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REAL ESTATE

PROPERTY NEWS

What NOT To Do If You Are Planning To Sell Your Property

Much is published about optimising your Property (rental or otherwise) for sale. Very little is mentioned about what NOT TO DO.

Don't renew the lease is number 1 is if it is a rental property - Don't renew the lease ahead of listing your property for sale. A fixed term lease to an owner-occupier buyer is a deterrent for a number of reasons. The obvious one is that they will be unable to access the property until the lease expires. Less obvious is the impact it can have on the eligibility of buyers for certain grants and concessions (for example a 12 month lease may jeopardise the buyers ability to claim a Transfer Duty (Stamp Duty) concession which can result in several thousands of dollars additional cost to the buyer.

Don't spend any real capital (e.g. an extension or major kitchen renovation) without prior consultation with your agent. Often these larger capital costs do not necessarily add the exponential value that you would expect. For example, you may spend $15,000 on a new kitchen, and the new buyer ends up raising the house, and completely reworking the layout of the property with a kitchen downstairs. They will not in this circumstance consider that your new kitchen has any value as it will end up being discarded.

Don't Engage In Potential Neighbourhood Conflicts – If you've put up with that fallen down fence or overhanging tree for years and think now is a good time to exert your neighbourhood rights, you potentially set yourself up for either delays sorting it out, or needing to disclose a neighbourhood dispute (or outstanding notice to buyers). As buyers are sensitive to all matters associated with the property, this can be quite a turn off for them.

Note this advice does not extend to you not fixing the fence or cutting back offending trees at your cost to optimise the property presentation – just don't invite a dispute environment with your neighbours. In certain cases, they can make the sale process difficult for you.

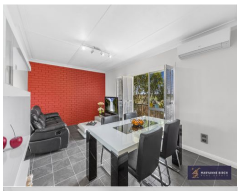
Don't Try To Cover Things Up If you are aware of any adverse matters about the property (this may even be the reason you are selling), for example termite activity, don't just repair the visual evidence and leave the real damage covered up or untreated.

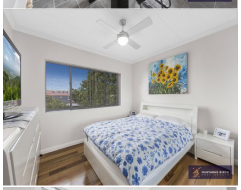
Over 90% of residential property sales include a Building & Pest Report (this is a default requirement of lenders too), so your attempt to cover something up is most likely to be exposed, and this usually results in a highly compromised sale outcome. Either the buyer will terminate which will then raise questions as to why the first sale fell through, or they will want to renegotiate the price at a heavily discounted price to cover the risk of unknowns.

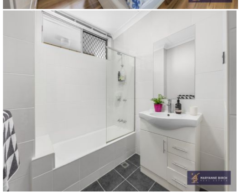
Ps: On this subject, if there is a large expense which is obvious and looming (eg termites or a falling over retaining wall) that you don't intend to fix prior to sale, we recommend rather than trying to disguise or avoid it, to obtain a written quote for rectification work which can be shown to buyers (or building inspectors). They then can see that as sellers you are being both transparent and helpful. These quotes can be used to quantify the issue rather that allowing the buyer to over-state the amount and use it to discount your price excessively.

PROPERTY OF THE MONTH!

5/409 Hawthorne Road, Bulimba







With a million dollar location so close to Oxford Street, this smart modern top level apartment is definitely one NOT to miss. The spacious open plan living opens seamlessly onto a full-length north-facing balcony for that morning coffee or wind down wine at the end of the day. Entertaining is made easy with the sleek modern kitchen which integrates perfectly with the open living. The bedrooms are well placed away from the living and are renovated to brand new, and the overall generosity of space throughout is above the average. There is a secure lock up garage with masses of extra storage space and a separate laundry room – way above the standard!!!

A short stroll and you have thriving Oxford St with its award winning cafes, famous cinema precinct, boutique and specialty shops, heritage listed parklands, and of course, the City Cat to get you to town by river instead of the bustle other areas must endure.

For the price, this fabulous unit is overqualified and will be the perfect trendy town base for the busy young exec, or low maintenance investment with heaps of depreciable items to claim, and a line up of tenants who'll just love it.

OFFERS OVER $395,000

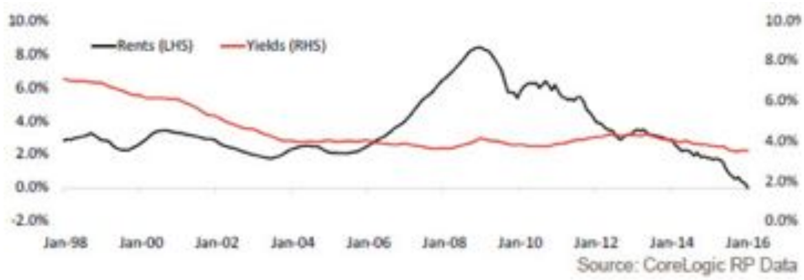
Housing rents have increased at a slower pace than home values over the past decade

By Cameron Kusher (For Core Logic) February 2016

Following last week's 10 year retrospective on capital city home value growth we undertake a comparison with the rental growth performance over the same period.

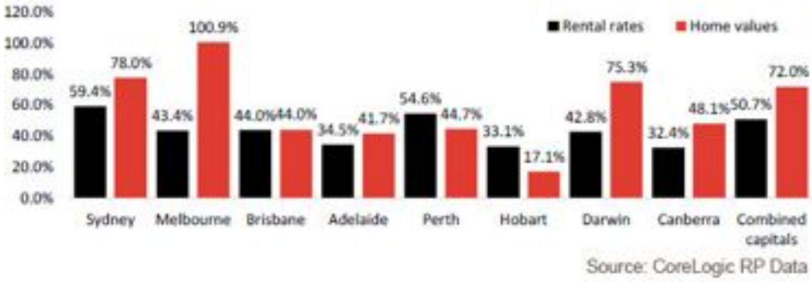
Over the past two decades rental yields across the combined capital cities have been gradually trending lower and currently sit at record low levels. Meanwhile, the change in rental rates has also been slowing in recent years which has culminated in no change in rents over the past year. This represents a historically weak market for rental growth. Looking at a 10 year retrospective for rents shows that across the combined capital cities, rental rates have increased by 50.7% over the period, or 4.2% per annum. This is a lower level of increase than home values which have increased by 72.0% (5.6% per annum) over the same period. Looking at the split by property types, there hasn't been a substantial difference in performance, with house rents increasing by 50.3% compared to a 53.7% rise in unit rents.

Annual change in rents vs monthly rental yields



If we breakout the results across the individual capital cities and look at the total rental change over the past decade it shows that Sydney (+59.4%) and Perth (54.6%) have seen significantly greater increases in rents than all other capital cities. Although rental growth has been strong in some cities, in most instances home value growth has outpaced rental growth over the past decade. The exceptions have been Hobart and Perth where rental increases have outstripped value growth, pushing yields higher over the decade, and Brisbane where value growth and rental growth have each been recorded at 44.0% over the decade.

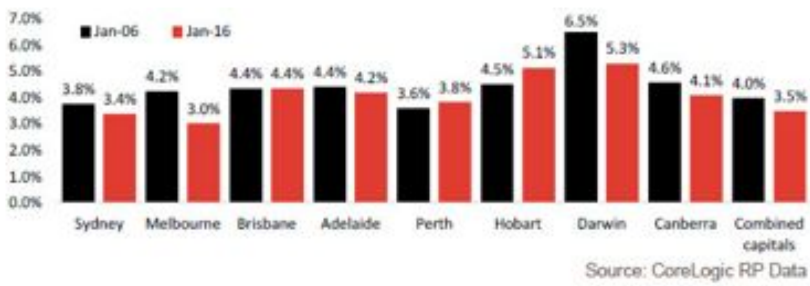
Cumulative change in capital city home values and rental rates, 10 years to Jan-16



The other side of the rental growth equation is of course gross rental yields which highlight the expected annual rental return on an investment property. There are a few points that should be highlighted, they are based on the home value so no consideration is given to borrowings nor are there allowances for costs. Furthermore, the calculation assumes that there is no vacancy, which in the current environment is becoming somewhat more difficult to achieve. Over the past 10 years there has been little overall change in gross rental yields across the capital cities. Although capital city rental yields are now at an historic low of 3.5% the shift from 4.0% 10 years ago has been relatively minimal.

Perth and Hobart are the only cities in which yields are now higher than they were 10 years ago while in Brisbane they are unchanged over the period. Melbourne and Darwin have seen the greatest softening in gross rental yields over the past decade. Melbourne, where gross yields are the lowest of any capital city, have slipped from 4.2% ten years ago to 2.9% currently.

Gross rental yields Jan-06 vs Jan-16



With rental rates falling and yields sitting at record low levels at a time when housing construction is at its highest level on record it is reasonable to expect that rents and yields will slip further over the coming years. Of course we have recently seen the Labor opposition propose changes to negative gearing and the capital gains tax discount. Were policies such as these to be implemented it could change the situation for investors. Whereas over recent years their focus has clearly been on value growth, attention could begin to become more balanced where investors place a higher degree importance on the yield profile and potential for positive cash flow.