



spring 2011

hodgees



Welcome to the spring edition of Hodges' newsletter. Interest rates are a hot topic and we look at the signals emanating from the Reserve Bank about the future of interest rates. There are articles about how vendors can increase the likelihood of achieving the optimum result from their sale and the value of professional management to successful property investment. We also explain the importance of setting the sale price in line with current conditions in order to generate the maximum interest in your home and the level playing field a balanced market provides for those who are upgrading.



Property investors are in good hands with Hodges

There are two basic objectives for property investment: to generate market-related rental revenue and produce capital gain over the longer term. The quality of the management of a property has a significant influence on both. Investors need good tenants who are diligent with rental payments and take good care of the property.

Comprehensive checks carried out by Hodges on tenancy applicants through national tenancy databases – accessible only by real estate agents – ensure the best qualified people are recommended to owners.

Screening includes verifying prospective tenants' employment and income details as well as checking the validity of personal, business and previous rental references provided.

At the beginning of each tenancy a detailed condition report is prepared and a copy is provided to both parties as well as being filed at the relevant Hodges office for future reference. Inspections are carried out at regular intervals during the tenancy to monitor the condition of the property and note any maintenance issues that require attention.

The owner is advised if maintenance or repairs are necessary and, if they wish, the work can be arranged on their behalf. A well maintained property is more attractive to tenants and significantly enhances the likelihood of longer term capital gains for the owner.

Rents are reviewed periodically to make sure each property is producing a return that reflects the current market conditions while comprehensive financial reporting provides owners with the information required for taxation purposes.

Should a tenant vacate, the extensive resources of Hodges are employed to showcase the property to the right target audience and attract the optimum number of prospective tenants. Hodges' property managers have a thorough understanding of the Residential Tenancies Act and assist their owners and tenants to meet their obligations and responsibilities under the provisions of this complex legislation.

If you own, or are contemplating acquiring, an investment property you can feel secure in the knowledge it's in professional hands when you entrust the management to Hodges.

The interest rate conundrum



Interest rates have been in the media spotlight for most of the year along with ongoing speculation that the Reserve Bank would raise the cash rate – the indicator used by financial institutions for setting home loan and consumer finance interest rates – towards the end of 2011.

In recent times the Reserve Bank appears to have adopted a more neutral stance and it now appears as though interest rates could fall as a result of concerns over world economies and falling share prices. The bank's current position is no doubt predicated by the multi-speed economy.

While the resources sector remains strong, other areas of the economy are experiencing difficulties: the retail sector continues to struggle and there have been falls in the manufacture and sales of motor vehicles. On the surface, the country's unemployment rate of 4.9 per cent looks exceptionally healthy by global standards, however, the number of part-time positions has increased at the expense of full-time jobs, effectively reducing disposable household income.

Also, overseas economies – which are inexorably linked to Australia's fiscal performance – have been slow to recover from the GFC. One of the principal indicators of the state of the economy, the Australian share market, has not performed as expected and has moved sideways since the beginning of the year.

The share market's lack of performance and continuing volatility has caused uncertainty and there is increasing evidence of investors returning to the security of bricks and mortar.

Despite the mixed economic signals at the present time, analysts do not expect Australian property values to drop as they have overseas and most are upbeat, believing the market outlook is stable to positive.

Plan the sale and reap the reward



Every vendor's objective is to maximise the amount they realise from the sale of their home and a little careful planning can make significant difference to the final result. The first step in the process is selecting the right agent.



Look for one who knows the suburb well, is active in the area, enthusiastic and has a track record for consistently achieving good results. Talk to neighbours and friends who have dealt with local agents recently and ask who they'd recommend. Request agents you invite to submit a proposal for your sale which outlines the avenues they propose to use to showcase your property such as newspaper advertising, the company's weekly magazine, brochures and the internet, one of the most effective mediums for exposing homes to buyers.

The marketing campaign needs to be emotive and supported by creative photography and highly descriptive, professionally written copy that captures the most appealing aspects of your home. Set your minimum selling price or auction reserve in line with current market conditions to attract the interest of the greatest number of potential buyers.

Hodges will be able to provide details of the amount comparable homes in the area have sold for recently. When it comes to making a decision between an auction or private sale be guided by your agent's knowledge of which method has been producing the best results in the suburb recently. Initial impressions count, so make sure your home looks its best for inspections.

The inside should be clean and tidy with minimal clutter to make the rooms appear larger. Little touches like fresh towels and vases of flowers add a welcoming touch. Don't overlook the exterior of the property, that's what prospective buyers see first. Keep the lawn mowed, make sure garden beds are free of weeds, repair damaged gates and fences, and touch up the paintwork where necessary.

Getting the pricing right



It's necessary for both agents and vendors to be mindful of current market conditions when determining the sale price of a property which should be pitched at a point that will arouse the interest of buyers. On a rapidly rising market there can be some room to manoeuvre with the selling price, however, when there is a balance between supply and demand it is important to ensure pricing is in line with the market's expectations.

When determining estimated selling prices one of the tools agents have at their disposal is a database of past sales in and around the suburb. This can involve going back up to six months or more, but because the dynamics of the market have changed it is now appropriate to look at very recent sales – say, four or five weeks – to get a handle on price points in the immediate area.

Comparing past sales data is somewhat like looking in the rear vision mirror whereas the result is down the track, so the selling agent needs to also be in tune with today's buyer sentiment.

If the asking price or auction reserve is out of kilter with prices currently being achieved for comparable homes in the area, chances are the property will attract little interest from buyers. If this happens the efficacy of the marketing campaign and the presentation of the property may come into question. Although estimating selling prices isn't an exacting science, agents are required to observe REIV guidelines and certain statutory requirements.

However, regardless of how much care is taken with the process there is always the chance that, for no apparent reason, a property will arouse more than its share of buyer interest and produce a result that exceeds even the most optimistic expectation.

On the Horizon

Spring in the city



The festivals and major events scheduled for spring in Melbourne along with other dates of significance.



Events and exhibitions

4 September
Father's Day

5 – 11 September
Melbourne Spring Fashion Week
www.melbourne.vic.gov.au

9 September
AFL finals commence

23 September
School term 3 ends

24 September – 4 October
Royal Melbourne Show
www.royalshow.com.au

29 September – 21 November
Spring Racing Carnival
www.springracingcarnival.com.au

2 October
Daylight saving commences at 2am

1 October
AFL Grand Final

10 October
School term 4 commences

28 October
Australia v Ireland International Rules
www.onlymelbourne.com.au

29 October
Derby Day

1 November
Melbourne Cup Day

3 November
Oaks Day

11 November
Remembrance Day

17 – 20 November
Australasian World Music Expo
www.awme.com.au

A level playing field



A flat market need not be viewed as an impediment to upgrading to a bigger or better house; in fact it can be an advantage to sell and buy at a time when prices are either static or rising only moderately. While the price achieved from the sale of your existing house is an important consideration, the change-over cost is the figure that really counts.

When prices are rising rapidly – as they did in Melbourne during the early part of last year – a vendor who sells first and then buys can find they are facing an ever-widening gap between the amount they've sold for and the cost of their next home.

Also, holding off in anticipation of a higher sale price can prove to be false economy on a rising market. For example, if prices were increasing by 1.5 per cent a month – the equivalent to annualised rate of 18 per cent – the value of a home worth \$600,000 would grow by around \$27,500 to \$627,500 in three months. During the same period, a house that was originally worth \$900,000 would rise in value by more than \$41,000, increasing the change-over figure by almost \$14,000 and, as well, there would be further cost implications in terms of higher stamp duty.

Conversely, someone who is upgrading on today's balanced market – where neither seller or buyer has a clear advantage – can feel confident the property they subsequently purchase will most likely have not gone up in price even if there is a time lapse of several weeks since they sold their existing home.

In some instances buyers can gain an advantage if price movements at the higher end of the market do not mirror those of properties in the lower price ranges.

h odges.com.au

Our offices

Beaumaris
12 East Concourse
Beaumaris 3193
T 9589 6077

Bentleigh
361 Centre Road
Bentleigh 3204
T 9557 7891

Brighton
251 Bay Street
Brighton 3186
T 9596 6066

Commercial
251 Bay Street
Brighton 3186
T 9591 6588

Corporate
Level 1, 277 Centre Rd
Bentleigh 3204
T 9559 0200

Frankston
487 Nepean Highway
Frankston 3199
T 8781 4500

Geelong
Suite 7, 95 – 103
Pakington Street 3218
T 5222 7772

Mentone
44 Florence Street
Mentone 3194
T 9584 6500

Mt Eliza
Level 1, 65
Mt Eliza Way 3930
T 9787 2600

Sandringham
10 Bay Road
Sandringham 3191
T 9598 1111

South Yarra
1/657 Chapel Street
South Yarra 3141
T 9827 7494

St Kilda
300 Carlisle Street
St Kilda East, 3183
T 9527 5563