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Subject: Massive unit ownership change-over is due

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Massive unit ownership change over is due

As rental prices continue to rise, interest rates drop, construction of new homes dwindle and first home buyer incentives beckon, many Victorian's are moving from renting to buying. Increasingly, units and apartments are also making their way to the top of many investors' lists and we're expecting that you'll see a reshuffle of owners in your units quite soon.

Here's why...

The shortfall of rental accommodation

ANZ has estimated that there is currently a demand for approximately 180,000 new homes in Australia each year, while in the year to September 2008 only 150,000 homes were built. With construction slowing even further over the last six months demand for rental accommodation is accelerating.

Inner city rental vacancy rates have dipped to below 1% according to the Real Estate Institute of Victoria as renters struggle to find accommodation in Melbourne.

The Real Estate Institute of Victoria's CEO, Enzo Raimondo stated, "The fact that the rental vacancy rate has not been above two per cent for over three years is a significant problem, it is leading to rental costs increasing at the same time as we are seeing significant improvements in affordability for home owners."

The shortfall in rental accommodation has forced the median cost for an apartment or unit in Melbourne to rise \$40 a week to \$320 in the past year, only \$30 short of the median weekly rental price of a house. As rental bills continue to climb many renters are beginning to look at their finances and considering buying a place of their own.

The incentives for first home buyers

For those who haven't purchased their first home the First Home Buyer Boost of \$7,000 for an existing dwelling or \$14,000 for a newly constructed home will cover the costs of stamp duty for any existing residence under \$410,000, or leave \$2,000 in the hand for a median priced newly built home. This is proving to be a very attractive sum for those looking to buy their first home.

An amazing 36% of first home buyers of all ages are purchasing on a single income according to a study performed by Mortgage Choice recently. Single home buyers are often cautious of the enormous cost of a house and are looking at quality units and apartments as a cheaper investment option.

The incentives for investors

With interest rates dropping to a 49 year low of 3.00%, investors are busy hunting the market for quality dwellings. Industry analyst Michael Matusick commented recently, "for a fall of one percent in interest rates, house sales increase by 10%". This means that after the announcement of a quarter of a percentage cut on Tuesday the 7th of April more buyers should be entering the market very soon.

Many investors picking up an investment unit in the current soft real estate market will also see their properties profitable from day one as the need for negative gearing is diminished. Units have a high comparative potential to bring in returns in Victoria with the average rental price per week only \$30 lower than that of a house.

Terry Ryder, a real estate analyst, has also predicted that home prices will double in the next ten years, leaving investors looking at making very profitable investments if they buy now.

Summary

With the current favourable conditions for those looking to buy in Victoria, Solutions ie predicts that the occupancy of many strata unit blocks may change dramatically as investors shuffle their portfolios and a burst of new home buyers enter the market.

As the cost of renting a unit continues to grow, the advantages of buying will continue to become more attractive and we are sure you will see more renters turn to buying. Additionally, investors will be sure to take advantage of the current low interest rates, softer real estate market and positive gearing opportunities.

Look out for new owners coming your way very soon!

I trust you are well.

Yours sincerely,

James Freestun

Managing Director, Solutions ie

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