

Property Investor Report



Rent Prices - The Inside Story

Everyone is saying that rents are going up—but what is the truth?

I found an interesting article in the Courier Mail on 8/5/10 by renowned property researcher Michael Matusik (see right).

His article confirms our advice to our Clients that rent prices are almost exclusively dependent upon the balance between supply and demand.

Currently in our trade area, we are seeing a high number of new estates being opened up and these rental properties are competing for an unchanged, steady demand.

This has created what they call a “renter’s market” - where tenants can have their choice of brand new homes. This will temporarily drive rent prices down in these areas.

This is when our marketing efforts, high responsiveness to enquiries, and knowledge of current prices becomes vitally important. I am pleased to report that we have managed to tenant most of our properties with only a couple of weeks’ vacancy—while properties with some other agents sit vacant for months.

Negotiating a lease renewal is also a crucial time to understand the market. The worst thing a Lessor can do in this kind of market is unjustifiably increase the rent. This will risk turning away good tenants who can perhaps find a better deal elsewhere, and leave you with a vacant property.

Laura Valenti
Managing Director

INSIDER

with Michael Matusik

RENTS are apparently rising. Rental growth of up to 8 per cent has been tipped for Brisbane by the end of the year. The reasons given include higher interest rates, tightening vacancy rate, the end of the First Home Owner Grant and even rising house prices.

Median rents dropped last year, apparently because interest rates fell and first-home buyers jumped into the market. Really?

The residential rental market is misunderstood and often misreported. It is a fallacy that an increase in costs will lead to higher rents as landlords seek to maintain returns. Statistical analysis shows that rising (and falling) interest rates have little direct relationship with a change in rent.

Nor do house price movements have much effect on rent; and government interference (in this case, the recent boost) often has the contradictory effect.

Rent is affected (almost entirely) by the vacancy rate. Despite what some property commentators seem to think, landlords do not have target yields to meet, and even if they did, they are not able to simply flick a switch and increase rents. Most landlords and property managers are rational operators and will not risk a vacant property by lifting rents.

The anecdotal evidence (and our experience) suggests that vacancy rates are much higher than the real estate industry suggests. For example, late in 2007 the REIQ replaced its traditional real estate sample with vacancy rate statistics from the Queensland Government.

Overnight, the Brisbane vacancy rate jumped from 1.8 per cent to 2.2 per cent and at March 2010 was around 3.8 per cent, which is much higher than the other Australian capitals (and three times higher than Sydney and Melbourne), where the real estate industry still remains the sole source of the data. The latest government figures show a 4 per cent rate for the rest of Queensland.

A vacancy rate of between 3 and 5 per cent is considered to be slightly oversupplied. The Queensland vacancy rate was close to 4 per cent for much of last year—hence the fall in rents during 2009. Can rents really rise by 8 per cent this year if the vacancy rate is so high?

A survey of rental properties across Brisbane shows a 20 per cent increase in the number of vacancies in the past six months alone. It still appears to be a renter’s market.

So why are median rents rising? “Statistical noise” is the answer. This time last year there was a greater number of cheaper rental properties being rented than today. During 2009, first-home buyers, fuelled by the boost, bought many of these affordable properties from investors. Analysis of rental bonds shows many of these cheaper properties are no longer available for rent, so there are fewer in the overall mix, lifting median rents.

In light of this, existing landlords might need to temper their expectations and new investors should be somewhat conservative on a likely rental return.

Article from *The Courier-Mail*
May 8-9, 2010

Leased in May



ADDRESS	DETAILS	RENT
Tylah St, Kallangur	2-bed duplex, a/c	\$280 (same)
Grigg Rd, Morayfield	3-bed house, a/c, grdn shed, SLUG	\$285 (decr \$5)
Toni Cr, Caboolture	3-bed house, a/c, grdn shed, SLUG	\$295 (same)
Silkwood Rd, Morayfield	4-bed house, ensuite, a/c, DLUG	\$320 (same)
Mellino Dve, Morayfield	4-bed house, ensuite, a/c, DLUG	\$320 (same)
Connor Cres, Caboolture	4-bed house, ensuite, a/c, SLUG	\$330 (new listing)
Belle-Air Dve, Bellmere	4-bed + study, ensuite, 3 living areas, a/c, DLUG	\$360 (same)
Camryn Ct, Kallangur	4-bed house, ensuite, a/c DLUG	\$380 (same)
Busoni Cres, Burpengary	4-bed house, ensuite, a/c, shed, lge block, greenhouse, DLUG	\$380 (new listing)
Glasshouse Cct, Kallangur	5-bed 2-storey contemporary house, ensuite, ducted a/c	\$480 (decr \$20)

Calendar Dates for June

Disbursements

Mid Month-
Tues 15th June

End of Month-
Wed 30th June

Office Holidays
Queen's B'day
Mon 14th June

Email Statements

This is our first month of emailing rent statements to our clients, and so far the feedback has been very positive. Please remember that we are always open to your suggestions on how we can improve our service even more.

Laura Valenti
Managing Director

Duplex For Sale—\$485,000

2 x Three-Bedroom Units

Located within walking distance to schools, rail, hospital, crèche and local shops, this Strata Titled Duplex sits on a 809sqm block.

Both units offer 3 bedrooms, open plan living, reverse-cycle air-conditioning, single lock-up garage, and good-sized courtyards.

Perfect investment property - currently achieving a total rental income of \$520.

For more information please contact Laura on 3888 0098.



5 Rarity St,
Caboolture



Sustainability Declaration available from the selling agent.