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REAL ESTATE

Peak Central

Property Report

The latest news from First National Real Estate Peak Central

July 2016



Welcome to our first report for the 2016/17 Financial Year.

Well, what a finish to 2015/16! One of the all-time most chaotic election results.

There is one good thing about it. While we might have political instability for a while, at least it is over so we won't have to put up with those interminably boring election ads.

And of course, from the perspective of property investors, the fact that negative gearing will remain has to be some semblance of good news.

One better piece of news is that the tempo of Perth's property market picked up in the last week of June.

Overall, reported sales in Perth increased by 7% to 639 sales for the week to conclude one of the better months of the year.

This lift in sales can be attributed to house and vacant land sales rising by 7% and 38% respectively. Unit sales, were down 13% over the week, probably due to the fact that we're not seeing many investors in the market at the moment.

The total number of listings recorded for the week was 2% lower than four weeks ago and 6% higher than the same time last year.

The other trend emerging is that prices seem to be stabilising rather than on a slippery slope downwards, which is a positive sign of better times ahead.

Having said that, it's hardly boom times again, so it's vitally important that sellers are realistic about price as you would be waiting quite a while to achieve the same price as you would at the peak of the mining boom.

Richard Stacey, Principal

An absolute golden opportunity for buyers!

If ever a property market could be tailor designed to suit buyers – this is it!

Consider the following:

- Market prices came back to a normal, sensible level after the construction phase of the mining boom ended.
- This has been followed by WA's property market cycle entering a classic buyer's market phase where the supply of properties exceeded demand so that further downward pressure on prices has occurred.
- The slowness of the market has been compounded by two additional elements that always tend to cause it to stall somewhat: the end of the financial year; and the Federal election.

When you consider the timing in the year and the distraction of the election it really was quite a surprise to see the month of June showing signs of market improvement.

The consensus of opinion is that the market has now well and truly bottomed in price and in effect is likely to just bump along at this level until the number of properties available gets back to an equilibrium, at which point prices will start to rise.

In the mean-time interest rates are at their lowest which makes it so good for buyers as it maximises their spending power.



Interestingly, one of the best known forecasters, Trading Economics, predicts the RBA's cash rate will remain at its record low of 1.75% until being further reduced to 1.5% in the last quarter of 2016. They expect interest rates to remain at this level throughout 2017, then be followed by gradual increases, taking the cash rate to around 3.5% by 2020.

With this in mind you would have to say that property in WA at the moment is at its most affordable level for a long time.

As a consequence – if you're thinking about buying and are in a position to do so, we urge you to act soon. If you would like to see some properties that represent outstanding value, call us. It would be our pleasure to show them to you.

RENTAL MARKET REPORT

There's further good news from our Property Management Division. We achieved success in renting 21 properties during the month of June. This piece of heartening news follows May, in which we let 29 properties.



The upswing in finding tenants during two consecutive months is pleasing as the Perth rental market continues to be tough going. According to REIWA, rentals across Perth declined by about 9% in June so while we have been having success, we're most reluctant to suggest that the market is on the mend.

The good news is that there are prospective tenants out there and most occupying tenants are renewing, if the property is well presented and represents what they see as being reasonable value for money.

Value for money is the key, as the task of winning the tenant in a market where rental vacancies remain high, is highly competitive.