

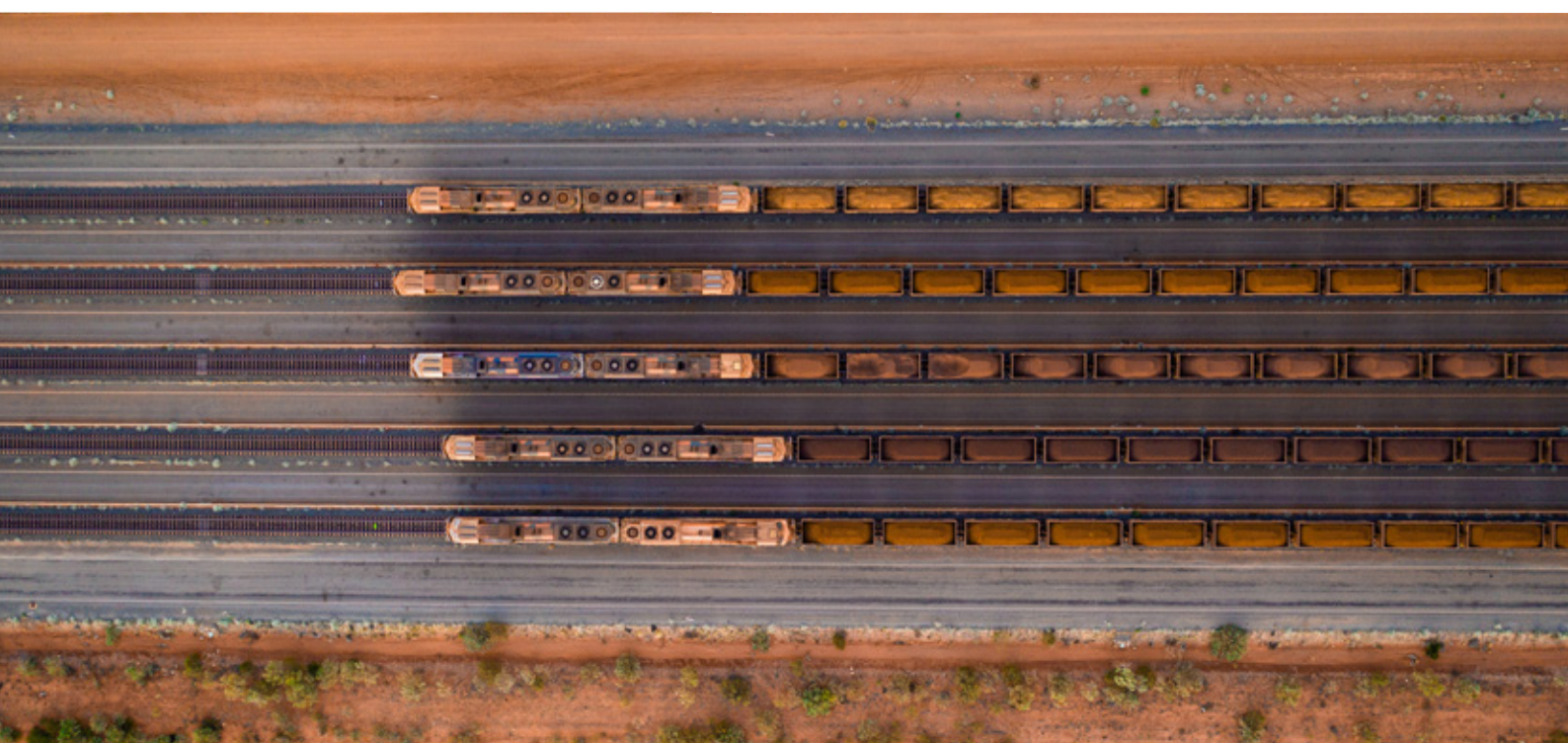


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REAL ESTATE

Port Hedland & South Hedland

RENTAL SYNOPSIS

APRIL – AUGUST 2019





LET'S GET DOWN TO BUSINESS

HERE ARE THE FACTS:

Throughout 2019, the vacancy rate has reduced from over 4% to less than 2% during June and July; the demand for quality properties continues to outstrip supply and we have noticed strong signs of recovery in the marketplace. We are now experiencing rental inspections with three to six groups, multiple applications, zero vacancy periods between tenancies and offers above asking price.

The team at Hedland First National continue to test the market (where time allows) to set new rental ranges for certain homes to give our clients the best possible returns after three to four years of constant reductions followed by a period of stabilization during 2018.

Our corporate tenants are now open to offering two-year leases where at one point the maximum available was six months – due to the possible increases we have opted to take leases six- and 12-months terms to best position our landlords for growth – unless rent reviews are agreed and negotiated.

Across all agencies in Port and South Hedland there are currently 95 properties for lease, this is the lowest amount available since 2013 – Hedland First National currently has under 27 for rent in both suburbs – an excellent result considering HFN is the largest agency in the region.

There are still a small minority of properties advertised which simply won't lease, the demand is solely for quality homes or properties in desirable locations; we're just not at a stage where tenants will rent anything and everything. Owners of these listings need to look at their options of selling while the market is active or upgrading to secure good tenancies.

CURRENT FACTS

- ✓ Under 100 for rent – 95 Properties Listed for Rent across all agencies in both Port and South Hedland
- ✓ Lowest vacancy level in 5 years
- ✓ Height of the market we had almost 500 for rent
- ✓ HFN have just 27 advertised for RENT
- ✓ Our Vacancy Rate is less than 2% sitting at 1.8%
- ✓ Rents are increasing by \$25- \$100 per week depending on the property
- ✓ Demand remains strong for quality homes with at least 5-6 groups present at rental viewings
- ✓ Vacant homes are being advertised between \$50 and \$100 more than what they were previously achieving.



TRENDS:

- ✓ Demand remains strong for four-bedroom, two-bathroom executive level homes in South Hedland. The rental rates of these have increased significantly from \$600 - \$700 per week (depending on pool, shed etc) to between \$700 and \$800pw. This demand has amplified the 3x2 and 4x1 market with homes now gaining between \$400 and \$500pw. Our team recently leased two, three- and four-bedroom homes in this price range with leases gained within one day of advertising – at rates above our expectations.
- ✓ Older properties in Port Hedland between \$350 and \$600pw remain competitive with surplus applications being received due to security concerns in South Hedland; some areas are currently experiencing high levels of break-ins and tenants are opting to pay the same rent for an older home in a much more desirable location – where possible.

- ✓ The oversupply of one-bedroom apartments has abated and now most furnished apartment are leasing quickly if priced for the market \$300 - \$400pw – variations will occur depending on size, location, age etc.
- ✓ Managerial homes in Cooke Point and Pretty Pool have been attracting more interest than earlier in the year as companies look to surge budgets for quality upper level management housing in order to attract staff to the region. In January/February this year we weren't receiving any offers above \$1,000pw, but since April/May we have been able to lease several high-end listings.



Predicted Rental Rates Late 2019-2020

PROPERTY TYPE	PORT HEDLAND	SOUTH HEDLAND
1x1	\$350 - \$450pw	\$200 - \$300pw
2x1	\$400 - \$500pw	\$300 - \$400pw
2x2	\$475 - \$550pw	\$350 - \$425pw
3x1	\$500 - \$800pw	\$375 - \$500pw
3x2	\$600 - \$850pw	\$500 - \$700pw
4x1	\$750 - \$1000pw	\$550 - \$700pw
4x2	\$850 - \$1000pw	\$500 - \$750pw
4x2 Executive	\$1100 - \$1400pw	\$750 - \$950pw

Disclaimer: Prices may vary where utilities are included or the property is furnished and predicted rent increases are based on current market trends continuing throughout the end of 2019.

2019-2020 PREDICTIONS

Landlords seeking the security of longer term leases (2-3 years) will need to discuss rental increase options with their property manager to ensure they don't miss out on potential gains – these options include dollar figures or percentages every six or 12 months agreed at the beginning of the lease by all parties – you cannot increase the rent every six months to “market value” anymore, this option no longer exists.

Tenants will look at increased rents to stay in a property but expect demands such as the installation of security measures (especially in South Hedland) with the increase. These options should be considered as they offer long term benefits to the property for insurance and depreciation – as well as meaning the property will continually be tenanted.

There should not be any further rent reductions! All of the long-term residential leases have now come to an end and re-adjusted to the current market, so with the expected continued demand rent should increase for quality homes and definitely remain the same for older properties with quality tenants.

Older fibro homes purchased for development purposes will STILL not be a desirable product to put to market. Similarly, homes located in unfavorable regions of South Hedland will attract tenants where the rental rate is attractive and pets can be allowed for security purposes.

While some savvy investors are buying now, the sales market remains 70% owner occupier buyers who are purchasing the rental homes in the region which contributes to the lower stock available and this may continue throughout the remainder of the year.

I would expect – with the high number of applications being received for outstanding homes

– that corporate tenants may need to look at increasing their housing allowance or applying for properties themselves – to ensure staff are successful in securing a property.

It is CRUCIAL to consider all the variables when looking at increasing the rental rate; have I had good, long term tenants? It wouldn't be wise to not renew a lease for an extra \$50 and risk a different type of tenancy.

Lastly, I just wanted to advise I will be on maternity leave from early October to June 2020 for the birth of my second child; if you need a strategy for your investment during this time, or wish to discuss your individual property or portfolio, please feel free to contact me prior.

WEST END BUY BACK SCHEME

Although very much in the early stages, West End property owners could have their homes purchased by industry to resolve the ongoing dust concerns.

Completely voluntary, properties would be valued independently and then purchased for valuation plus a rumoured 20-30% extra to entice owners to sell.

The State Government are expecting the mining sector to pay for this scheme through a tonnage levy structure (already previously introduced to fund the new Port Control tower).

To date the Government have strongly indicated that this buy-out will only be available to residential owners.

This obviously raises a lot of important questions for property owners in this part of Port Hedland including what will happen to the properties they purchase?

We will keep you updated.

Please contact me at any time direct on (08) 9173 9238 or via email at amy@hfn.com.au

Yours sincerely,
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