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Peak Central

Property Report

The latest news from First National Real Estate Peak Central



Welcome to the March edition of our property market report.

At the risk of being accused of 'talking things up' I have to tell you that things are continuing to improve in WA's property market.

You will see in the accompanying stories that we're finding sale prices this year are a tad better than where they were at the same time last year – and what's more, there is a small upward movement in rental levels.

Whether this improvement is going to continue is hard to predict – but I don't see why it shouldn't, although forecasters seem to be all over the shop with their predictions.

To give you an idea some forecasters including Commsec believe interest rates will be raised later this year. Traditionally, an interest rate rise brings a temporary slow-down.

Others, however, believe the RBA will leave rates on hold, till at least mid 2019.

In the meantime, worry warts have another cause for consternation: the Royal Commission into banks.

With the Commission's interim report due September 30 and a final report February 1 2019, some believe the extra scrutiny may lead to less flexibility in loan approvals.

Their reasoning is that when industry bodies impose regulations they invariably lead to over-regulation that impacts on the end user by way of restrictions to lending and increases in costs (interest rates).

Interest only loans are proof of this. Previously, simple to organise a rollover at term end – now, a full re-assessment is needed that often increases borrowing costs.

Whether these things are significant enough to dampen a market coming off a depressed base is hard to predict.

I doubt these issues will be enough to curb activity - possibly in Sydney and Melbourne, but here, can't see it happening.

Cheers...

Richard Stacey, Principal

Multiple applications and small rent rises put a shine on rental market

Our property management team secured 28 new leases during February, along with 19 new properties to manage, giving yet another indication of an improving rental market in Western Australia.

Well-presented rental properties have been attracting multiple applications during the past month and what's more, we've secured some small increases in rent levels.

The quality of the tenant applicants has been good, leading us to believe that the worst of the rental market doldrums is definitely over.

To give you an idea: as at the end of February there were 18.5% fewer rental properties on the market than the same time last year.

Renting in Perth has been running at a constant 1,000 to 1,100 a week so in working that out, roughly 13% of properties available are currently being taken up compared with a take up rate of 9.5% a year ago.



By the end of March the tempo will probably slow a little because the beginning of the year is always the busiest in the rental market, however, it will be interesting to see how it compares to last year. If it follows the trend set to date we may yet see small rent rises being consolidated – finally some good news for property investors!

Improving economy sets the scene for property sales

Improving employment rates in Western Australia seems to be setting the scene for further encouragement in property sales.

While it has to be said that reaching our targets in February wasn't easy, we're finding well-presented properties are tending to get a slightly better price than equivalent properties were achieving 12 months ago.

First homes buyers in particular are more active.

There are, a few more investors looking for opportunities and there are home upgraders giving consideration to making their next move.

A typical example: we recently spoke with a couple who are thinking of taking the opportunity while the market still offers relatively good buying to move close to a high school as their children will be reaching high school age in a few years.

And with respect to property investors, we have recently been asked to manage a rental property for an investor who lives in Queensland. He recently bought here because he believes that in a few years the market will return to its normality to give good capital growth.

In the meantime it is interesting to note that the WA Chamber of Commerce and Industry has forecasted an 0.9% growth rate in the WA economy for 2017/18; 3% in 2018/19 and 2.7% in 2019/20.