



Talking Real Estate with Steve Slicker

Hi folks,

This week, I would like to discuss rental investments, why? Because as prices have dropped rental yields have increased and at some point in the future property prices will increase as well.

What I find odd is that some property investors have difficulty buying a house or apartment they don't 'like' even if it is a good sound investment

Surprisingly, many investors make it harder for themselves than they need to by being unnecessarily emotional about their purchases. Many investors see their investment properties as an extension of their own home and indulge in the same feelings of pride of ownership. It is not uncommon for novice investors to turn down a property with terrific investment potential and strong rental demand just because they themselves couldn't live in it. Some end up buying what they consider to be a nicer property, only to find that the tenants have different priorities and will choose more basic accommodation in order to be say, closer to amenities.

The strongest demand for both re-sale and rental is usually, by very definition, around the median price in any marketplace or location. Those who choose to invest in the luxury end of the market are usually the first to be hit by any economic downturn. Much of the luxury rental accommodation available is leased by corporations who, in poorer economic times, can no longer justify the cost of accommodating employees in high rent areas. And high income earners are unlikely to commit to large mortgages or rents in a climate of economic uncertainty with the possibility that salaries or jobs could be under revision.

Median priced properties - those in what you could call middle range of the market - are not as badly affected and usually give their owners the best long term return. If they lose some demand from their usual occupiers because young people move back home or families scale down to smaller or cheaper accommodation, they pick up tenants or purchasers who can no longer afford the luxury markets.

If you have any real estate enquiries or would like a free market appraisal, please contact me via email, steve@steveslicker.com or call me on 528 2422. If you would like to re read an old column you can find them on my website, www.steveslicker.com

Kind regards,

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