

Markets on the move again

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After nearly 12 months of negativity surrounding real estate, the financial markets and our economy in general, we are now witnessing an apparent move towards positive and promising news. Around the globe, all the experts seem to be unified in their upbeat outlook, real estate and stock markets are rising again and confidence is increasing.

Australia has always been the shining light in global terms as our fundamentals across the board were always much sounder than those in other parts of the world. Here in WA we are in the fortunate position of being the state earmarked to lead the recovery, with strong returns derived from our vast resources sector.

The RBA are continually threatening to increase interest rates and most opinions suggest that the next rates move will be up. As we have witnessed many times before, the first round of interest rates rises is also traditionally the time both investors and owner occupiers begin to return to the market 'en masse'. Humans are very much creatures of habit and typically take comfort in running with the herd.

There are obvious advantages for investors who remain one step ahead of the market, so now would be the ideal time to purchase as the market has not yet factored in the full ramifications of the good news and it is now generally accepted that the property market has reached the bottom and is on the way up.

Over the last 12 months an enormous amount of development has ceased and been shelved awaiting sounder economic times. However during that time statistics show that WA has continued to grow. Both national and international immigration figures for our state remain strong and WA job prospects and our economic outlook are heralded the best in Australia.

Due to an increasing supply of tenants to the market, combined with the phasing out of the First Home Buyers' Scheme at the end of September, there should continue to be

favourable returns for investors driven by the continuing demand for rental accommodation. In the wake of the huge and sudden drops experienced in the stock market over the last 12 months, there have been many investors – both young and old alike – who have sworn off the share market forever and will instead be seeking the less glamorous but extremely safe haven of property for investment.

Historically low interest rates also signal the perfect time for property investors to purchase at not only lower purchase prices but also with the ability to lock in loans for five year periods at interest rate levels that nearly show positive cash flows, especially when adding in the benefits of negative gearing.

The final contributing factor that should see property rise strongly from here is the recently revised superannuation laws that enable self managed super funds to actively borrow via an instrument call a 'warrant'. Borrowing is now permissible for both commercial and residential properties up to the levels (dependent on certain conditions) of approximately 70%.

When combining all these factors it would be very apparent that the Australian property market, but more importantly our local WA property market, is on the cusp of a growth curve and now is when forward-thinking and prudent investors are setting out to consolidate their position before higher capital growth is once again witnessed.

In the past five years there has probably been no better time to invest in property than right now!

markhay

optimise your property potential

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

If it's time to buy... why sell now?

*If you have read this newsletter's lead article, you may find it hard to believe that for some, now is the perfect time to sell!
Let's explore some of the facts:*

- If you agree the market has basically reached the bottom then it would be fair to say it's the perfect time to "change over" assets. So, by selling an inferior asset now and redirecting those funds immediately into superior and higher priced property, you will find your change over or trade up costs to be relative (i.e. if you sell a \$250,000 property at say 10% under value but immediately purchase a \$500,000 property under value by 10%, you create a \$25,000 upside).
 - Don't forget that, of any profit you make, between 15% to 30% is to be paid out in tax, so the price difference of less 10% after tax could equate to a net difference of 8.5% to 7.0% only (after tax).
 - As it's the early months of the financial year you have one year or more before capital gains tax needs to be paid so selling sooner rather than later can help your cash flow.
 - Higher valued properties have the likelihood of being able to be picked up with greater than 10% savings; it's generally accepted that the higher priced properties offer more opportunity for savings.
- If you have been highly geared, under stress or renegotiating substantial loans, it could be wise to take a shorter term view, sell, consolidate and lock in your loans at the most favourable rate for five years. Don't wait for circumstances to arise that put you under further pressure, resulting in forced property sales which may even impact your credit rating for future funding purposes. Banks are proving increasingly hostile and tentative about assisting stressed investors so if you need to make a hard call, make it now.

While I remain a very strong advocate of accumulating property for the long term and never selling, there are certain situations where it is actually prudent to sell. Ensure you capitalise on the current situation by making decisions that suit your individual needs and goals. Remember, no one ever went broke making a profit...more importantly, those who see the upside are the ones who reap the rewards.



Mark Hay

Principal
Diploma Financial Planning
Certificate of Business (RE)

Property mythbuster

Myth: You need significant expertise to successfully manage and administer your own super fund. It's best to leave this to the experts.

Reality: If there was ever a myth to bust it's this one! So often I have clients who feel the so-called experts should be managing their super. Ironically, these are the same clients who have recently seen in some cases over 40% of their hard earned retirement money evaporate into thin air! To add further insult to injury, the 'experts' have continued to collect fees even after they have lost my clients' money! If you are one of those many unfortunate individuals, take heart.

For an approximately \$2,000 initial fee and for approximately the same amount each year you can set up and administer your **OWN** super fund. This means you don't pay huge fees for others to lose your money. For many of those who feel they don't have the expertise, I would suggest you look no further than your own home.

If you have owned your home for five years or more, no matter what location you live in you would have witnessed modest capital growth to possibly doubling the money you invested. How does that compare to the 40% wipeout from most super funds that were exposed to the stock market?

Not to mention the exorbitant annual fees eroding your hard earned cash.

If you apply the same philosophy you have used on your own home to your self managed superfund, I am sure you will invest wisely and over a medium to long term produce exceptional returns to do you well throughout your retirement years. It really isn't that hard to create 'super' returns!



Lord Mayor officially opens *Imago II*

In the spirit of progress and reflecting the increasing popularity of inner city living, The Right Honourable, The Lord Mayor Mrs Lisa Scaffidi officially opened the new Danny Psaros building, *Imago II*, on behalf of Mark Hay Realty Group.

The launch was a great success and the Lord Mayor (herself an East Perth resident) took time out of her busy schedule to inspect firsthand the quality and finishes of the development.

REIWA President, Rob Druitt also attended the opening and addressed the crowd.

Rob reflected that all indicators point towards both a Perth real estate market recovery as well as a continued trend towards inner city and apartment style living.

At the completion of formalities, The Right Honourable, The Lord Mayor Mrs Lisa Scaffidi unveiled a commemorative plaque and officially invited the public to inspect the complex. At least four sales have resulted from the official *Imago II* opening as the Psaros product continues to set the benchmark in terms of inner city style and value.



Rental market update: it's been a bumpy ride!

2009 has been a tumultuous year for many property investors, with vacancy rates hovering around the 3% mark, almost double the vacancy rate for the same time last year.

Rents have jumped more than 15% over the same 12 month period, with this growth experienced mostly in the second half of 2008. The March to June quarter saw rents plateau, with overall median rental payments for houses lowering by about \$10.00 per week, and median apartment prices remaining unchanged.

Inner city Perth has been a standout performer, achieving an annual growth of 8.0% in a period where growth across the entire Perth metro region fell -7.1%.

With the Commonwealth First Home Buyers boost ending on 30 September 2009, it is possible that the vacancy rate will increase further during the September quarter as more renters become first home buyers and retrenched workers relocate back to the eastern states.

However, relief is on its way, with most forecasters agreeing that an economic rebound should take place in 2010. Investors can expect a drop in vacancy rates and an increase in median rents to be just around the corner.

With much of Mark Hay Realty Group's focus on Perth's inner city and the city fringe, the drop in inner-city building approvals and the Northbridge link development suggests the demand for inner-city living is set to increase in the future.

As we now rapidly approach the more favourable spring leasing period, we can hopefully shake off the winter blues that have dogged some landlords over this traditionally quiet period.

Samantha Kelly
Manager, Residential Leasing



Manager, Residential Leasing

Samantha Kelly is a highly skilled residential property manager with more than 15 years in the industry. During this time she has experienced all facets of property management and has worked across the residential, commercial, retail and industrial market segments.

Organised, professional and with an enviable career track record, Samantha is known for her ability to achieve the best possible outcomes for both landlords and tenants.

Samantha says she was attracted to a role at Mark Hay Asset Management because of the company's excellent reputation and commitment to top-notch service.

"At Mark Hay we provide our clients with continuous feedback, and as a truly professional team, we are supported in our efforts by quality systems that set the industry benchmark for providing superior property management."

"It's very rewarding to be working in an environment where we collectively and continuously strive to exceed our clients' expectations and maximise their return on their investment."

Away from work, Samantha enjoys spending time with family, watching her beloved Eagles win, and renovating her own home.

Meet Samantha Kelly

Property Gallery



West Perth

219/875 Wellington Street
Rent 52 weeks per year – no management fees. Blue chip investment. Leased until June 2015. Best value investment in Perth.
\$169,500



Perth

505/130a Mounts Bay Road
Leafy lovely Mounts Bay Rd location makes this a great starter or first investment! Rented at \$290pw and fully furnished!
\$259,000



Ravenswood

Ravenswood River Estate
Duplex block – opposite banks of Murray River, sites range from 600 – 800m². Superb A class building sites.
From \$270,000



Perth

51/418 Murray Street
Fully furnished, immaculate and ready to go 2x1 located on 3rd floor. Resort facilities and secure car bay.
\$429,000



East Perth

17/7 Bennett Street
Relax on the rooftop with fantastic facilities. Large 2x2 apart with 1 secure c/bay. Balcony has views plus loads of natural light and room for everything.
\$479,000



Perth

101/112 Mounts Bay Road
2 Side by side car bays plus massive balcony are features of this modern 2 bed apartment in resort style complex.
\$485,000



Perth

46/996 Hay Street
Near new 2 bed apartment ideal for corporate tenant or stylish city pad. Pool, gym and spa in this security complex.
\$529,000



Perth

Hay Street
Blue chip investment 3 year lease – rock solid tenant, near new building. Full security c/bay, location. Leased at \$35,000 + outgoings.
\$590,000



East Perth

GC02/52 Terrace Road
LOVE the luxury lifestyle! 2bed, 2bath luxury apart located in Millionaires row. Complete with garden terrace outlook. Suit corp tenant or move in and live the lavish lifestyle yourself!
\$599,000



East Perth

24/38 Fielder Street
Brand new office, corner location, superb exposure with world class finishes – 112sqm. Can be split into two.
\$649,000



East Perth

Imago II
Massive 3brm, 2bath, 2 c/bay apart located in prestigious boutique complex. Huge 111sqm interior with soaring ceilings and large balcony.
From \$689,000



West Perth

30 Coolgardie Street
Located opposite Harbour Town, 494m² property boasts a 2:1 plot ratio with great holding income from existing warehouse and office (approx 430m²).
\$2.2 Million



Katanning

Katanning Shopping Centre
Huge opportunity to add value to this premier shopping centre. Covers 3 titles in the centre of town opposite the main post office.
\$2.4 Million



Perth – Rental

418 Murray Street
City views to die for. 1 or 2brm aparts – you choose! Inc d/washer, fully equipped gym, heated pool, sauna & spa, secure parking. 6/12 Month Leases.
From \$475.00 per week



Perth – Rental

996 Hay Street
Relax in the pool & sauna after your gym workout or pop down to the in-house cafe to unwind. 2brm furnished & equipped aparts. 6/12 Month Leases.
From \$515.00 per week