

# MEDIA STATEMENT

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## RENTAL RETURNS FOR APARTMENTS TOP 6.5%

By Alan Hancock, Chairman of Ausnet Real Estate Services

Surging rental returns for apartments is resulting in a growing number of inquiries by investors for this type of property.

The AUSNET Real Estate Group, which has more than 30 independent members throughout Western Australia, has found that during the first three months of 2009 the demand for apartments is rising due to significant increases in rental yields.

“For example, REIWA figures for the March 2009 quarter show that rental yields in the Perth inner city area are now as high as 6.5%. In other near city suburbs such as Rivervale, rental returns of 6.4% were also recorded during the March 2009 quarter.

“Over the last three years, rental returns for apartments have risen sharply in the Perth metropolitan area – from a low of just 3.8% in 2006 to a high of 5.2% during 2009.

“Rental returns for apartments (5.2%) are now much higher than rental returns for traditional homes (4.5%) which is a key reason why this type of higher density property is now attracting greater attention from investors.

“Properties that traditionally deliver rental yields above 5% start becoming positively geared which means that investors do not have to pay money out of their own finances to keep such a property,” he said.

Based upon selling a large number of apartments over the last decade to property buyers, AUSNET believes that first time property investors should consider the following points before making a final decision on buying an apartment or higher density property:

### **Location:**

The location of the property will determine the long term capital growth of the property. It is important to remember that a unit that delivers high levels of capital growth could be a better financial investment over the longer term than an apartment that delivers higher rental returns but much lower rates of capital growth.

### **New Development:**

If you are buying a new apartment, thoroughly research the proposed development. Carefully study the sketches showing how the apartment/townhouse will look once completed (both inside and out) and how this unit will fit into the overall development. Also inspect any samples of the materials to be used in the construction and carefully examine your options with regards to materials, fittings, unit layout and overall size.

### **Unit Size:**

If you are buying an apartment for owner occupier purposes, the interior of the unit should be at least 80 square meters. Owner occupiers generally want larger apartments and a smaller size apartment will have a negative impact on the resale price of the property.

### **Referrals:**

Ask the developer for at least three previous clients who purchase new apartments in previous developments to check their track record on delivering on time, price and quality.

### **Unit Plan:**

Ensure that the specifications and plans meet your requirements and have been drawn up exactly as you expected. It is a good idea to employ your own independent architect or builder to appraise these plans.

### **The Price:**

Don't make an emotional decision when buying an apartment. Remember that some apartments have achieved low levels of capital growth so you need to carefully study the location and quality of the apartment. Get some second opinions on the apartment from friends.

### **Lifts:**

If you are buying an apartment on a second story or higher level it should have a lift. An important point to remember is that the population is ageing and more baby boomer and retirees will live in apartment style developments in future years.