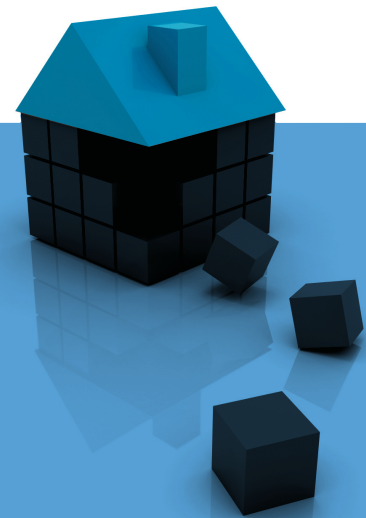


THE MORTGAGE BULLETIN



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NEWS FROM BRETT LUCAS

The time for actioning your investment strategy may be now as affordability set to be further compounded by national housing supply shortages. The shortfall, according to the National Housing Supply Council, deepened last year from 78,000 to 178,400 with the potential to face a gap of 300,000 by 2014 (CommSec). This is expected to push house prices up even further causing affordability issues into the future. We can help you capitalise on this situation now. Please call me direct about making your investment strategy come to life.

FIND YOUR LARGER SLICE

Despite the trend towards inner city living, smaller blocks and skyrocketing prices, a report by RP Data has also revealed affordable homes on larger blocks can still be found in close proximity to capital city metro areas.

The report lists 86 suburbs around the country within 20 kilometres of the capital city CBDs where the average land area is at least 1000 square metres.

With this type of property becoming a rare commodity into the future values are expected to grow at above average rates.

Find out how you can capitalise on your local investment opportunities by speaking to your local broker today.

BUILDING WEALTH



BUYING YOUR OWN home is probably the biggest investment you will ever make and it is most likely your biggest asset. So why not put this asset to work?

Once you take the plunge and realise the benefits to personal wealth and the advantages of investing in property the rest follows suit.

View debt differently

The first purchase in building your property investment portfolio is often the most difficult.

Why? In most instances it is the mindset of the investor. The leap of faith and associated risk takes most people some time to get their heads around.

Ask any experienced property investor and they will recollect their first dabble into the realms of equity building with fondness as they now boast a string of properties to their bow.

The key to taking this step is to change your frame of mind to look at debt differently.

Rather than looking at the exact value and risk of your debt look instead at the assets you are buying to increase net worth. Once you see this wealth building you will realise the benefits and soon be looking for your next investment purchase!

So why is using equity such a successful strategy and how do you do it?

Equity is simply the difference between what your property is worth and what you owe.

It basically gives you a line of credit on your mortgage and the amount you can borrow depends on your individual situation therefore allowing you to borrow based on what you own not just what you have at your disposal (i.e cashflow).

So where should you start?

- Value your current property to determine your available level of equity. This will help you decide whether property investment will be feasible. For example if you own a \$350,000 property and owe \$100,000 on the mortgage then you effectively have \$250,000 worth of equity.

- Determine your lending capabilities. Banks tend to lend 80% of the value of the property hence for the above example this equates to approx a \$280,000 loan. Because you already have a \$100,000 loan you may be able to borrow \$180,000.

- Look at using a mortgage broker for advice including how to use your equity best, most suitable loan types, use of Primary Place of Residence (PPOR) rulings, tax implications and other investment benefits.

- Research the market. Investment properties require significant returns – do your homework on rental returns, median house prices and potential growth areas.

You will find once you start investing in property you will never look back. Contact our team today to find out more!



AFFORDABILITY STATE OF PLAY

THE FOCAL POINT of Australia’s property sector is currently all about affordability – in our cities, in regional areas and affordability for future generations.

It is a complex scenario reflected recently by the release of the latest median house prices for Australian capital cities.

Although all capital cities reported solid or strong growth (see Table 1) the figures actually mask the real state of play which is growth at the top end of the market however little capital gains in cheaper suburbs.

Overall, the average Australian median house price rose 12.5% (RP Data-Rismark Home Value Index) with Darwin (20.2%), Melbourne (18.7%) and Canberra (15%) the strongest performers. Brisbane lagged behind all cities at 6.7%.

Most affordable

Based on a city-by-city comparison Hobart delivers the most affordable houses with more than half of its suburbs with a median house price below \$350,000. Its cheapest suburb Gagebrook has an average median price of \$153,000.

MEDIAN HOUSE PRICES		
CITY	MEDIAN PRICE ‡	% CHANGE IN INDEX VALUE †
Sydney	\$500,000	12.1%
Melbourne	\$452,000	18.7%
Brisbane	\$439,000	6.7%
Adelaide	\$385,000	8.8%
Perth	\$480,000	7.9%
Darwin	\$480,000	20.2%
Canberra	\$510,800	15.0%
National	\$450,000	12.5%
Hobart*	\$323,750	11.4%

*Hobart results are based on final February data
 ‡ based on settled sales over quarter
 † Year on year based on capital growth to March 2010

Whilst offering some of the most expensive houses in the country Sydney also lists more affordable suburbs and along with Melbourne, Brisbane and Adelaide you can find at least 20 per cent of suburbs where the median price is below \$350,000.

It is a different story however in Perth (less than 10%), Canberra (0%) and Darwin (0%) where affordability becomes a big issue with limited or no suburbs with median house prices below \$350,000.

Darwin house prices are generally the most expensive with limited range across the city reflected in median prices ranging from \$392,000 to \$965,000.

In addition, buyers need to be mindful that these are only median prices listed and therefore do not demonstrate the actual state of play within each sub-market and corresponding rates of growth.

Location the key

Senior Research Analyst from RP Data Cameron Kusher said that the results suggest that there are still opportunities to purchase relatively affordable properties in most cities.

“Interestingly, many of the most affordable suburbs are concentrated within specific geographical areas,” he said.

“For those looking to purchase at the affordable end, they are going to have to target specific areas. For the most part, these regions are located on the outskirts of the city”.

So if you are seeking affordability there are properties available however it is more than likely you will need to search for properties on the city fringes for prices close to these listed margins.

Speak to one of our brokers today to investigate affordable property investment strategies.

HOW MUCH IS YOUR PROPERTY WORTH?

It is only natural that we take an interest in the value of the property we own. But many also fall victim to the fallacy that cost equals value.

In basic terms, in Australia, market value is defined as the estimated amount for which a property is exchanged on the date of valuation between a willing buyer and a willing seller.

This is also based on the premise the transaction must be between arms-length parties, the buyer or seller must not be under duress or compulsion to buy, and that both parties must be knowledgeable and understand market conditions.

Many homeowners also fall into the trap of assuming the combination of their exact house and land value equals their property value and learn a hard lesson when they try to sell.

Your home may be valued for a variety of reasons:

- Local governments value approximately every two years for tax and rate purposes
- Mortgage finance – lender will will conduct an independent valuation to determine security equity
- Property disputes – divorce, insurance, rental and compensation
- Private valuations for property decisions – to use equity for investment purposes
- Buyers and sellers of property to determine actual value.

Whatever your reason it is beneficial to know the value of your assets for future investment and planning.

Speak to our team today to see how you can realize your future investment potential.



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