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Property Report

The latest news from First National Real Estate Peak Central

November 2016

The media has got it wrong!

Welcome to our November property market report, one in which I have to tell you: 'the media has got it wrong'.

To say that the property market is doom and gloom and that there are very few buyers or prospective tenants in the market is simply incorrect.

The reality is that every time they say these things so buyers and tenants gain the impression that the market is worsening and they can offer less.

The scenario is that there are plenty of prospective buyers. They're looking and comparing properties on value without being in any hurry because turnover at the moment is slow so there's little concern about a property of interest being snapped up before they give it second and third thought.

One group of people who are buying with enthusiasm are the upgraders

There are some very savvy people out there who fully understand that if they sell and buy in the same market, they're going to come out of it OK and they're really on the hunt to take advantage of the low prices and the low interest rates.

And with respect to the rental market we handled 26 new lets for October as a result of adding a number of new home units and houses to our property management portfolio.

Does that tell you there's a collapsing rental market?

In achieving this we are advising owners that if they are to have their property tenanted, a reduced rent does have to be accepted for the time being - which of course is far better than having the property left vacant.

For the time being that's how it is – but times will change that's for sure.

Richard Stacey, Principal

To see what's in the future – look to the past!

For those who can remember the recession that we had to have, it's worth thinking back to how the property market has fared over the last 20-30 years. If you do, you'll see a good few similarities.

In 1988/89 Perth's median house price rose a staggering 60%. Inflation was running gangbusters and the Reserve Bank took its cash rate in 1990 to 17.5% in an effort to slow the market and counter inflation.

This was followed by several years of a depressed market with prices receding.

A number of building companies closed their doors, the biggest if I recall correctly was Mansard Homes.

A few years later and what happened?

The market began to recover, new home building went through a surge between 1992 and 1995 with some growth in the median price through the mid to late 90s.

From 2001 to 2005 Perth's median house price doubled on the back of the boom in the construction phase of the resurgent mining industry, 2011 and 2012 saw some correction followed by small rises and then a retreat to where we are now.

Similar trend

I suspect we're undergoing a very similar trend to what happened after the 1988/89 surge – the market went backwards for a time before settling and then reinvigorating. Once again several building companies have gone bust, the biggest in this cycle being Colliers.

So where does that lead us to?

If I'm correct, Perth's median price is simply bumping along at its bottom point, we'll see much the same but possibly some steadying in 2017 followed by recovery late 2017 leading into 2018.

So with that in mind, anyone who wants to get into housing at its most affordable or upgrade to a better home, should really be pushing as hard as they can in

the remainder of this year and into next year to take advantage of the state of the market and the low interest rates.

It should never be forgotten that each property boom sets us up for the next downturn, just as each downturn sets the scene for the next upswing – and mark my words an upswing will come again.

Good news for small business owners

We understand that several banks are changing lending policies to make it easier for self-employed people to borrow for purchasing property.

Westpac, CBA and St George have made progress in relaxing their policies for small and medium-sized enterprise (SME) owners.

The banks have lowered the need for SME borrowers to present financial records as income verification from two years' to one. Furthermore they no longer require tax returns.

Westpac and CBA have also increased the LVI ratio for SME buyers to 90% from the previous 80% of the purchased property's value.

The change presents business owners with their best opportunity for some years to either purchase their dream home, an investment property or their own business premises.

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