Residential Edition

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Laing+Simmons property investor news

What not to do when investing in property...

According to Michael Yardney, author, property investor and wealth creator, there are eight "sure fire" ways of losing money in the property market, particularly in today's economic climate. He believes that both investors and potential investors are being bombarded with get rich stories and they are losing sight of what an investment really means. So let's look at his top eight ways to lose money as an investor:

1. **Purchasing off-the-plan** one of the biggest hurdles is finance. Loans are generally only current for three months and so securing a formal "pre-approval" for an off-the-plan purchase is often impossible. Coupled with this is the uncertainty of completion dates and you have a recipe for disaster.
2. **House and land packages** these tend to be available in new or outer suburbs where there is less disposable income/less demand and a smaller choice of diverse tenants. The land is also worth less than half the purchase price.
3. **Buying, renovating and selling** once stamp duty, buying and selling fees and tax are taken into account this is not a very attractive proposition in the short term. However, it is an excellent long term strategy.
4. **Positive cash-flow properties** not an easy way to become wealthy.
5. **Options** making a profit from property without ever owning it.
6. **Rent guarantees** the rent is guaranteed by the seller/developer for a certain period of time. These guarantees are actually built into the purchase price so what really happens is that the seller/developer gets the money upfront from you for the rent that you will be paid over the next few years.
7. **Regional properties** generally capital cities outperform regional areas and city properties tend to have a higher rental growth and more tenants vying for the same property (although this is not always the case, with some regional areas actually outperforming their city counterparts).
8. **Investing in mining towns** – what goes up has to come down and when the mining boom slows down it will be very difficult to find a buyer for that great investment you once had.

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Our ideal home is?

Where we choose to live affects every aspect of our life whether it is where we work, where our children go to school or the types of friendship and family networks we develop. A recent report by the Grattan Institute has highlighted exactly what Australians want in a home, in other words their ideal property if there were no monetary/lifestyle restraints.

The on-line survey of 706 participants asked the fundamental question "What matters most when you choose housing?" Participants were giving a list of eight variables at a time and asked to rank them in order of what mattered most and what mattered least to their housing choice.

The results are listed below from the top priority to the least:

- The number of bedrooms.
- Safety for people and property.
- Near family and friends.
- The number of living spaces.
- Whether the house is detached.
- Near local shops.
- Near a shopping centre.
- Near a bus, tram or ferry stop.
- Has a garage.
- Little traffic congestion in the local area.

This report makes for interesting reading and can be accessed at: www.grattan.edu.au.

Rental prices set to rise

Units in capital cities appear to be outperforming houses in terms of rental return with houses increasing by around 7% and unit returns increasing by around 7.9% over the past five years. However, weekly rents have only increased by 2.9% across the country – this could be a direct result of falling property prices. With vacancy rates remaining low due to first home buyer inactivity, rental growth should increase in the short term – the national median rent currently sits at $360 and city rents at $380.

House prices on the decline

According to NAB's Australian Residential Property Survey for the June quarter of 2011, residential property prices are expected to fall by about 1.4% over the next year (not increase as predicted in the March quarter of 2011). This survey takes into account the opinions of real estate agents, property managers and real estate asset and fund managers.

The survey points to Victoria and Queensland as being the weakest housing markets and NSW the strongest. Western Australia is the only state that has been forecast NOT to experience any negative growth. Overall, the survey indicates a 2% decline in house prices and it is believed that house prices will not recover until at least June 2013.

Consumers however, tell a different story with the latest Westpac/Melbourne Institute Consumer Confidence Index for July showing confidence in the housing market has increased and in fact consumers believe that house prices will still rise this year.

Carbon tax

Did you know that the carbon tax will have repercussions for the housing industry and will lead to a rise in the cost of constructing new houses? This in turn will lead to a rise in the price of existing homes. A 2% increase in the cost of renovations has also been predicted.

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From the desk of **Melanie van Bentum**

We all love tax time!!

Getting together all your paperwork. Invoices, bank statements, receipts....... Thankfully our end of financial year statement makes accounting all your expenses and income so much easier.

These haven been sent out and you should have received your copy. If for whatever reason you have not received your statement, please call us and we will get another one to you.

During the colder months we experience a lot of our properties have issues with mould. There are so many reasons why mould can form. If we are advised by your tenants or if we inspect and notice this we will be sure to discuss this with you.

Keep warm and always call us for all your real estate needs.

Kindest regards,

Melanie
Senior Property Manager