

# PROPERTY NEWS

Ideas to help you when you're Buying or Selling

# Investor Return

## What is enticing investors back into the market?



*Investors bought this Glebe townhouse with a 5% return.*

Changing fundamentals are changing the profile of today's property buyers. The impact of record low interest rates and rising rents has begun enticing investors again.

As mortgage rates have come down in dramatic fashion, rents have continued to edge upwards, improving the yield for investors. Volatile stock markets have also caused investors to reconsider the merits of property. Harris Partners has reported a sharp increase in enquiries and sales to investors compared to last year. The investors that have stepped forward, tend to be either "buy and hold" investors or "renovate/resell".

In recent years, due to boom time prices, builders and developers were being squeezed out of the market by emotionally charged home buyers.

As the desire to renovate for home buyers has subsided, the "renovate/resell" investor is resurfacing.

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- Choosing the right colours

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## Letter from the Editor

Dear Readers

Welcome to the May edition of Property News.

The real estate market has continued to surprise in 2009. Sales have been plentiful and strong, prices are actually rising at the lower end and investors have begun buying again. Our article on page 3 looks at how and why changing fundamentals have suddenly enticed investors back into the market.

On page 4, the article "Winning in Real Estate" offers great advice for those in the midst of a negotiation. If the team at Harris Partners can help in anyway, feel free to contact us on 02 9818 2133.

Best wishes

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# Choosing the right COLOUR can make the world of difference when selling

**Thinking of selling your home?  
Then picking the right colour makes life a lot easier.**

**Home is not necessarily where we spend the most time, but if the old saying is true – home is where the heart is – it is where we need to feel most comfortable; we all have strong feelings about our homes**

After the words "Mother" and "Daughter", "Home" is one of the most emotive words in the English language.

Ideally it should provide a sanctuary to which you can retreat, a place where you can enjoy being yourself and welcome your friends and loved ones - and a solid base from which you can go out into the world



and achieve your needs, goals, dreams and desires.

When it comes time to sell, ensure that the colouring of your home is stylish and somewhat neutral. If your colours are too flamboyant and individualistic, it may turn prospective buyers away. Depending on your home's characteristics, identify whether contemporary or traditional colours would work best.

**Colour can be added to your home in different ways. There are permanent options such as doing a feature wall in an uplifting colour, or adding colour through decorative objects such as art, furnishings or accessories.**

The latter is a preferred option, as it can be easily changed and updated for a fresh look. Stick with classic colours for your larger furnishings such as sofas and rugs, then use accents to create a mood and add interest. For example, on and off-white sofa add some red cushions and tie that into the colour for your wall art.

## How to choose the right colour for you

Blue, green, and the neutrals white, grey and silver are examples of cool colours. They are comforting and nurturing.

Red, pink, yellow, gold and orange are the warm colours that create excitement. The neutrals of black and brown also carry warm attributes.

Purple, lavender, green and turquoise are colours with attributes from both the warm and cool colours and can calm or excite. These are colours derived from a mix of cool and warm colour such as blue and red or blue and yellow.

The neutral colours of black, white, silver, grey and brown make good

backgrounds, serve to unify diverse colour palettes, and also often stand alone as the only or primary focus of a design.

When selling a home, the best plan is to use light neutrals (off-white) as a base and some other colours for interest and contrast. Based on the information, the warm colours would be a good choice for their ability to excite and arouse the senses.

**Hopefully this information has helped you plan the use of colour in your home.**



# What is enticing investors back into the market?

**For the first time in a long time, investors are interested in residential real estate. Harris Partners have reported recent sales being made to both “buy and hold” investors and “renovate, resell” investors. At this stage, this renewed investor interest is confined mainly to lower end value properties and/or properties in need of major renovation.**

Buy and hold investors have been attracted by the improved yield of recent years and renovate/resell investors have been attracted by price declines in unrenovated properties.

## **YIELD INVESTORS**

As the market boomed between 1998 and 2003, the yield on property plummeted. By the end of the boom, real estate investors were paying 7% for finance, and in some cases, receiving less than a 2% return on their investment. It seems absurd now, but that is what happened. Lured by the prospect of capital gains, investors overlooked the paltry yields on offer. The property game became more speculation than investment based.

In the middle of 2007, the Reserve Bank of Australia (RBA) began tightening monetary policy. The RBA cash rate rose from 4.25% to 7.25% between 2002 and March 2008. This pushed the bank mortgage rates from 6% to nearly 10%. In this time, property prices either dropped or stagnated. Investors with high levels of negative gearing were forced to unload investment properties that were costing a lot of money to maintain. Their investment was going backwards.

As the investment properties were sold, the vast majority of sales were to owner occupiers. Within a couple of years, the rental pool had shrunk, creating a shortage of properties for prospective tenants. Rental prices sky rocketed as a result. By the end of 2007, the combination of rising rents and falling prices had improved the returns on property. Yield had improved from a low of 2% to about 5 or 6%. However, finance still cost about 7.5%

Even though the fundamentals were

correcting, investors were still unenthused by property in early 2008. As the global financial crisis hit, the Reserve Bank slashed interest rates, driving finance costs down to a record low of 5.5% by March 2009. In 12 months, real estate had gone from being negatively geared to neutrally geared. In some cases, properties are now being sold cash flow positive. The sharp reduction in interest rates seems to have been the trigger for investors to re-enter the market.

Harris Partners agent Charles Milburn told Property News, “We are seeing a return of investors into the market, however it is not across all price brackets. The bottom end is what investors seem to be most interested in. In a lot of Inner City areas, a \$300,000 unit would return about \$350 per week at present. If you put down a 20% deposit, that makes the property cash flow neutral. Some investors are now buying with the expectation that prices have bottomed out and rents will continue to rise over the next few years.”

Charles also pointed out that an investor recently bought a townhouse in Brent St, Rozelle for \$810,000. “This sale was further evidence that investors are watching properties across most price ranges and will move on the right one. The townhouse will return about \$900 per week. It is the first time in a long time that an investor has bought a property above \$800,000 purely for the rental return.”

It is hoped that investors returning to the market will help underpin and shield the market from a dramatic downturn.

## **INVESTORS AVOID TOP-END**

The top-end of the residential market is scarily out of kilter. A \$3million property is likely to return \$1500 to \$1800 per week at present – representing a gross yield of about 3%. It seems unlikely that these numbers will interest investors anytime soon. Given there are not a great deal of owner occupier buyers at that end of the market, prices have been pulling back. It seems as though prices may have a way to go before investors will be interested.



**12 Hutcheson St, Rozelle sold to investors looking to renovate and resell.**

## **RENOVATE/RESELL**

Unrenovated properties were selling at, or close to the same price as renovated prices in the boom. Again, it seems so silly, but that is what happened. Demand far outstripped available supply. Whether it was renovated or unrenovated, buyers would just bid until they secured a property. Due to this frenzy in the market, the investor whom would buy, renovate and resell for a profit was squeezed out of the market. Emotional home buyers were not looking to profit from the renovations. Some even thought that renovating would be fun. Jamie Durie was renovating houses in half an hour on Sunday nights on Channel 9. He made it look fun.

Now in 2009, the market place is sober. Home buyers have shied away from renovating. They appreciate that renovating is usually stressful, time consuming and always tends to be more expensive than first anticipated. With so many other renovated properties sitting on the market, there is little point in buying something that requires work.

**For further information on the market, contact Harris Partners on 02 9818 2133.**

# Winning in Real Estate

## THE BEST ADVICE

The people who advise you should be totally independent and not connected in any way to the real estate agent. Also, the agent should not be receiving payment from the person who gives you advice. Agents can receive payments from banks, mortgage brokers, valuers, conveyancing firms, building inspectors, pest inspectors, furniture hire companies, removalists, maintenance people. Wherever you spend money when selling or buying a home, the agent could be pocketing some of your money.

## COURTESY AND RESPECT

Don't let an agent's treatment of you be a reason to get upset with the other party – the seller or the buyer. If you show respect and courtesy for the person on the other side, you will have a much better chance of success.

Never underestimate the power of courtesy and respect. The best negotiators are rarely tough or loud. They are softly spoken and kind. If someone likes you, it can make a big difference.

## MEET THE OTHER PEOPLE

It is easy to say no to someone you don't know. If the sellers know you as 'the buyers' or if you think of the sellers as 'the sellers', everything is mathematical. It's numbers instead of faces. When you consider there are two groups of people, both making perhaps the biggest financial decision of their lives, and they seldom meet each other, it is no wonder there is antipathy in negotiation.

If you are buying, ask the agent if you can meet the sellers. The same applies if you are selling – ask to meet the buyers. Once people see each other, feelings change and

negotiations often come to a successful conclusion.

In negotiations, being fair means you expect fairness in return. It does not mean you accept unacceptable behaviour. Being fair also means being firm.

## TERMS

If you are having trouble reaching an agreement on price, you may find a solution in the terms. Is there something you can do to help the other side achieve their goals? You could agree to let the sellers stay in the home for a short time after you buy it. Or you could offer to settle the purchase in a shorter or longer time. The biggest headache for many people is juggling the moving and travelling to another home. For example, many people need the money from a sale to build a new home. Often they have to move twice, from the home they sell to a rented home and then to their new home when it is completed. If you allow the sellers to rent their home back from you until their new home is complete, they may accept a lower price in return for the convenience.

You can be creative when you focus on terms instead of price. Money is not everything. It's what can be done with the money that matters. Look at what the other people want to do and see if you can help.

## CONCESSIONS

Negotiation is about concessions. The other party asks you for something and you agree. Each concession brings you one step closer to success.

You should never give a concession without receiving one in return. If you want the buyers of your home to wait an extra few weeks before they move in, then give something in return for this concession. If

you do not give a concession in return for one given to you, you will build resentment. Some people seem to ask for everything but give little in return. The negotiation then collapses. Negotiation is about trade-offs, one side gives and so does the other side. It's about fairness.

## HOLD BACK

Sometimes you can hold back on your best price. This assumes, of course, that you have decided to take a risk and not offer your best price up-front. How much you hold back depends on how much you want to risk losing the home if you are a buyer, or losing the buyer if you are the seller. It may also depend on the state of the market.

Real estate, like any commodity, is influenced by economics. Sometimes it's a buyers' market and other times it's a sellers' market. This influences the risk you take. Will you find another home? Or will you find another buyer? What are you prepared to hold back so that, later, if there is some haggling to do, you can offer something extra?

If you are selling, it can be an excellent idea not to offer too many inclusions of your home, such as white goods or furnishings, in the asking price. These can be added in later, during the haggling stages. It depends on the conditions and the price points in the negotiation.

## PRICE POINTS

If you are a buyer, you may want to offer less than you are willing to pay. As a seller, you may hold out for a little extra.

Just don't let the other side see you as greedy. Sometimes, as sellers, it is best to sell and get on with your plans rather than risk your home going stale and selling at a lower price later. As buyers, often it is best to pay your best price for the home you love.

*Written by Neil Jenman.*

## RECENT SALES

54 Bonnefin Rd, Hunters Hill	\$1,045,000	1/66 Wentworth Park Rd, Glebe	\$659,000
19 The Boulevarde, Lilyfield	\$710,000	18 Carrington St, Lilyfield	\$700,000
591 Belmore Rd, Belmore	\$391,500	2 Lyall St, Leichhardt	\$628,000
63/75A Ross St, Glebe	\$550,000	210/11 Warayama Place, Rozelle	\$396,000
25 Cove St, Birchgrove	\$1,060,000	15/47-49 Buckingham St, Surry Hills	\$415,500
12 Hutcheson St, Rozelle	\$536,590	7b Newcastle St, Five Dock	\$845,100
26 Ann St, Balmain	\$769,950	64/3 Foy St, Balmain	\$590,500

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