

# INVESTMENT PROPERTY NEWS

Latest News for Southern Highlands Property Investors

January 2009

## What's in store for 2009?

Last month I dwelt at length on the general state of the wider economy because in the end it affects each one of us. To me the unwinding of Australia's huge private debts remains central to the resolution of the current financial crisis and the improvement in economic conditions.

Early in 2009 there is still extraordinary uncertainty, but a few things are becoming clearer:

- The world will suffer the biggest economic slowdown in 70 odd years. Australia can't help but be seriously affected.
- The great hope and goodwill surrounding President Obama and the changes he looks to be bringing quickly in the US (a quarter of the world economy) auger well, despite the gravity of the problems and tasks ahead of him.
- Despite protestations of our Government to the contrary, Australia is now (almost certainly) in recession: not because we talked ourselves into it, but because the recent huge boom (in asset prices) was always going to deliver a bust. How long(?) and how deep(?) will "it" be are the outstanding questions.
- The speed and magnitude of Governments' reactions to the crisis around the world (and in Australia) is already staggering: and more is coming.
- The stock markets, whilst still very skittish, have trended sideways for a couple of months, rather than down as in the prior months. In Australia at least, this seems to be driven by the now high income yields on shares. The coming test of this will be: can corporate profits continue to sustain those income yields? (are Westfield, Westfarmers and Boral the exception, or just the first to show up the downside?).
- We are headed for further substantial interest rate cuts in Australia.

- At every turn, the outlook for commercial and industrial property owners and developers looks pretty tough, nationally and locally.
- Residential property markets typically go into a seasonal quiet at this time of year, and are yet to set any clear direction for 2009, but some sectors are showing some life ... which brings me to ...

## Our local property market ...

Many of the fundamentals that have characterized our local property market for some time remain:

- **Sales supply**, and potential supply, (those wanting to sell but waiting on the sidelines) comfortably **exceeds demand** in most Highlands property market sectors.
- **However, lower interest rates and Government assistance** for first home buyers, certainly seem now to be **having a positive effect**. We are busier in our sales department than we expected right now, and others (agents, brokers, building inspectors, lawyers) working in the most "affordable housing" sector are reporting improved activity. Equally, the reports about the higher price sectors are much less buoyant.
- Buyers are very careful, usually working to a very strict budget, and driving hard bargains in a situation that still favours buyers. So the selling price still has to be competitively keen and below recent historical levels.
- Buyers typically ignore anything offered above their budget, so "leaving room to move" often works against the seller.
- The Highlands rental market is now probably a little oversupplied at the higher rental price levels: with that being more the case the higher the rent. I expect some down pressure on rent to start emerging at the high end soon.

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- The “typical family home” rental market seems to be fairly well balanced. There is still some upside in rental prices here, but not to the same extent as 2008.
- We have been very busy with rental enquiry in January (as expected) but most of the demand is for property renting below \$300.00 per week. Again affordability in the weekly household budget is the driver.

## Marketing Your Rental Property

This brings me to one of the issues that has focused our minds at Highlands Property recently – marketing vacant rental property. We believe we we’re pretty good at it, but we have taken steps to improve it even more:

- The job of leasing consultant has been made a full time one: and Cheryl is running like crazy to keep up with the demands on her time.
- We have extended the use of signboards on all vacant property. There is no argument they increase specific enquiry on the subject property, and enquiries in general. (And we have yet to discover a genuine downside to using a sign).
- We have extended our advertising coverage in the local papers – colour advertising on the back page every Thursday and Friday.
- We have extended the distribution of our daily updated rental vacancy lists to main street agents in all the main towns, and enquirers are regularly picking up those lists.

All this is in addition to our 3 websites, on line banner advertising and regular classified advertising. No other Highlands agent comes close to offering this marketing coverage and effort for you when your property is vacant. And what’s the result? Record new lettings for the last several months; large attendances (often more than 10) at our frequent open houses; hundreds of enquiries every week.

So given that vacancy is one of the key costs/risks for a landlord, you can be sure that you are in good hands with Highlands Property. We are keen to improve this part of our service even more, so if you have a suggestion in this regard, please drop me

a note or call. Or, if you are perfectly happy, tell someone!

## Self Managing

In tough economic times we have had a few consider the idea of self managing their property to save a little money. Quite obviously you would expect us to think that’s a bad idea, and we do. But our view is certainly not driven just by idle self-interest: we have many hard reasons and plenty of evidence that the downside can be substantial. It’s unlikely you would do your own tax return, your own conveyancing, or your own pest and building inspections, and we think good property management is a similar essential, risk averting, good value professional service. So if you are thinking self management, please talk to us first so we can professionally discuss the pros and cons **before** you make a decision.

## New for 2009

We have launched new procedures and reports for our **routine general inspections**. The general feedback from the more than 200 landlords who have received these new reports has been excellent. The system is set up to allow the report to be in your email inbox the day the inspection is completed – **yet another reason for us to have your email address if we don’t already!**

We have started enhancing our procedures for collection of rent. The primary aim is to make the processes more straightforward for us and for tenants, and hence **tighten up further on rental arrears**.

And, just like 2008, I expect there will be much more development in the effectiveness and professionalism of our business in 2009.

Happy 2009 to you all. I’m sure your/our outlook in property investment is better than the outlook for many others, and that it will be improved by year’s end ... let’s all hope for that ...

Cheers ... Geoff O'Reilly

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