



LAWSON

REAL ESTATE

September 2009

MARKET UPDATE

It's taken time and will take time, but we are getting there!

As predicted in our June update, the positive indicators have continued with the market continuing its slow improvement.

Whilst leasing demand remains weak, we have seen an increase in activity from owner/occupiers and investors, with our office achieving many strong results in the past quarter.

A shortage of good quality investment properties has seen yields tighten considerably as investors return to the market. The same applies to vacant possession sales, with several of our recent sales nearing the level of the peak in the market.

Leasing activity still the weakest link

Leasing activity is likely to remain subdued for some time, as many companies who had shed staff and reduced their inventories created a substantial expansion capability within their existing premise, effectively negating the pressure to move to alternative premises when the economy improves again.

Financial pressures

The predicted business failures and bank pressure to reduce gearing on property borrowings seems to have been avoided and

better managed this time around. This has also helped underpin the market.

Vacancy

The smaller speculative industrial unit market is still struggling; this market in particular was over supplied and will continue to be for some time.

If the small unit market and the much older style inefficient industrial properties were excluded, general vacancy levels for industrial are at a very low level, which in time should allow for some rental growth recovery.

Unfortunately, the lack of demand at this stage is still holding back rentals, with incentives still very much a requirement in securing a tenant.

Property Management

The change in economic conditions has also impacted on property management, with increased pressure on rental and outgoings recovery, together with compliance issues such as Essential Safety Measures (ESM) and air-conditioning maintenance and other such expense items and obligations which must be fulfilled by the owner regardless of the economic conditions and what the lease states.

In nearly every situation where our office has been called in to lease out a non-management property, there have been issues with outstanding rates, non-compliance ESM and air-conditioning issues.

The days of just collecting the rent and blindly passing everything else over to the tenant have gone. A much greater understanding of your legal obligations and market knowledge is now required to fully maintain and protect your valuable investment.

Summary

The shortage of good quality investment properties on the market will see continued strong performance for this segment of the market for the foreseeable future, secondary grade investment properties will continue to struggle.

The gradual return to the market by owner occupiers and the

shortage of stock (excludes small multi units) will see a recovery in value for this segment of the market.

Unfortunately, we see no real prospect of rental growth until possibly mid 2010, assuming the economy continues in its positive direction.

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.

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