REIWA BOSS BLASTS 'SCARED' BABY BOOMERS

DON'T SELL: Real Estate Institute of WA president David Airey has warned Baby Boomers against selling their investment properties because they may be scared of the outlook for the local property market. He says many of them are favouring the security of cash over rentals, despite a booming rental market.

THE head of the Real Estate Institute of WA has warned "scared" Baby Boomers being lured to the safety of cash against selling their investment properties, particularly in Perth's western suburbs.

Speaking at the Australian Property Institute and Financial Services Institute of Australia's annual residential property breakfast this morning, REIWA president David Airey said well-heeled baby boomers were offloading their investment property portfolios and converting them into cash despite some of the strongest rental returns in years.

"The trend we see in real estate, and I'm in the western suburbs where there are a lot of investment properties, is that there is an increasing amount of stock," he said.

"Properties are coming off the rent rolls and owners are selling. I think that will continue for a while."

Mr Airey, who is also founder of Claremont-based Airey Real Estate, said property investors could expect only uninspiring growth of between one and three per cent in the near term.

But he cautioned that property should be thought of as a long-term investment.

"We have so scared the population about median prices that we don't think long term," he said.

"People should be hanging on to their property, I discourage people from selling investment properties, particularly people around my age.

"I think it is abnormal that you would flog an investment property that is producing an income, face the capital gains tax and put your money in the bank at 3, 4, or 5 per cent."

Mr Airey told the group of 450 property professionals that real estate agents were seeing a growing number of investors selling rentals as they chased a better return and security than the flat property market could offer.

"The baby boomers who own investment property are selling it preferring to put the money into cash," he said.

"More and more we are seeing investors selling when they are over 55 or 60 preferring the safety of cash."

He said overall property values remained flat but the rental market was tightening, with vacancy rates falling from 4.3 per cent in 2010 to just 2.3 per cent in December last year and rental incomes rising more than 8 per cent.

REIWA
REAL ESTATE INSTITUTE OF WESTERN AUSTRALIA

David Airey
REIWA President

WHAT IS YOUR CORNERSTONE OF WEALTH?

It should come as no surprise that the family home is the cornerstone asset for your future wealth. Real estate guru John McGrath recently shared his views on why the family home is such as important asset.

His first and most important point is that you won't pay tax on gains in the value of your property, as it's exempt from capital gains tax. It means your home is the most effective ways to accumulate wealth.

John backs up this statement with recently released data from the Bureau of Statistics that shows the family home accounts for 41 per cent of household wealth and average household net worth has increased dramatically since 2003-04.

Another observation made by John is the number of investors shying away from shares and looking at property. Numbers show an average of 36 per cent of all new loans went to investors each month in 2011.

He also offers the advice that most of us would already thoroughly endorse: it is really worth getting involved with property at a young age. Over the long term, it is a very safe and stable asset class that will become your most valuable financial investment for the future.

INDUSTRIAL LAND ENJOYS RENTAL GROWTH

The Global Industrial MarketView published by CBRE in November 2011 shows Perth is the tenth most expensive city in the world for industrial land, with rents at $US9.85 per square foot.

Brisbane ranked eighth at $US10.59 per square foot and Sydney fifth at $US11.36 per square foot.

Jones Lang LaSalle research predicts further industrial rent increases over the next 12 months. The group say Perth rent growth over the past year has been experienced in most prime industrial precincts but concentrated in the easter suburbs.

Southern industrial precincts such as Bibra Lake and Jandakot saw average rent rises of 12.1% in the year to September, 2011, following a 3.8% increase in the previous corresponding period.

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