

30<sup>th</sup> Aug 2010

## No Bubble for Australia (property) Markets and Fixed Interest Rates

Investors,

### No bubble for Australian market

This is an article I came across today that speaks to the Headlines that you sometime read about a housing bubble about to burst in Australia. I think this article more addresses the real demand and supply issues we face rather than headlines for newspapers or financial commentators who expect the residential property market to act like the share market they are used to.

For investors, affordability is less an issue for us as the tenant helps pay perhaps 60% of the costs, the tax man may contribute around 20% or more and we pay the remainder. What it more likely means is that the property market will slow into a more steady growth pattern and we do not have to deal with emotion driven buying by owner occupiers driving up prices higher than they should be, we have more consistent valuations able to be done and we have more tenants in the market place as they cannot afford to buy themselves.

This is our silver lining. It is a good time to consider adding to your investment property portfolio.

Give me a call to see if it is possible, you may be very surprised to see what can be achieved for many people without sacrificing current lifestyle.

Wednesday, 25 August 2010

Belinda Luc

Australia is not facing a house price bubble but a severe affordability crisis, a US analytics company says.

Speaking to *The Adviser*, Core Logic group executive George Livermore said the US property market faced a burst bubble during the GFC when borrowers chose to strategically default on their loans because of the dip in unemployment and the non-recourse mortgage trend.

"Some markets, like in Arizona, Florida and California, suffered a big price drop because underlying demand was never really there, so prices fell to where the underlying demand was," he said. "We've had a decade of overbuilding, over four million too many houses in the US, and it's going to take some time to have demand back in the system," he said. Unlike the US market, Mr Livermore said Australia's issue was more about average Australians being unable to buy into the property market because of a lack of supply.

"Affordability is not the same issue as a housing bubble," he said. "I hear talk about a housing bubble but I don't think Australia is facing one. "The government needs to address the issue of affordability through further supply," he said.

### **Fixed Interest Rates**

Quietly in the background lenders have started dropping their fixed interest rates. Competitive rates now available with a couple of lenders range in the 6.95% to 6.99% for a 3 year fixed rate. With the standard variable at 7.4% to 7.5% range, it is worth thinking about if you have a fear that interest rates may go up in the next 6 to 12 months. The 5 year rates are still at best in the 7.49% to 7.59% and then upwards. These are rates available for investors with interest only loans.

Give me a call if you would like to discuss the possibility of fixing for a period.

### **Our Service to You**

We provide a specialised service for investors wanting to create long term wealth for themselves and their families. We are finance strategists, credit advisers and mortgage brokers, helping you achieve your goals. Give us a call when you think it's time to consider your options.

As well as providing a service to investors, we will assist you in purchasing as an owner-occupier, or upgrading to a new property, or simply looking at better pricing or structuring options for your current loans and banking or assisting seniors looking at possible reverse mortgage options.

Our business is built on referrals provided by clients, so please don't keep us a secret, feel free to forward this e-mail to family and friends interested in their own financial future. Give us a call and book an appointment to see if it makes sense for you. If you have any questions about any of these topics, give me a call.

***Helping People through Finance***