

INVESTMENT PROPERTY NEWS

Latest News for Southern Highlands Property Investors

March 2009

March rental market

March rental activity has remained pretty good. We expect to lease a few more properties than in February, including a couple at the top end of the market that previously has been very quiet. Our residential vacancy list has shortened a little over the last six or so weeks, and despite there being quite a number of difficult to lease properties on it, the list represents just over a month's turnover. We regard this as representing about a balanced situation: more vacancy would indicate softening demand and the possibility of softening rents; and less vacancy would indicate strong demand and upward pressure on rents.

The above is in real contrast to the commercial market. Demand is very soft and vacancies are sometimes very long. The obvious result is that rents are falling wherever the tenants have opportunity to renegotiate. We have 7 vacancies and almost no enquiry. In the current retail and business climate it is hard to see this changing any time soon.

Paying rent

Last month I mentioned that we had mailed all tenants advising that we intended becoming more assiduous in the collection of rent **on time**. Numbers of tenants that we have inherited from other rent rolls had slipped into a pattern of always paying a little bit late – a habit we need to break.

To help tenants (and ourselves with the process of collection) we have also implemented more new methods for tenants to pay rent to us, including direct debit. (This allows us to go into the tenant's bank account and collect the rent on the due date automatically.)

A few landlords contacted us urging that we not harass their tenant about paying rent on time. So let me take this opportunity to clarify:

- Your tenant has agreed (in writing in their lease) **to pay rent on the due date**: there is no concept of credit terms or days of grace in a residential lease.
- It is our responsibility to apply that essential provision in the lease on your behalf. We take that responsibility very seriously.
- With the great majority of tenants paying on time is never an issue.
- With the majority of the remaining minority we just need to adjust their **attitude** towards paying rent: these tenants typically don't have a money problem, they have a **priority problem**. It's our responsibility (on your behalf) to adjust their priorities in your favour, and that's what we will do.
- With a very small minority of tenants there is a real problem. Sometimes circumstances catch a tenant out, and sometimes they slip through our net and are just "bad eggs". Either way we will always talk to you about the issue and discuss resolution.
- In all situations **we are very sensitive** to the balance required to protect your total income. We know that late rent is better than no rent, but we also know that every bad case of lost rent starts with the tenant being just one day late!

If you have anything you would like to discuss with us about our rent collection policies and attitudes, please feel free to call me, Kate Johnson or your property manager – we will be delighted to hear from you.

March sales market

The sales activity in March has remained quite positive: we have sold five properties including some that have been on the books for some time. The major activity is being generated by first home buyers (and some investors). Both classes of buyer remain very cautious about value, and continue to take advantage of the supply situation to drive a bargain: a couple of our sales in March have been quite a bit below advertised price.

Kate Johnson
Rosanna Webb
Linda Cairns
Abby Taylor
Nardia Burton
Caitlin Wood

Peter Wakeling
Danielle Spence
Katie Hill
Kylie O'Brien
Cheryl Hewson
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That said, we now find ourselves in a position where we need more stock to sell: Anita has genuine buyers ready to go who haven't yet found what suits them. So if you have been amongst those who have thought about selling in 2009, now would be a good time to give Anita a call. There is little doubt that if the Government softens or cancels the current temporary boost (ending 30th June) to the first home buyers grant, demand for established houses will drop away with the obvious consequential effect on prices.

\$1,000,000,000,000.00

Big number a trillion dollars, isn't it?

It's about the total size of all economic activity in Australia for a year. 1.5 of these is about the amount of money owed by Australians to others. We are still one of the highest holders of debt in the world. And as I commented in October the central driver of our current world economic situation is debt ... too much of it!

At one level I can't help but have sympathy for the idea of Governments pumping money into faltering economies like the US, UK, and Australia (and almost everywhere) to stimulate activity, but I do pause to ponder the consequences for our western economies of this creating even more debt, not less. And I cringe at the consequences of the US and the UK printing money!

What do you think? Is it time for care, caution, and conservatism, or is it time to go forth and boldly invest counter to the cycle ... I don't know, but I'm doing a lot of reading and listening to try to figure it out ... favourites of mine are Alan Kohler on the ABC and Michael Pascoe in the SMH. And, if you want a contrarian American view, google William Bonner.

Bong Bong Real Estate

As foreshadowed last month we have taken on the former property management clients of Bong Bong Real Estate in Bowral and Gaby Ascher from there has joined our staff. The transition has been pretty smooth, albeit with the inevitable small teething adjustments in things like getting tenants to pay rent

into the right account. Gaby has done a fine job in working carefully through these issues.

May I take this opportunity to welcome the new clients to the business: I hope ours is a long and happy association with you. If at any time you have issues you would like to discuss with me or Kate Johnson about how things work at Highlands Property, please call.

Some of you will not be aware that the principals at Bong Bong approached me to buy their rent roll so they could focus their total energies on their new and exciting real estate sales strategy – the McGrath franchise for Bowral. I think theirs is an excellent move and I wish Kathie and Anne well in their future endeavours.

Property Manager of the Year!

In March Kate and I attended the annual conference of the Leading Property Managers of Australia (LPMA). This is an association of specialist and dedicated property management businesses. The conference is a superb opportunity for us to benchmark our service performance against the industry's leaders, and explore new concepts and ideas. About 100 businesses were represented by over 220 delegates.

The LPMA judges annual awards for excellence. Highlands Property entered just 3 of the award categories, and I am delighted to report that the result was:

- We were a finalist in the award for customer service.
- We were the **winner** of the award for the **best website** in the property management industry.
- And best of all, **Kate Johnson was the winner** of the most important individual award, **2009 Property Manager of the Year**. This was a fine reward for her dedicated service to thousands of landlords and tenants over a 19 year career and her current dedication to Highlands Property.

Cheers ... Geoff O'Reilly

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