The Australian Financial Review
Thursday 25 August 2011 • www.afr.com

Australian Financial Review - 25th August 2011

Dire rental prospects on fringe

Michelle Singer

Vacancy rates in Sydney's outer suburbs are stuck at critically low levels as demand for affordable accommodation outstrips meagre supply levels.

Australia's vacancy rate remains steady at 1.9 per cent, unchanged from 12 months ago, according to the latest SQM Research.

However the more affordable outer areas of capital cities have less than 1 per cent availability.

SQM Research managing director Louis Christopher said there were substantial differences in vacancy rates within each city.

The owners of luxury discretionary properties struggle to find tenants while more affordable properties are inundated with applicants.

He is most concerned about Sydney because of its 1.6 per cent vacancy rate, large population and affordability hurdles.

"Sydneysiders are moving out west to afford the rent and historically there hasn't been a lot of rental stock in those areas," he said. Within Sydney the upmarket eastern suburb of Vaucluse has a vacancy rate of 5.3 per cent compared with Bankstown in the south-west where only 0.8 per cent of stock is available.

Ronis Real Estate's residential property manager in Bankstown, Natasha Todoroska, said between three and seven applications were submitted for each new listing.

"We do have a database of tenants looking for properties but before you get a chance to ring around we've got people calling up wanting to make an appointment," she said.

Canberra recorded the lowest vacancy rate at 0.7 per cent while Melbourne has the highest number of available rental properties of any capital city at 2.8 per cent. A vacancy rate under 3 per cent is defined as a "tight" market.

Mr Christopher's figures, based on the online rental listings that have been advertised for three weeks or more, show 49,466 properties are vacant nationally.

Satterley prepares northern corridor

Jonathan Barrett

Major West Australian developer Nigel Satterley is preparing to sell the first lots of a wider 180-hectare development in Perth's northern corridor in expectation of a return in demand from first-home buyers.

The Catalina development, which is a 12- to 13-year project with an anticipated land-home value of $1.5 billion at completion, is situated in the same area as major projects including Lend Lease's Alkimos.

Mr Satterley said that the current dour Perth market would not deter home buyers facing a lack of affordable housing options in the resources-rich state. "We're pretty confident that for the first two years we'll have 180 sales per annum," Mr Satterley said.

"That will increase to about 240 a year, which will keep us busy for 12 to 13 years."

Residential lots in a precinct called Catalina Central — on the north metropolitan coast — are expected to go on sale in November.

WA home prices are among the most depressed in the country as investors can't, or refuse to, buy land that doubled in price between 2004 and 2007 as the mining sector boomed.

Nonetheless, demand has generally been higher for properties in the northern corridor than in most other parts of the state.

The corridor is the sixth-fastest growing area in the country, according to a July demographics report by ANZ Banking Group, and will likely attract tens of thousands more in the coming years as a series of house and land developments come to market.

The Catalina development is expected to house around 8000.

The WA government has endorsed a series of initiatives designed to help first-home buyers into the market and/or avoid the housing shortages experienced in the years leading up to the financial crisis.

Getting ready to sell ... Nigel Satterley.

Villa World

Full year	2011	2010
Revenue ($m)	118.5	262.7
Pretax ($m)	12.3	16.8
Net ($m)	13.5	18.2
EPU	11.4¢	24.6¢
Final dist*	5¢	0
	Close	**Change**
Shares (last)	82¢	-1¢

Villa World Group reported a 46 per cent decline in total lot sales – from 923 lots in 2010 to 497 lots – in 2011. The group, formerly known as GEO Property Group, said sales were lower in fiscal 2011 "largely as a result of several projects being completed in the 2010 year" and no new projects would commence until the second half of 2012. "Demand for Villa World's core product – affordable housing in outer suburban locations – performed well in the first half of the year," the group said. But over the second half of 2011, markets softened due to wavering consumer confidence from natural disasters in Queensland, increased cost of living pressures, interest rate uncertainty and poor global economic sentiment. Over 2011, Villa World delivered an operating profit of $9.6 million, down significantly on last year's $21.1 million. Net tangible asset backing stood at $1.78 per security. Villa World has been engaging in an on-market security buyback of up to 10 per cent of its issued capital since July 14 this year at an average price of 85¢ per security, including brokerage.

Lisa Carapiet