

In The Know.....

February 2010 Newsletter

Inside this issue:

2010 Economic Outlook	1
Pressure on Housing	1
Market Measures	1
Negotiating tactics	2

Property

Rental Yield Outlook Positive

2009 saw many first home buyers take advantage of the additional government stimulus schemes on offer to buy their first home and get out of the rental market. This impacted in less demand for this sector of the market.

However this decline was offset against the overall population growth in the major cities centre's around the country.

BIS Shrapnel, in its latest report offerings is forecasting a 5.8% increase per year in rental increases.

The shortage of overall dwellings, namely in the medium to high density set of inner city locations, is a contributing factor to forecast rent increases.

The shortage is due to developers struggling to get secure cost effective borrowings to get these projects off the ground following the GFC and the ever increasing cost of construction, which is making most of these projects less attractive from a profit point of view for developers.

BIS shrapnel believe that with continued population growth, including record levels of immigration, it is inevitable for rental markets to continue to tighten considerably in 2010 and remain that way in 2011.

Therefore, cities and towns that provide strong employment and educational opportunities will continue to attract their share of population increases.

BIS Shrapnel forecast the annual rental returns in Australia's largest cities over the next three years to be:

- 7.1% p/a - Sydney
- 5.6% p/a - Melbourne
- 5% p/a—Brisbane
- 3.4% p/a—Adelaide
- 3.2% p/a—Perth

As costs rise to hold our investment properties through higher interest rates, and demand remains strong, it's smart investment practice to pass on a portion of these increased costs in owning these properties

Ben Kingsley
Empower Wealth

Pressure on Housing—Long term

Last week the government released their third Inter-generational Report forecast.

It is forecasting the population to grow from current levels of 22 million people to 35.9 million by 2050. An increase of 13.9 million people. With the level of older Australians will increase as will the average age they

"In real terms this figure represents 30,000 more dwellings a year than the number of dwellings built in 2009."

will be living too. This means a double whammy, as less existing homes come on the market from us living longer and with our increasing population putting further pressure on existing and new stock. Shane Goodwin from the

Housing Association of Australia believes that if these forecasts are true, we will have to build another 7.1 million new dwellings. In real terms this figure represents 30,000 more dwellings a year than the number of dwellings built in 2009. With this on-going shortage of supply and demand high, it all bodes well for property values for investors.

Market

Measures:

Dec. Auction Info:

Sydney

Auction No.: 1,670
No. Sold: 1,281
Adj. Clearance Rate: 70%

Melbourne

Auction No.: 2,736
No. Sold: 2,298
Adj. Clearance Rate: 82%

Brisbane

Auction No.: 149
No. Sold: 75
Adj. Clearance Rate: 45%

Canberra

Auction No.: 107
No. Sold: 85
Adj. Clearance Rate: 78%

Perth

Auction No.: 23
No. Sold: 15
Adj. Clearance Rate: 65%

(Source Home Price Guide)

Negotiation Tactics in a 'Sellers' Market

Part One

It's an understatement to say that the residential property market is 'hot', as values in almost all major locations are up on this time last year.

Sydney, Melbourne and Perth are leading the charge, as supply is outstripped by demand from a growing population.

In real estate terms, we are currently in a sellers market, whereby in most locations all agents need to do is list a property for sale and watch the enquiries flood in. There's no need for follow up calls or to make any contact with interested parties, because those looking to buy, have most likely been looking for a while and learn quickly that if they don't chase the agent they will most likely not get a call back and if they leave their call back to the agent too long, they often hear those dreaded words—"sorry the property just sold".

This is case at the moment for any well located properties in high demand areas across the bigger cities. During these 'sellers' markets, agents will recommend vendors to go to auction, as they have a hidden saying in the real estate agent industry—"quote it low and watch it go" which has certainly been the case during these

"Professional advice will most likely be the difference between an 'OK' outcome versus an 'Outperform' outcome"

times.

So as a prospective buyer, what are some of the things you can do to assist in winning the fight to secure a property?

1. Set your offer with a deadline—If you are serious about couple of properties at the same time, it is best to put an offer that lapses on your preferred property, so as to ensure you give yourself ample time to compete in both properties.

When negotiating this condition with the real estate agent, inform him that you are interested in another or several properties (if that's the case). If they ask which property, feel free to tell him the exact property but only if the other property is going to sell for less than what you are offering on this property. Do not tell them if the other property is worth more because if the agent is smart they might already know what the other property is worth and if its worth more, they will try to get more money out of you for this

property. If the other property is higher in value, then its best just to tell the agent there is another property you are chasing, but only quote the suburb or area location, therefore the agent doesn't know which property it is, but they know that you are active and if they don't recommend your offer to the vendor and it is not accepted by your deadline, they could lose you as a buyer.

Let's say the vendor doesn't accept your offer - this doesn't exclude you from making another offer, or getting someone else to make another offer on your behalf.

2. Put your offer in writing, present it with deposit funds, and limit your conditions—A vendor will see this a serious offer and given its right there in front of them, they just might be happy to accept the offer, given they have piece of mind knowing they have a sale 'right now', as opposed to the unknown outcome of waiting for the auction.

More tactics in next months issue...

Ben Kingsley
Founder—Empower Wealth

Upcoming Educational Workshops:

eSearch Superior Property
Tuesday 16th February

A B C of Building a Property Portfolio
Wednesday 24th February

Money Investing and Finance
Wednesday 3rd March

For more information and to Book—Visit:

www.empowerwealth.com.au

"I meet people planning to do dumb things with money everyday and I try to stop them"

Ben Kingsley

Empower
WEALTH
A WEALTH OF KNOWLEDGE

- Mortgage Broking
- Private Client Wealth Building
- Finance & Property Workshops

www.empowerwealth.com.au

T: 03 9326 8900