

MARKET UPDATE MAY 2015

Buy, sell, wait, rent????

So many questions from every sector and not surprising when you consider what's happening around us, so let's start by considering some facts.

Using REIWA as our source of information and just doing general searches using the postcodes 6530 & 6532, we can come up with the following:

- 632 homes or units available for sale as of 30th April
- 348 blocks of land available for sale as of 30th April
- The vacancy rate for rentals remains at over 7% for the 3rd quarter in a row
- The median house price for Geraldton looks like being about \$327,000, whereas it was \$352,500 in 2010
- Sale numbers are well down on previous years for the first 3 months of this year

These are pretty confronting statistics, although fairly typical of a market where many are sitting on the fence.

What's the upside and for who?

- For the owner-occupier or investor, interest rates are at record lows so you can hold a better property for less money these days
- For the buyer, you are buying at prices that haven't been seen for probably 7-8 years
- If you are a tenant, the choice is high and the rents are generally lower
- If you are a seller it isn't fantastic, however if you are selling to buy, you are probably trading in a good environment that allows you to buy extra well

So the laws of supply and demand are at work here and although it appears there is a large over-supply in the market, there are still plenty of positives to consider and a host of questions you should be asking yourself and seeking advice and opinions on. Here's some general answers to the most common questions.

Why do we have such a high vacancy rate with rentals and will this ease?

In simple terms, there are too many homes available to rent and not enough tenants, which either means tenants have brought homes recently or left the region. Some tenants have bought but that number is less than normal given the sales figures. There have been a number of projects around the state where people have been based in Geraldton and as those projects finish, people leave. With the downturn in industries like mining (iron ore), it does have an effect as people move to where the work is. Keep in mind though; there are around 250 vacant homes so an influx of 100 people makes a significant difference very quickly. There have also been a number of investment homes built under NRAS (National Rental Affordability Scheme), which is now coming to an end. Over many years, our vacancy rate has consistently been between 1- 4% and we see an eventual return to those levels.

Why have sales slowed?

People are still nervous. It has really only been the last few months that the iron ore price issue has raised its head, so many buyers are in a holding pattern and undecided. Job security is a big thing right now and even though prices are very attractive, making sure you remain employed is a key factor. There has been some job-shedding in this region and quite a few of those were based in the Pilbara and North West, but live here. Land sales in particular have slowed as people see exceptional value in established homes. The other factor to consider is that there are very few investors in the Geraldton market at present, as they take the rental vacancy factor very seriously. Although they are not a major buying sector, they do provide stimulus in the market place.

Where will house and land prices go from here?

Already we are seeing some signs of buyers starting to come back to the market, and although it may be a while before we return to a normal market, it does seem as though we have reached the bottom. Let's face it, when something becomes good enough value, people will buy. Prices on most stock have been adjusted substantially; especially over the last few months. Well-priced stock will find a buyer and there is little room for getting a premium in this market.

Do interest rates and the budget have an effect?

Low interest rates are a two-edged sword. Some buyers are taking advantage of the cheap money available, whereas others see low interest rates as a sign the economy is in trouble and will go through more pain. Government policy through budgets and the like always has an influence and areas like stamp duty, negative gearing and first home buyer grants are always on the agenda. Unless you are an investor who buys and sells on a regular basis, you buy and sell when the need arises so you work within the constraints at that time.

How secure is Geraldton's future?

This is a good time to remember that only 7 or so years ago, there were no mining companies with a substantial presence in the region and our economy was pre-dominantly based around farming and fishing, with a bit of tourism thrown in. WA is a food bowl and agriculture and farming will continue to grow in importance, fishing will remain a valuable industry even though it now has fewer participants, and the likes of the foreshore redevelopment and the Sydney Memorial have made us a more attractive tourism destination. Our education facilities are improving and the technology industry expanding (let's not forget the radio-telescope!), and we remain a regional service city for so many. With that list of credentials plus exceptional weather compared to most, don't we look the goods?

What is actually selling at the moment?

As we consider who our buyers are at present, it is almost entirely owner-occupiers – people upsizing, downsizing, first home buyers, etc. Properties with long leases, unless they are exceptionally high returns, are not on the “wanted” list.

If you follow the real estate press releases, there are so many positive stories and a deal of negative ones. What happens in Sydney or America isn't a guide for the rest of us, so be a little careful about what you take on board and like always, do your own due diligence and make an informed decision.

7 day trading!!!

As you may know, our office has undergone considerable expansion since Christmas and we now have considerably more room and exposure. Our already prominent position right on the foreshore is about to get plenty more attention with our dedicated sales office now open on Saturday and Sunday between 9am and noon. Our sales people are happy to talk property any time and would welcome you dropping in to discuss your buying and selling needs in a casual and relaxed environment.

Next month's newsletter will be returning to the more traditional format. With so many of you being uncertain about what is happening in the market place, we have opted this month to provide a more comprehensive market review.

Until next month

Peter Sukiennik Director & Principal

Please note that you will shortly also receive a separate update on the latest land estate that Ray White is now marketing. In future editions, this is likely to be incorporated into our regular updates rather than be sent on it's own.

If at any time you would like regular updates of properties that become available in certain areas or price ranges, we can provide this service to you at no charge.

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