

Investors win as rents set to rise

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- Investment properties back in demand
- Investors keen to buy before price rises
- Rising rents mean higher returns

WITH demand for rental properties set to soar this year, experts are urging investors and renters to get in now ahead of an expected price rise.

Property investors are gearing up for a bumper year as big rent increases and strong capital gains are expected to offer double-whammy returns during 2010.

Demand for rental properties, from both investors and tenants, is expected to surge during the next few months as people attempt to lock in properties before prices rise even further.

Latest research from Resi Mortgage Corporation has found the number of people intending to become property investors has almost doubled during the past year.

Strong price growth for existing housing, particularly in established suburbs, has led many would-be investors to act sooner rather than later, Resi consumer advocate Lisa Montgomery says.

Anticipated rent increases, because of high demand from renters, is also encouraging people to act promptly so they can take advantage of the expected higher returns.

"It certainly is good times ahead for landlords," Ms Montgomery says.

"People are noticing that yields are high and property has returned to being the 'new black' to invest in. Confidence is out there."

Research company Australian Property Monitors has forecast rent increases of up to 11 per cent in 2010 after little or no growth during most of 2009.

In Melbourne, it expects house rents to rise 5.6 per cent and units to lift 7.5 per cent.

"An improving employment outlook means, overall, renters will be more willing and able to afford rental increases," APM economist Matthew Bell says.

Ongoing housing shortages are expected to worsen as first-home owners opt out of buying and remain as renters.

Immigration continues to increase and more people are turning to bricks and mortar as an investment after being stung by the share market.

"On the supply side of things, there simply aren't enough new properties being built for investment purposes to meet this increased demand," Mr Bell says.

However, he says many rent rises will also be needed to recoup extra costs such as higher interest rates and land tax, not just additional profits for landlords.

Property investment specialist Jock Bing from Portfolio Management Services says the demand for rental accommodation is expected to worsen during the next couple of months as the academic year gets under way.

"Some rental returns had a slight hiccup early in 2009," Mr Bing says.

"However, with the general short supply, rents have firmed again but not excessively and there is still more room to move.

"The supply and demand gap is only expected to widen further during 2010."