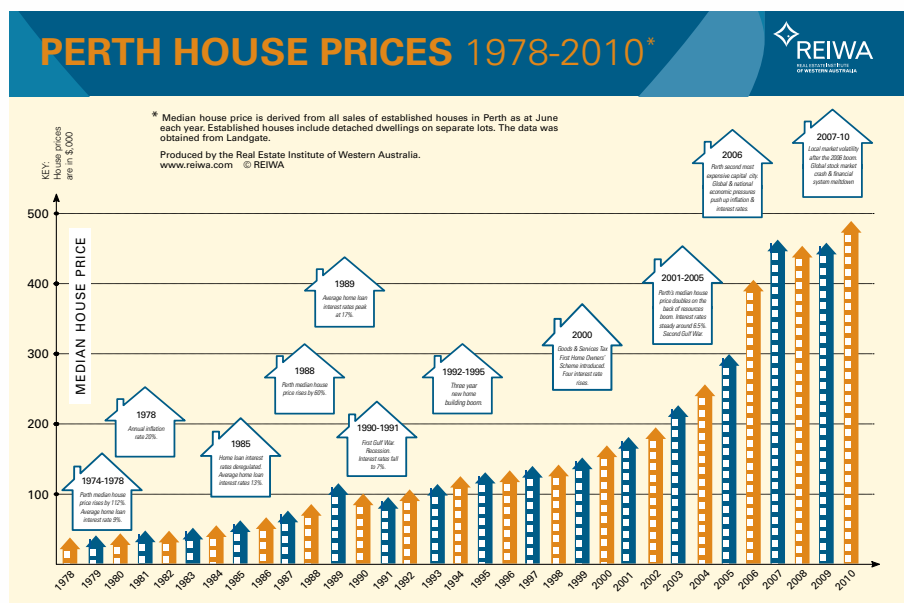
Property is also an accessible asset class. It takes no great expertise to seek and purchase, no great expertise to manage or finance and best of all you control your own destiny 100%. There are no layers of fees, no layers of responsibility and, importantly, you can improve your own asset, live in it, refinance it, develop it or sell it.

Property has always been much safer than shares, and this has been particularly apparent over the last few years. The share market may be more glamorous than property, however changing economic times means that the strength and long term dependability of bricks and mortar is being sought out by prudent investors across the board.



**Mark Hay**

Principal  
Diploma Financial Planning  
Certificate of Business (RE)



# Apartment buying – top tips

*With the recent surge in investors purchasing apartments and many homeowners now following the global trend of apartment living, it's a good time to review some of the more salient points in relation to buying an apartment. Investment specialist, Mark Hay, shares some of his wisdom.*

## Location

The key ingredient of any sound property purchase is always location. The location of the actual project is of high importance. Is it on a favorable street with an outlook? Water or city views or aspect will always ensure good growth. The aspect or location of the specific apartment within the complex should also be factored in. The property's location in relation to transport, entertainment and services should also be given consideration. Whether you're investing in your own home or an investment, the location will have the greatest effect on the property's future capital growth.

## Security

Regardless of the suburb, security is now a crucial consideration for any apartment purchase. Both security of the common areas (eg foyer and car parking) and of the specific apartment itself, are paramount for both rental return and resale value. If purchasing on the ground floor be extra attentive to security issues.

## Quality finishes

The quality of the finishes affects a property's rental and resale value. More relevant for any owner is the upkeep of such finishes. For example, if the whole building's façade is painted, then the upkeep to repaint every five years or so can be quite high, especially in multi-story complexes where access is by scaffolding. Timber fences, latticework, heavily landscaped gardens etc can also require upkeep while the internal condition of an apartment can also generate an economic burden. Always look out for low maintenance finishes and beware of any tell tale signs of building defects and/or lack of general upkeep.

## Amenities

Obvious commercial facilities such as swimming pools, saunas and gyms are great attractions, but equally important is access to smart wiring, dual phone lines, cable TV etc, as these features are now becoming everyday requirements for both the rental and resale market. On the other side of the coin, as an investor you need to confirm that the extra facilities and extra rental you can gain from the facilities is proportionate to the extra strata levies needed to supply and service such amenities.

## Points of difference

Perth buyers and renters are increasingly looking for a point of difference. The design, finishes, colours, amenities, outlook, long-term rental prospects etc can all be points of difference that give your investment an edge over the rest of the market.

## Kitchen and bathroom

Whether they are homeowners or renters, most apartment dwellers want their kitchens to be stylish and feature a workable layout. Whether you are purchasing at the bottom end of the market or the top end, the kitchen still needs to be completely functional as it is always a strong selling feature and rental consideration. To a lesser degree, bathrooms also need to be functional for today's living – stylish and roomy and not just an after thought. Laundries within or adjacent to the bathroom work well, provided enough room is allowed for and the washer/dryer is discreetly screened by bi-fold doors.

## Number in complex

This factor is not as important as it once was. The general acceptance of large blocks of apartments, which are well designed, hold few downsides when compared to smaller complexes. The larger the number of apartments, generally the smaller the quarterly maintenance fees and the better the views are, as the building rises higher. Larger complexes, especially in the inner city, are far more accepted these days.

## Balcony

With our West Australian lifestyle and our love affair with the 'Weber', generous sized balconies add value to your investment, even more so if there is a great outlook from the balcony. The balcony should offer a good degree of privacy and some shelter from our sea breezes and midday sun.

## Size

Investment apartments suffer less from smaller footprints, as many inner city apartments have been designed with minimal but exciting and functional use of space. The more compact apartments on the market, which have been cleverly designed, rent for as much as their larger counterparts and the resale value also doesn't generally suffer. Once you move to the penthouse style then of course size will be a more important consideration.

## Reserve fund

Check how much money currently sits in the complex's 'reserve account'. This money is used for future capital works such as painting, resealing pools, replacing lift motors etc.

## Age

This element is quite important. A brand new apartment will offer the investor substantial tax benefits via depreciation, while also potentially requiring less upkeep and being more in keeping with current trends to maximize rental return and resale figures. Recently constructed apartment buildings will also be more likely to be smart wired, more energy efficient and more suitably designed for today's lifestyle. As a general rule, renters and homeowners all prefer a 'newer' building.

## Condition and upkeep

As with the purchase of anything, the presentation of the property should be paramount to owner occupiers and investors alike. The presentation tells the prospective purchaser a lot, not only about the structure and integrity of the building, but also about how the property is being cared for. A qualified building inspection before your purchase can provide additional, reliable advice.

## Strata levies

An in-depth look at the levies, the latest AGM minutes and a copy of the recent financial statements can give you an insight into how the building is being managed. Take note of any pending items that could potentially require attention or substantial funds in the future.

While these are some of the most important considerations for investing in an apartment, the levelling factor will always be price. The price of any particular apartment and the rental return it will achieve should be considered together. It is also wise to give greater consideration to potential capital growth over potential rental return, as the impact of even 1% extra capital growth over the life of an investment can be significant.



**Mark Hay**

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# Market update: Perth City defies state trend

The latest REIWA statistics show WA house prices down by -3.6% for the last quarter and down by a total of -6.5% for the year from December 2010. The average price moved from \$490,000 to \$472,000 in the March quarter yet, interestingly for our investors, apartments were only down by 1.9%. Even better news for the majority of our investors is that Perth city prices actually defied the WA trend to record an overall gain of 4.7% over the year, with only a modest -0.4% loss in the most recent quarter.

**More good news on the investor front was rental vacancy contracting for the year by a whopping 1.4%. This contraction of the vacancy rate to its present 3.2% has pushed vacancies in our office to an all time low. Consequently, rents are beginning to edge upwards.**

Across the globe, most real estate markets are suffering in the wake of the GFC. While at the recent Australasian Real Estate Conference in Sydney, headed by John McGrath, I had the opportunity to reflect on how very lucky we are in our great state. Through earthquakes, floods, riots, carbon and mining taxes, bank foreclosures, rising interest rates and a range of other national and international challenges, the Western Australian property market and to a greater degree the Perth property market, remains resilient and basically intact.



Mark, Brett & Dallon in Sydney for a full day coaching session with the world's best real estate professionals.

It was once again an awesome experience having the huge depth of knowledge, experience and powerful coaching of Bob Bohlen and Lillian Montalto. Having been coached personally by Bob for the last eight years it never fails to amaze me how we all benefit from such sessions.

Why is this so? Our large and thriving resource sector is complemented by our city's desirability and liveability to both tourists and immigrants alike, while our high degree of innovation and entrepreneurialism is matched by enormous agricultural potential. These realities should continue to set Western Australia apart from the rest of the world.



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## Landlord insurance It's better to be safe than sorry

*The world of insurance is complex, full of terms and conditions, fine print and product disclosure statements almost as thick as a good novel. It's easy to be confused by it all. But a quality landlord insurance policy is vital for every property investor.*

If you have a quality property manager working for you, is it still necessary to take out landlord insurance? The simple answer is YES! Landlord insurance is tailored to suit the needs of property investors and features coverage for events and scenarios that are beyond a property manager's ability to control. Examples include malicious or intentional damage to the property by the tenant or their guests, loss of rent if the tenant defaults on their payments and legal expenses incurred in taking action against a tenant.

With a good property manager working for you to effectively screen prospective tenants, hopefully you'll never need to make a claim on your landlord insurance policy...however it's still better to have this insurance than not! You wouldn't buy a new Mercedes Benz and drive it out of the show room without vehicle insurance. The same should apply with your valuable investment worth many times the Mercedes.

With living costs (including weekly rents) rising, the risk of tenants defaulting is unfortunately becoming more likely as certain sectors are pushed to the wall.

That's the obvious benefit, but there's more coverage included with most landlord insurance policies than many people realise. Some include coverage for tenant hardship, six weeks rent payment should the property be damaged due to a fire or another scenario where the tenant has to vacate while repairs are undertaken (we all remember the great hail storm of 22 March 2010) and even up to \$1,000 for tax audit fees.

The other good news is that a high quality landlord insurance policy costs only approx \$270p/a and is tax deductible, so in most cases you get 30 to 45% of the cost back!

Landlord insurance is the essential tool for all prudent property investors. If you want to know more about landlord insurance and the benefits it has to offer, please contact Mark Hay Realty Group today.



**Steve Hasluck**

Senior Property Manager  
- residential and commercial



## Investment Manager

Originally from Sydney, Lachlan Haughey has more than ten years experience in investments, taxation, superannuation and financial analysis. Lachlan understands the financial and taxation implications of investment decisions, whether they relate to property transactions, rental returns or property trusts and syndicates.

"People invest a lot of time, effort and of course money into their properties. I am passionate about ensuring clients get the maximum return from these investments."

Lachlan brings a specialist set of skills to the real estate industry and he is always available for a general discussion about optimising your property investments to produce the best after-tax returns.

"There are numerous vehicles and structures through which you can invest in property. Whether you choose direct investment, syndicates or property trusts and whether the money comes from your savings, your super, a company or a family trust structure, the entity in which you acquire assets can greatly affect your after tax returns, to the tune of many thousands of dollars."

When he's not crunching numbers, Lachlan enjoys spending time with his family and newborn baby. But be warned that if you ask to see a photo, you may get stuck for hours!

Meet Lachlan Haughey

# Property Gallery



## Rivervale

### 66 Great Eastern Highway

Fantastic starter for the home owner or investor this 1 bedroom apartment is located on the banks of the river minutes from both the city and airport.

**\$209,000**



## Bayswater

### 81 King William Street

Clever design with living downstairs, 2 bedroom townhouse with small courtyard. Great investment or owner occupy.

**\$269,000**



## Perth

### 305 Murray Street

Outstanding rock solid Blue Chip investment, brilliant location just along from the Murray St Mall, amazing returns and recently refurbished.

**\$299,000**



## Perth

### 126 Terrace Road

Very rare opportunity to secure this extra large character first floor apartment in one of the most highly sought after complex's on Terrace Road.

**\$345,000**



## Perth

### 569 Wellington

Funky contemporary city pad. A massive 79sqm in one of the City's most desirable buildings, with a great lease and stunning presentation throughout.

**\$379,000**



## Perth

### 838 Hay Street

You are looking at one of the best apartments in famous Durham House, this fantastic trendy warehouse conversion trendy apartment features 4 metre soaring ceilings with original rich timber beams and great views to the city skyline.

**\$399,000**



## East Perth

### 123 Wellington Street

4th floor, 2 bedrooms, 2 bathrooms, pristine apartment with fabulous views overlooking beautiful parks from your sundrenched balcony.

**\$455,000**



## Mount Lawley

### Fourth Avenue

If you are looking to upgrade or get your foot into this exclusive suburb with all its notoriety of top class bars, cafes and food stores this home is well positioned to accommodate. 2 bed, 1 bath plus sleep-out.

**\$679,000**



## Perth

### 996 Hay Street

Be the envy of your friends with this stylish inner city 2 bedroom apartment located in Perth's popular West End. Full club med facilities including pool & cafe.

**\$469,000**



FOR RENT

## Burswood

### Vic Park Drive

This lovely 2 storey house is ideal for the professional city worker. Fully furnished & equipped, private backyard, double lock up garage, Smeg Stainless Steel Appliances, 2 x 1 plus sparkling pool.

**\$850pw**



FOR RENT

## East Perth

### 18 Wellington Street

1 and 2 bedroom apartments available with BIR's, semi ensuite with private laundry nook, fully furnished & equipped, private balconies, large kitchens with stainless steel appliances, secure allocated parking with storage room, full security access, roof top gardens.

**from \$500pw**



FOR RENT

## Perth

### 250 Bulwer Street

Beat the peak hour traffic and come home to this awesome townhouse! 2 large bedrooms, 2 spacious bathrooms, 1 lock & leave car space, large lounge/dining area, chef style kitchen, polished wooden flooring, unfurnished, large courtyard.

**\$465pw**



COMMERCIAL SALES

## Maddington

### Orr Street, Maddington

This development offers the perfect situation for owner occupiers, developers or investors alike, plans approved. Featuring 2 shop fronts, 4 offices and 3 mixed use business/residential units.

**\$645,000**



COMMERCIAL SALES

## East Perth

### Verde 70 Wittenoom Street

Amazing Brand New office located in East Perth, super exposed shop front which has unlimited possibilities. Featuring 71 square metres which includes own shower and full kitchen facilities and parking. Strikingly designed & finished building this commercial suite offers a rare chance to own your own Shop/Office in a truly Blue Chip location.

**\$410,000**



COMMERCIAL LEASE

## Balga

### 99 Fieldgate Square

Multiple use site with consulting rooms, plenty of customer parking and approximately 200 sqm of space. All set in the heart of a family friendly neighbourhood.

**\$POI**



COMMERCIAL LEASE

## East Perth

### 32 Fielder Street

Light and bright "corner" office. Air conditioned, 2 parking bays and a quality building. Set at the foot of Claisebrook Station there is plenty of passing traffic.

**\$30,000pa + Outgoings**