

MARKET UPDATE

It's a New Year with a New Positive Attitude!

Unlike the start to 2009 which was over shadowed by the then global financial crisis (GFC), 2010 has started full of confidence and enthusiasm.

General enquiry levels are up significantly and the quality is also very high.

Vacancy levels in the established precincts are also very low at the moment (small units are still a bit of a problem). Assuming this low vacancy level continues, it will provide a base for a return to rental and capital growth during 2010.

The last quarter of 2009 was reasonably active and it was clear that confidence was returning to the market, so the positive activity during January is very encouraging.

Owner Occupiers Back in the Game

Owner occupiers have now returned to the market. This is a very important factor, as this is the segment of the market that drove the capital growth prior to the GFC.

The investment market has remained active with yields basically getting back to where they were. This has been driven by a shortage of quality investments on the market and investors seeking a better return than what the banks were offering.

However, now that interest rates for deposits are on the way up, which combined with increasing rates for borrowings, we do not see that yields will continue to reduce greatly from where they are now.

Owners Holding onto Investment Property

A significant factor that is influencing the supply of established investment properties is that many are now held in private superannuation type structures and as such, they are pushed to one side with little or no intention of selling them.

Property Management

Fortunately we did not see many tenants in our management portfolio fail during the GFC.

The general co-operation and understanding of many Landlords was a significant factor in this, however as the overall economy improves, it is also appropriate that lease structures return to more long term agreements where possible, rather than the short term fix required during the last twelve to eighteen months.

Whilst business failures were minimised during this period, we are now seeing an increase in tenants downsizing at the expiration of their current lease following the restructuring of their business operations.

Again, the ongoing requirements of Essential Safety Measures (ESM), annual sign offs, Retail Leases Act (RLA), lease critical dates and the substantiation of condition reports to vacating tenants (fortunately we have detailed DVD reports) continue to be very time consuming and a vital part of the management of our property portfolio.

If you are currently managing your own property and require assistance with any of these issues, we would be happy to assist.

Summary

We doubt that there will be any sudden surge in rentals and values, although we are very confident that any recent reduction in value from the GFC will be fully recovered by mid year, with the second half continuing to build on that growth.

CPI for December '09 - Aust 2.1% and Melb 1.8%

Note: Figures are for the previous 12 month period.

If we can assist you in any way with your property matters please call Steven Lawson on 0418 536 003 or email at steven@lawsonrealestate.com.au.

If you would like to receive these Market Updates via email, please email me at the above address with your details and I will add you to our mailing list.

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