

# INVESTMENT PROPERTY NEWS

Latest News for Southern Highlands Property Investors

February 2009

## February rental market

We have been a little surprised by the continuing demand for rental property in February. Normally after a rush over the Christmas and January period, February goes a bit quiet as people settle in to the new year. This February the churn has rolled on and looks likely to produce a very high number of lettings. The exception is the top end of the market (above \$500 per week) where the demand is now very soft and supply plentiful: that will lead to an easing of rental prices for those needing to see their property occupied. Demand in the middle market is still good, and it is quite satisfactory at the low end.

There is still scope for improvement in income for many landlords, particularly where rent has not been increased for a while. We continue to look for those opportunities, and for the opportunity to secure a renewed lease. However as I have said before, the opportunities for rent increases are becoming much softer this year than they were last year.

We are certainly seeing some of the effects of the very tough economic times on household budgets, and one of those effects is stronger demand down the rental price scale.

## Paying rent

Another sign of the economic times is a few more tenants succumbing to the pressure and suddenly "shooting through". Sometimes we can see early warning signals, but sometimes we just can't. When we do, and we talk to you about such a situation, we urge that you re-act quickly and allow us to take a tough line: the consequences of being too charitable, whilst well intentioned and admirable, can be harsh when it's least affordable.

To assist with these issues we have taken the step of tightening our degree of tolerance to rental arrears, and introduced a Zero Tolerance Policy to the Late Payment of Rent. Every tenant has been mailed a

copy of the Policy and you can look at it on our website amongst the documents for renters. Through 2009 we will be following this Policy very carefully.

We are also pushing towards a policy of collecting rent by direct debit to the tenant's bank accounts on the due date. (This is something not usually possible for an agency smaller ours.) Unfortunately the law prohibits this being compulsory for tenants, and in any event we still rely on there being money in the tenant's account when we process the direct debit. However every such change helps improve the processes and our results.

## Landlord insurance

The aforementioned events also stimulate me to remind you of the importance of making a conscious decision about landlord insurance. As we have seen recently the cost of clean-up, damage repair and lost rent after a tenant has "shot through" and left some "revenge" behind, can wipe out months and months of rental income. Landlord insurance protects you from this cost: household insurance typically does not.

We have also come across a couple of other misunderstandings in this area. It is usually a key term of a household insurance policy that the insurer be told there is a tenant in occupation: not doing so might void some of the policy protection you thought you had. For the avoidance of any doubt, I suggest you check that your insurer is aware there is a tenant in occupation. However, having done that, don't assume that your householder policy covers the extra risks (loss of rent, malicious damage) that might accrue from the tenant's occupation. I suggest you carefully check the terms of your insurance and weigh the costs and benefits of separate landlord insurance.

If you need it we can assist with landlord insurance from Terri Scheer [www.terrischeer.com.au](http://www.terrischeer.com.au) at \$325.00 per year.

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## February sales market

The sales activity in February has been very positive. On the supply side we are continuing to bring some attractively priced properties to the market, and there are more in the pipeline.

On the demand side we are still seeing keen interest and activity from first home buyers. However, constrained by strict lending criteria and conservative budgets, the first home buyer activity peters out quickly as the price rises above about \$320,000. We are also seeing a few more investors looking for opportunity with cheap and affordable housing that is offering decent rental yield. I sense that lack of other investment alternatives and low interest rates is driving this improvement in interest.

Whilst we don't typically work in the higher priced markets, some of my colleague real estate agents who do are a little more cheerful than they were late last year. Notwithstanding the above I remain pretty cautious about the outlook for 2009. Commercial real estate is taking a bit of a beating and I am still of the opinion that the wider world and Australian economies are still to show their worst face. (Just ponder, for instance, on the consequences of Toyota's worldwide production dropping to half what it was a year ago!)

## First home buyer seminar

Given the interest from first home buyers, we have arranged a seminar for first home buyers at Mittagong RSL on 18th March. Key speaker will be a spokesman from the Government who will explain the workings of assistance for home buyers and answer questions.

Almost by definition you are not a first home buyer, but you may have a relative or friend who could be. So if you are so inclined, send them along or come yourself to meet us and have a chat.

## Home insulation

Whilst on the subject of Government assistance and economic stimulus, have you thought of getting on the bandwagon and insulating your investment property? You will have seen that the latest package included financial assistance to insulate your house,

so now might be just the right time to make that small property improvement investment. For full information about the Government rebates go to [www.environment.nsw.gov.au/rebates](http://www.environment.nsw.gov.au/rebates).

## Further business growth

On 1<sup>st</sup> March we will acquire most of the rent roll clients of Bong Bong Real Estate. This will add about 100 new landlord clients and about 150 properties to our portfolio. To assist with the continuing management of these new properties we will be joined by Gaby Ascher from Bong Bong. She has been a property manager in Bowral for more than 8 years, and will add to the diversity and experience of our team. I take this opportunity to welcome our new clients and Gaby to the business.

Interestingly, like every similar acquisition before it, this transaction was initiated by the vendor. That leads me to comment about the size of our business, because some have turned away from us with an untested and misinformed or misguided perception that we are "too big". We are certainly a bigger property management business than is familiar in the Southern Highlands, but not in many other markets.

Unlike any other local agent, our prime focus is property management. And, our size works because we are able to deliver services and support to our clients that most smaller businesses simply cannot. Just a few examples: on line access to your account; on line account access for tenants; more effective and dedicated marketing of vacant property; wider knowledge of the tenant population and thus better tenant selection.

But most importantly we have not compromised personal service. Contrary to popular myth we have no more properties per member of the property management staff than other good smaller property management businesses!

That said, I have often commented that we are certainly not perfect ... no assembly of humans working under the pressures these girls work under ever will be ... but we have a continuing mission to try to get as close as we can to that goal ...

Cheers ... Geoff O'Reilly

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Rosanna Webb  
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