



FROM THE *Principal*



Glen O'Brien

I recall some 16 years ago when I was new to the real estate industry, there were two significant fees when relocating from one home to another. The Agents

selling fee when you sold and the stamp duty when you purchased. Back then I was working for an office in Willetton and those two costs involved were almost always the same or very similar in quantum. Now, in the same suburb you will pay almost double in stamp duty than you will pay in selling fees if you bought and sold for the same price...

In my opinion Eric Ripper got it wrong again in the 07/08 State budget. Whilst there is relief for first home buyers there is no encouraging news for existing homeowners, businesses and Investors who are severely over taxed when they upgrade their home, buy an investment property or purchase a commercial property.

Prior to the State budget being announced, the Real Estate Institute of Western Australia pressured the government to lift the tax-free threshold for first homebuyers to the median housing price (around \$450,000). Surprisingly, the government not only raised the tax-free threshold but lifted it above the median price to \$500,000.

In dollar savings, this means a first homebuyer will save over \$20,000 if they purchase property priced at \$500,000. Also great news for first homebuyers is that they won't have to wait until 30 June to enjoy the stamp duty savings as they have already taken effect.

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The investment market is being boosted by rising rents due to a severe shortage of rental properties throughout WA.

According to the latest figures produced by the Real Estate Institute of Australia (REIA), Perth recorded the highest increase in weekly rents for any capital city in Australia during the December 2006 quarter.

REIA figures show that the median weekly rent for a three bedroom home in Perth jumped by 17.4% and the median weekly rent for a two bedroom apartment surged by 25% during 2006.

This rise in weekly rents was much higher than other capital cities in Australia. In Sydney, for example, the median weekly rent for a three bedroom home during 2006 increased by just 5.8%. As a result of the very large increase in weekly rents in Perth, the median weekly rent for a

three bedroom home in Perth is now \$270 which is \$30 higher than Melbourne and just \$5 lower than Sydney.

Rents have been rising very strongly throughout Western Australia because of the large number of people moving to the state due to the booming state economy.

ABS figures show that Western Australia's population jumped by 41,200 persons or by 2.0% over the year ending the September 2006 quarter. This was the fastest population growth rate in Australia and is ahead of Queensland which grew by 1.9% during the same period.

Rising rents mean that local investors are under less pressure to sell during the current period of rising interest rates and, at the same time, encourages new investors to purchase investment properties due to higher rental returns.

How is your suburb performing? Source: REIWA as at March 2007

Suburb	% Change in last 12 Months	5 yr Avg. Growth (p.a)	Median House Price
APPLECROSS	39.4%	18.1%	\$1,300,000
ARDROSS	35.7%	18.2%	\$750,000
BOORAGOON	29.4%	17.1%	\$658,500
MELVILLE	22.3%	17.5%	\$575,000
MOUNT PLEASANT	35.4%	18.6%	\$937,000
WILLAGEE	29.2%	20.0%	\$420,000

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WA gives highest returns for investors

A recent property investment report has highlighted the importance for property investors to focus on building a property portfolio over the long term. The national property investment index produced by the Real Estate Institute of Australia (REIA) shows that Perth delivered the highest investment returns for residential real estate over the last decade.

This residential property index measures the total investment return for investors before tax, taking into account the growth in capital values together with returns from net rental income.

Overall, this index shows that investment returns for a three bedroom home in Perth during the last ten years increased annually by 16.1% which was the highest of any capital city in Australia.

In comparison, the annual investment returns for investors in Sydney and Melbourne increased by 12.3% and 12.8% respectively over the last decade.

The residential index also shows that the investment returns for a two bedroom property in Perth increased annually by 18% over the last decade, which was also the highest growth rate in Australia.

Local investors should continue to receive high investment returns for their properties over the coming decade based upon the continued strong investment in the resources sector as well as the very high level of population growth in this state.

These figures show the high returns on investments and underline the importance to investors of holding onto their investment properties over the longer term rather than speculating on short-term trends.



How landlords can boost their rental returns

Rising interest rates have meant that boosting rental returns is now a key issue for the owners of the more than 200,000 rental properties in Western Australia.

Increasing rental returns provides landlords with additional cash flow to pay higher interest rates.

There are simple yet effective ways that landlords can increase the rental return of their property.

For example, rental properties with a high level of security are much easier to lease and have a higher rental return. Property owners should ensure their property has security doors and security window locks. It might also be attractive to renters if there is a garage door on the carport.

Installing air-conditioning as well as a dishwasher are two other key features that prospective tenants want in a residential property.

Split reverse cycle air conditioning systems are very popular with tenants because they allow for temperature control during summer and winter.

Ensuring that your property is well secured and has additional features such as reverse cycle air conditioning, means that the home will attract a higher number of

prospective tenants. It will help to keep the vacancy rate low thereby maximising the rental return of the property and the cash flow.

Investors should also ensure that their property is properly maintained over the longer term. Every four to five years, rental properties need to be re-painted and in some cases re-carpeted. Rental properties which are not maintained to a high standard are often difficult to lease and very often the landlord has to drop the rent to attract a tenant.

Landlords can also boost their rental returns by leasing their property to a tenant with a pet. Some 35% of all households in Western Australia own cats and 42% of all households in this state own dogs. Householders in Western Australia currently own more than 600,000 cats and dogs. You can request a pet bond from the tenant to cover expenses for any damage.

Finally, you need to make sure your Property Manager is looking after your investment and implementing fair and reasonable rent increases at the right times.

Tips on buying a First Home

It is expected that during the second half of 2007 there will be a significant increase in activity by first home buyers. This follows the recent decision by the State Government to make substantial stamp duty concessions for first home buyers for both residential houses and land purchases.

If you are considering buying a home for the first time there are a number of key issues you should take into account.

The most important issue is not to make an emotional decision when buying your first home.

Many first home buyers make the mistake of trying to buy a family home which is similar to their parents' and therefore, is not suited to their needs. As a result, many first home buyers become financially over-extended which can place them in a vulnerable position if interest rates continue to rise and the housing market softens.

It is important to remember a first home should be a stepping stone to a bigger or better home in future years. First home buyers should focus on the potential capital growth of the property as this will create equity to upgrade to a better property at a later stage.

For example, virtually all areas in Western Australia have experienced strong capital growth over the last five years and many first home buyers assume these high growth rates will continue wherever they buy a property. That's not necessarily correct. To avoid this trap, first home buyers should study capital growth rates in their target area going back at least 10 years.

First home buyers should also take a pragmatic approach when buying their new home by getting pre-approved finance. This process will help determine the purchase price of a home they can afford and at the same time will strengthen their negotiating position.

A significant long-term trend in our society is that families are getting smaller so it is a good idea to focus on a smaller, well-located property rather than a larger home in a more remote location.

You could consider buying a smaller, older-style apartment or townhouse in a well-located position as these properties are typically more affordable. They can often be modernised at a lower cost than buying a newer, larger property in an inferior location.

Car parking and security features are very important when buying a home because more people are demanding higher levels of security and these features can impact positively on the re-sale value of the property.

If you are considering buying a strata unit, look for a complex that has an active strata management company that ensures the overall presentation of the complex is maintained.

It is important to stay in close contact with your real estate agent and clearly express your needs. You'll want to be notified as soon as a property that fits your criteria goes on the market.

Finally, it is also worth remembering that there's no such thing as the 'perfect' home, especially if it is your first home. Instead, set priorities. Determine what you must have and what you're willing to sacrifice, work out what you can afford to buy and then go after it.



Using the equity in your home to create wealth

By Colin Lamb – Mortgage Solutions Australia



In many local areas the average value of a family home has increased by more than \$80,000 over the last two years because of the property boom. Astute home owners are now using this additional equity from the increased value of their home to purchase investment properties to help build their personal wealth.

Equity is the value you actually own in your property after taking away the amount owed to the financial institution from which you borrowed the money to purchase the property.

For example, if your property is worth \$400,000 and you owe \$100,000, your equity is \$300,000. This means that you have 75% equity in your home.

Increasing property values are important for homeowners because it means they can use the increasing equity in their home to purchase an investment property or to provide security for a business. Many people do not realise they can use the equity in their existing owner-occupied home as security for further investment.

Over the last year, Mortgage Solutions Australia organised many investment loans for homeowners to purchase investment properties and many of our clients were surprised at how much money they could borrow. This is such a great opportunity that some people have purchased several investment properties by using the equity in their home.

Find out more by calling today.

You could save thousands on a complete range of property finance solutions

Call Colin Lamb on 0419 944 497

Ausnet Quarterly Awards

Mike Allen, Sales Manager

The team at Glen O'Brien Real Estate received multiple awards recently at the Ausnet Quarterly Awards. I won a place in the top 5 elite sales people, Glen won an award for the top 3 elite performers in the Principals' category and we also received an award for being in the top 5 elite sales offices. We also won the Challenge Trophy for the highest total gross sales per person in a real estate office.

A real achievement considering this award is usually tightly held by some of the biggest agencies in WA. The awards demonstrate our ability to provide excellent results whilst maintaining a very personal level of service.

As we move into the second quarter of the year, Tina Wilton has proven herself to be an exceptional addition to our residential sales team. In Tina's time with us she has worked extremely hard. This dedication and work ethic has begun to pay off in the excellent results that Tina has achieved for her clients.

At Glen O'Brien Real Estate we strive to provide the best service and results possible, which is reflected in the awards we have recently won. When selling or renting, please make us the first port of call. I'm sure you will find it is a call well worth making.

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Some months ago I watched an interview with the Premier, who insisted that by reducing stamp duty overall, it would only stimulate an already heated property market pushing affordability for first home buyers further out of reach. It seemed to me at the time that there were other ways to provide tax relief without affecting affordability for young people trying to enter the property market.

Commercial property transactions for example are taxed at the same antiquated sliding scale as a residential home and are more often sold at much higher prices than the average home.

Although adjustments were made to allow for bracket creep, land tax is another cash cow that the Government have failed to recognise any meaningful reform. Yet land tax reform would hardly affect affordability for first home buyers.

The problem is, these taxes only affect a small section of the community who are traditionally Labour voters. In reality though, Investors can only pass on the burden of these taxes to their tenants through increased rents.

Another example of the short-sightedness of this current Government is the abolishment of provisions in the Residential Tenancies Act that allowed Landlords to recover from the tenant a contribution towards the cost of letting out the property, usually 1 weeks rent.

Of course, the landlord is only going to pass that cost onto the tenant through increased rent. Typically, we as Property Managers have advised our clients accordingly and all of our vacancies moving forward will have a built-in increase to cover the added cost to the owner of placing the tenant. More pressure on residential rents...

By Glen O'Brien

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