



Rose Bay

“Welcome to our last newsletter of 2011. We’ve had another busy year at Hart Estate Agents, and we thank you for your continued support. A little early, but we wish you and your family a relaxing and happy holiday period, and a wonderful New Year. We look forward to continuing to provide you with excellent service in 2012.”

*Alex Hart, Principal*



## State of the market

It has been a mixed year for the real estate market, with global financial jitters making would-be buyers, sellers, and tenants more cautious. The market has remained subdued, even into the traditionally buoyant spring season. However, far from the dramatic crash in housing prices predicted by some, Sydney house values have actually risen 0.3 per cent over the past 12 months.

Auction clearance rates have remained fairly flat – in the mid 50 per cent range – in the three months to 31 October. This is at least partly due to increased stock levels – new listings for Sydney houses and apartments in the September quarter were up 3.3 per cent and 7.4 per cent respectively on last year. When unsold properties remaining on the market are combined with new listings, there are 22 per cent more properties on the market as compared to this time last year. Spare a thought for those trying to sell in the Liverpool area, where there have been massive 67 per cent and 82 per cent jumps in houses and apartments for sale respectively. In the East, the figures are a much more modest 6.5 and 14 per cent.

Increased stock levels are most obvious in the \$600,000-and-under price bracket. Many vendors and potential purchasers have been spurred into action by the State Government’s announcement that stamp duty concessions for first home owners will end on 1 January 2012. If you have been thinking about selling property in this price range, now is a good time to act.

The medium outlook is looking bright for would-be vendors according to the recently released QBE LMI Housing Outlook report. Prepared by BIS Shrapnel, the report predicts a 19 per cent rise in Sydney house prices – or 8 per cent in real terms – over the next three years. The report points to the usual drivers of growth – the underlying strength of the Australian economy, stable interest rates in the short term, high immigration, and a significant shortage of housing in Sydney.

More immediately, recent agreement between European leaders on a rescue plan for the euro will increase confidence globally and in Australia, and may cause a spike in the Sydney property market, at least in the short term.

## Property management update

September and October were busy for our leasing team, with a large number of properties leased and some excellent results. Some examples of our success include: a house in Bellevue Hill leased for \$1,900 per week, a Rose Bay house leased for \$1,500 per week, a house in Bondi Junction leased for \$1,100 per week, and a Rose Bay apartment leased for \$900 per week.

If you’re thinking of leasing your property, now is a great time. In the spring/summer months, when the sun is out, prospective tenants are more optimistic generally, happier to get out to open for inspections, and motivated to get closer to the beach. Two and three bedroom properties in Bondi, Tamarama, Coogee, Clovelly, and Bronte get snapped up quickly (particularly if they have parking), with surrounding suburbs such as Rose Bay, Bellevue Hill, Bondi Junction, and Queens Park also achieving great results. Slower to move are four and five bedroom apartments and those priced above \$1,400, which is indicative of the smaller market of tenants looking for such properties and a generally more cautious attitude to spending right now.

Despite the fairly tight rental market, we are noticing that people have become more particular about their requirements. Whether it is because they sense a reduction in demand as compared to previously, or they share a general desire to be more careful with spending, prospective tenants are often thinking long and hard before applying to lease a property and are less willing to compromise. It is not sufficient for a property simply to meet the prospective tenant’s basic requirements, it also needs to present very well and be appealing to the eye, especially in circumstances where the property is competing with other, extremely well-presented properties at a similar price.

If you are leasing your property, we recommend that you consider what can be done to it to improve your leasing results. Applying a new coat of paint, and/or installing new carpet, window furnishings, doorhandles, or lights can make a material difference to how well your property leases. If you don’t want to renovate an old bathroom, think about simply installing a new vanity, mirror, shower curtain, and/or tap-ware. These things don’t need to be expensive, especially when the significant benefits of reduced vacancy times and higher quality tenants are taken into account.

## Snapshot of Sydney vacancy rates 2011\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Sydney	1.5	1.1	1.1	1.2	1.4	1.5	1.5	1.5
Inner (0-10km from CBD)	1.2	1.2	1.1	0.9	1.1	1.4	1.5	1.5
Middle (10-25km from CBD)	1.9	1.2	1.1	1.4	1.5	1.3	1.5	1.6
Outer (>25km from CBD)	1.4	1.1	1.2	1.4	1.5	1.7	1.6	1.3

\* REINSW Vacancy Rate Survey, August 2011

## Welcome to Talia Boas

We are thrilled to welcome Talia Boas to our team as our Leasing and New Business Manager. Talia has substantial experience leasing properties throughout the East, including positions at a boutique Paddington agency, and a major Double Bay franchise office. She has a passion for helping her clients to achieve the best possible outcome for their property. Talia works closely with our property managers to ensure that the right tenant is found for each property every time.

Talia looks forward to assisting you with all your leasing requirements.



## Landlord insurance – what you need to know

We can't stress the importance of landlord insurance enough. As property managers, we see the benefits and potential pitfalls of property insurance (or the lack of it) firsthand, and we strongly recommend that you are adequately insured. Here are the most common and dangerous misconceptions about insurance:

- "Strata will cover it."

The building insurance taken out by the owners' corporation will cover damage to common property and public liability arising from incidents occurring on common property. It will not cover you for damage to your apartment, *even if that damage is caused by a strata problem*. For example, if a burst pipe in your building floods your apartment, the building insurance will pay only to fix the pipe and for any damage to the common area. It usually will not pay to repair your water logged carpet or damaged floor boards; nor will it compensate you for lost rental income should your tenant be unable to remain in the apartment for any period of time.

- "The most important reason to have landlord insurance is to protect against damage caused by the tenant."

In fact, the most important reason to have any property insurance policy is public liability cover. While it's great to have cover for loss of rent and damage to the property, it's in respect of public liability that you face the greatest potential cost. Should your tenant trip on a loose edge of carpet and break her back, for example, the potential cost to you in respect of compensation and, if the matter is litigated, legal fees, could be massive. Again, the owners' corporation's insurance policy will only provide cover should the incident occur on common property.

- "There's no need to get specialist landlord insurance."

We strongly recommend that all our clients obtain some form of insurance over their property, if only to cover them for public liability and structural damage. However, there are real benefits to also obtaining specialist landlord insurance, which is generally provided as an add-on product to home or building insurance at a relatively low cost. Most importantly, landlord insurance will usually cover you for damage caused by your tenant (whether maliciously or accidentally), and compensate you for loss of rent (whether caused by damage to the building, an absconding tenant, or the death of a sole tenant, etc).

However, landlord insurance won't reimburse you should your tenant's belongings be damaged (for example, as a result of water damage to the property). We therefore encourage all tenants to take out home contents insurance when leasing through us.

## New home building in NSW fails to keep up with demand

Experts agree that Australia (and particularly New South Wales) is not building enough new housing to cope with rising demand, especially for low income earners.

According to the 2010 report of the National Housing Supply Council, there is a national shortfall in housing supply and demand of 178,400. Given population growth and increases in immigration, a predicted 3.2 million dwellings will be needed to meet underlying demand by 2029, requiring 160,000 new dwellings every year. In 2008/09, we built around 127,000 new houses in Australia.

Sydney is doing particularly badly in this regard, despite being the most populous state and attracting a large proportion of immigration. Sydney builds less than half the houses constructed in Victoria and fewer than those built in Western Australia. A large reason may be the cost – according to the Council's report, building a new house on Sydney's fringe costs about \$200,000 more than it would in other capital cities, with government taxes and the cost of land accounting for most of the difference.

Closer to home, we have certainly seen a drop off in new developments in recent years, due to a variety of factors – including a general lack of confidence, and developers' difficulties obtaining finance since the GFC.

Unless the growing shortfall is addressed, there is unlikely to be any improvement in housing affordability and rental availability in the foreseeable future, leading to continued growth in property values and rental returns. Experts agree that finding effective long-term remedies for Sydney's housing supply shortfall presents a significant and complex problem, which will not easily be remedied.

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