

Rental squeeze looming

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After suffering at the hands of the Global Financial Crisis and the downward pressure felt across the board for the last two years, it now appears apparent that 2011 is shaping up to be a year that will show gains in both the commercial and residential leasing markets.

It is also fair to say that 2011 should see a reasonable recovery of returns for landlords across the board.

The two main factors for this are as follows:

1. The continued push from the resource sector, ensuring more jobs will be created and their need to source employees from interstate and overseas. Companies are landing families and single workers straight into Perth with immediate requirements for accommodation. As these projects gather momentum, we are seeing increased demand from relocation agencies seeking corporate rentals.
2. The lack of any real development occurring since the global financial crisis has left a gulf of supply for land, house, apartment and commercial premises, as developers across the board ceased or scaled down operations, we are yet to see that impact upon the market.

As with many aspects of business, price is determined by supply and demand so, as we see the fundamentals increasing favourably for demand with a corresponding fall off in supply, then we can rightly assume the price will increase. An increase of 10 to 15 percent across the board for rental returns over the next 12 months is certainly not out of the question.

If we add this to the fact that the economy is improving and that the interest rate lever will not be hit for quite some time, especially in light of the recent flooding and cyclone activity, then it would suggest that the rental push upwards should be with us for at least two to three years as it will take at least that long for developers to bring any significant quantity of finished product to the market.

The commercial sector will also experience favourable spin offs from the points raised. In particular, in the resource sector, with its need to be accommodated in offices and warehouses and as vacancies dry up and with little replacement stock, we should see a similar outcome.

The serviced accommodation and hotel tourism market is also currently experiencing similar pressures from a rise in demand, yet dwindling supply, as some hotels/serviced apartments have actually been converted into residential apartments or offices and no new hotels have been built for the past 10 years.

Possibly, the lowest of all rental/leasing markets to recover would appear to be the retail sector. However, as we slowly return to better times and consumers increase their appetite to spend, then, so too, will opportunities to expand or to open new retail stores increase, all be it, at a slower rate.

The final and obvious fallout from a pending rental bubble will be the flow-on effect to prices. As returns to investors increase, more people will be enticed to purchase investment properties.

Therefore, 2011 should see a favourable return to better times for landlords in firstly rental returns but secondly regarding some price momentum.



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markhay

optimise your property potential

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



“I will renovate and make a project”

Along with the proliferation of Home Improvement, DIY shows, books and seminars, we have seen an army of typical mum and dad investors who, being a little handy with tools and paint brush, see a way to earn a profit from real estate improvement.

Indeed, there are investor magazines devoted to this, along with certain people constantly touring the country extolling the virtues of making wealth as well as dedicated TV shows.

Unfortunately, the reality is not always there, particularly in the more recent tougher market place. I have seen some unsuspecting vendors pour substantial sums of money, time and effort into upgrading properties only to find that they are unable to recoup their costs.

Whilst everyone acknowledges presentation will always sell, it is always best to adopt a KIS method (keep it simple!).

For example, one of my clients owned a very rundown house in the northern suburbs and proceeded to spend \$35,000 to renovate the property. He worked very hard on this for over 3 months, (value his time at an estimated \$15,000). However, because the

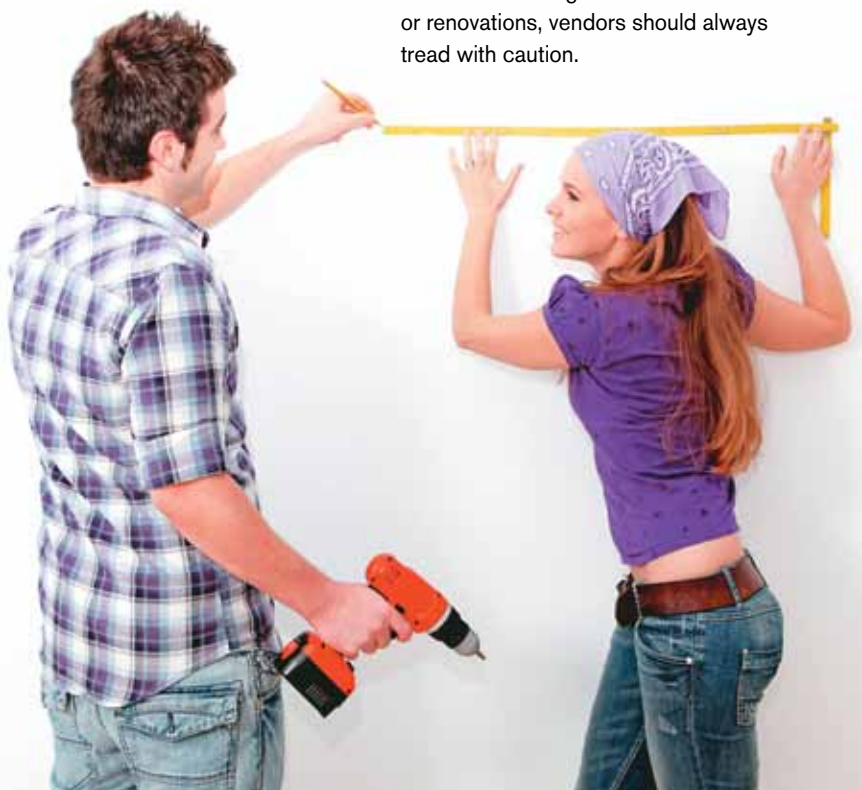
improvements raised the value of the property to the top end of the market, it took longer to sell. So instead of listing the property for \$359,000, he presented the property to the market at \$430,000 (to cover costs) and eventually sold at \$387,000, thereby not even recouping his costs.

My simple advice at the time was to gut the property, that is, take up carpets, clean out all rubbish, sugar soap the walls, add some air freshener, tidy the garden, clean all the windows inside and out, insert higher wattage globes everywhere and go to the market at \$359,000.

The property would have had a far greater appeal, especially to the many home owners who think they can do all the renovations much more cheaply and quickly than it actually takes. Buyers also like to add their own touches and taste.

The vendor's bottom line would have been the same; he would have received his funds six months earlier and saved much heartache. So it is always worth having a closer look as to what is the best way to derive a profit or improve your bottom line; it is not always what you think it may be.

When considering refurbishments or renovations, vendors should always tread with caution.





65 Duchess Street, Busselton \$3.7 Million Government tenant

Busselton is one of the fastest growing regions in the south west and is a major regional centre for economic growth focused around tourism, agriculture, mining, fishing and recreation. With the introduction of the new freeway, Busselton is 230kms south of Perth and enjoys some of the most buoyant economic conditions around Australia.

This state of the art office is 570sqm, featuring a quality fit-out belonging to the owner with a unique 4½ star NABERS energy rating. The property features an open plan office with seven carparks, quality reverse cycle air-conditioning, all located on over 1000sqm of land. The property is directly opposite a large tract of land that is destined for a major redevelopment within the city centre.

Busselton Centrelink offers the ideal opportunity for larger investor groups, superfunds or syndications to participate in one of the State's most secure opportunities to be offered in recent times. A superior and quality built property, boasting an Australian Government lease coupled with one of the strongest growing regions in the whole of Australia and the added benefit of great depreciation allowances. This is an absolute premier opportunity for the most discerning investor seeking a cast iron guarantee against the uncertain economic times yet with full blue sky potential of the expanding south west of Western Australia.



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Executive leasing so hot right now.....

Perth has long been a hub for the mining industry and this trend is continuing.

With another mining boom well in the swing, the mining giants are relocating staff in their droves. Employees are arriving in Perth from all over the globe including the UK and USA; some are single and others have families. Relocation agents have been given the job of locating suitable accommodation for the thousands of workers being transferred.

Often the mining tenants work long hours and are only home to rest their heads and return to work the next day. They tend to stay in their accommodation for a longer term and often employ housekeepers to maintain the property in a clean condition. One could say these tenants are the "perfect tenants"

As tenants in this spectrum are diverse, they are looking for a just as diverse range of property, including furnished, unfurnished, houses and apartments. The rent they pay is also varied, generally ranging between \$500 and \$2,500+ weekly.

With the Gorgon project and other like projects and the mining giants announcing new project after new project, the "good times" appear to be here for the long haul. Call us to find out how you can take advantage of the "good times" and make the best return on your valuable investment.



Steve Hasluck
Senior Property Manager
- residential and commercial



Listing and Sales Co-ordinator

Organised and efficient, Angela Tomadon applies her naturally meticulous approach to her role as Listing Sales Co-ordinator.

Supporting the Mark Hay Realty Group sales team, Angela completes a range of key tasks such as preparing and reviewing all listing documentation and assisting with property marketing. She also manages a range of processes that underpin the property transaction process.

An experienced administrator, Angela began her career at Mark Hay as Administration Assistant, where she built up an intimate knowledge of the company's key practices and procedures.

Since moving into the Listing Sales Co-ordinator role while Tania Haeusler is currently away on 12 months maternity leave, Angela says she is enjoying the challenge.

"I love working in real estate and it's great to be part of the Mark Hay team. Everyone is friendly and helpful and there is a genuine focus on achieving the best possible outcome for each client."

Known for her communication skills, reliability and positive approach to her work, Angela is a skilled multi-tasker, yet she is never too busy to assist and support her colleagues.

"Our office is very collaborative, and this commitment to teamwork is what makes our group so successful." Angela is a hard worker who says she enjoys keeping busy. Away from the office she enjoys a good book and a relax on the beach.

Angela Tomadon

Property Gallery



East Perth

63/138 Adelaide Terrace

Top floor, end studio apartment complete with furniture, renovated kitchen and ample natural lighting.

\$229,000



East Perth

818/112 Goderich Street

Fantastic 1brm, end apart, parking, great park views, 8th floor.

\$279,000



Kalgoorlie

26/406 Hay Street

Brand new, 2x2, open plan kitchen/living plus a/c and large o/door patio area. Located in the centre of town with a bullet proof lease to a mining company.

\$285,000



Rivervale

506/150 Great Eastern Highway

River views, fully furnished, assured rental income with great growth.

\$305,000



Perth

3G/811 Hay Street

Modern, one bedroom apartment nestled in the middle of the city. Located within seconds of Gucci, Louis Vuitton and the fashionable King Street cafe culture.

\$325,000



Perth

2/120 Terrace Road

River views, character, balcony, floorboards and parking. This has got the lot!

\$349,000



Perth

6/130 Terrace Road

Huge blue sky, massive 2brm character apart, high ceilings, Jarrah f/boards, parking and right opposite the river.

\$399,000



Perth

20/838 Hay Street

Fantastic w/hse conversion trendy apart feature 4 meter soaring ceilings with original timber beams and great views of the city skyline.

\$419,000



Perth

46/996 Hay Street

Fully furnished and equipped this city pad is located in Perth's popular west end. Features resort style facilities such as pool, spa, gym and cafe.

\$449,000



East Perth

67/141-151 Adelaide Terrace

Open plan living and dining area opening onto a spacious entertainer's balcony, quality kitchen with granite bench tops and glass splash back.

\$649,000



Dianella

1 Redgate Lane

Impeccable, spacious 4x2 family home with 3 living areas, featuring polished Jarrah f/boards t/out.

\$799,000



East Perth

24B Kensington Street

Tri level t/hse with double garage and self contained office on the ground floor. Superbly located in walking distance to the river and Claisebrook inlet.

\$835,000



COMMERCIAL

Perth

Shop 5/996 Hay Street

West End premises for sale in this well managed mixed use building with 137 apartments. A secure lease is in place by one of Perth's best café operators.

\$725,000



COMMERCIAL

Inglewood

937 Beaufort Street

Prime corner commercial site on the ever popular Beaufort Street. Take advantage of this mixed use zoned property to build further value.

\$1.1M



COMMERCIAL

Busselton

65 Duchess Street

Dynamic growth in the heart of the South West. CES office 4 1/2 star energy rating. 7 year lease, 1000sqm of land and 570sqm office space.

\$3.7 M



FOR RENT

Perth

11/130 Terrace Road

Renovated fully furnished & equipped 2brm apart. Excellent location across from Langley Park.

\$380.00 per week



FOR RENT

East Perth

8/102 Goderich Street

Two bedroom freshly painted t/ out with new flooring and blinds. Secure parking and separate laundry.

\$450 per week



FOR RENT

East Perth

707/251 Hay Street

Stunning location with breathtaking views. Stylish and f/furn executive 2brm apartment in the Quattro Building.

\$550.00 per week



FOR LEASE

High Wycombe

3/1120 Abernethy Road

Trains planes and automobiles. Strategically place your business in this booming commercial hub. 231 SQM with high truss and plenty of parking.

\$POA



FOR LEASE

Perth

Shop 2/996 Hay Street

Well position for walk in business, 41sqm retail/office space, 1 secure c/bay plus use of in-house facilities.

\$575sqm+GST