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Housing bubble speculation 'unwarranted'

First National Real Estate's chief executive, Ray Ellis, says constant media speculation about the risk of an Australian housing bubble is based on overseas analysis that fails to account for Australia's unique market circumstances.

'The Organisation for Economic Cooperation & Development's (OECD) recent assertion that Australian house prices may represent a threat to the economy is similar to much of the foreign commentary we've heard before; it fails to fully appreciate the nature of our economy, how Australians invest, and where they want to live' said Mr Ellis.

'Australia is the only country in the world where nearly 40 per cent of its population wants to live in two capital cities that together comprise less than 0.3 per cent of the country's landmass. Historic low interest rates have combined with overall positive economic conditions, and a national preference for housing investment over shares, to drive up house prices in Sydney and Melbourne. However, this is not the case across regional Australia and in Perth where house prices are still falling.'

First National Real Estate is of the view that unless there is a sharp increase in interest rates or a sudden rise in unemployment, there is limited potential for a housing prices crash.

'Both scenarios are unlikely' said Mr Ellis.

'The Reserve Bank of Australia's (RBA) preference would in fact be for further cuts to official interest rates if that didn't increase the risk of further inflating house prices. While rates will eventually have to rise, that's clearly not the RBA's choice

while inflation remains below target and the country is not at full employment. And, with 1.1 per cent economic growth announced last week, a significant increase in unemployment is also unlikely.

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'In reality, Australia has no oversupply of property, data shows new construction approvals are trending downwards, and the country's lending standards continue to be strong, which contrasts sharply with the conditions that led to housing bubbles bursting in many countries following the Global Financial Crisis.'

Dwelling Approvals Rise

Housing affordability is directly linked to supply so it was good news when ANZ announced housing approvals increased 1.8 per cent month-on-month in January, after falling 2.5 per cent in December 2016.

The expectation had been that another small decline was on the cards. Fortunately, apartment approvals also rose by 6.6 per cent, month-on-month across the country.

New South Wales is driving the strength in the apartment sector, with its approvals rising 53 per cent, whereas Victoria's approvals fell slightly. Queensland's unit approvals fell to their lowest level since 2014, but with large numbers of units nearing completion this comes as no surprise.

Too busy to invest in property? Think again...

Many people find themselves in an adequate financial position to buy a property but hesitate, not sure of where they will find the time to manage it.

It always helps to have some guidance to help you navigate property investment and management. Having your rental property professionally managed means you reap the benefits of property investment, without committing too much time to looking after it, or too much financial strain.

Of course, if you've never owned an investment property before, you won't really know what kind of things need to be taken care of. There are day to day things like repairs, rent collection and responding to questions and requests from tenants, but there are also legal requirements that are time consuming and confusing, if you can't keep on top of them.

These include anything from preparing a lease or tenancy agreement and processing the bond, to changing record keeping procedures as legislation changes. A property manager will be well informed about your legal responsibilities as a landlord, which is a much more precise strategy than trying to do it yourself.

Marketing your vacant property, opening it for inspections and taking care of the tenants is only half a property manager's job. They are also responsible for taking care of your investment. A good property manager will monitor the ongoing value of your property, advise you when a rental

Now managing
49 billion+ dollars
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increase might be in order and update you on changes to the local area that may be relevant. They will also advise you when items need replacement, or could be updated to add value, especially as they regularly inspect the property on your behalf.

If you are ready to start investing in your future, property is a great way to maximise your return. It's a stable investment over the long term and the property market is pretty easy to understand and keep track of, so you stay engaged with how your investment is performing. It's also the kind of investment that is easy to build upon, plus if you decide to add more properties to your portfolio you already have a property manager in place to take care of everything for you!

If you already own an investment property and it's managed by another agency, ask us for a management submission today.

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