

August Property Update and Advice

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In this update we cover the following areas:

- Seminar and webinar updates we have attended and the information available
- Melbourne property for the next few year and where to look to invest
- Our clients are buying higher yield properties in these areas
- Caution needed on valuation and promised rent yields for off the plan properties
- What we can provide to help you
- Paying more than 6% interest on your loans, time for a loan health check?
- Self managed super funds
- Can we assist family, friends and colleagues?

Investors,

I have been to a number of seminars recently and listened to even more webinars from various property groups and experts on a number of topics, ranging from a broad overview given by Charter Keck Cramer (a leading property research/advisory company) to companies promising capital growth, to marketers of US properties to those offering education (selling mentoring packs of CD's and books).

There is a lot out there. The number of companies offering to educate clients to buy property and make extraordinary returns at \$5k for mentoring is enormous. They often neglect to tell you they get paid commission to sell off the plan or house and land packages on top of that, another 2% to 5%. One webinar I listened to recently, special offer for the first 100 customers to sign up, \$4,990 or \$499 per month over 12 months. That's nearly \$500k to provide some CD's and books. Another seminar again a special offer for the first 9 people only (seminar perhaps had 50 people in attendance) offering mentoring, researching, finding a property deal, making the purchase and following up all for \$9,850 and they get paid by the developer. A bargain!. I have had 2 e-mails from them since saying they still had 2 places available and better be quick.

I think I am in the wrong business!

However they all provide some information that is valuable and worth considering.

In particular the **CKC presentation** talked about Melbourne market and the drivers with a view that there will be little growth impetus until 2014 for a number of reasons including job insecurity especially within the manufacturing and retail sectors. Their view was that for established housing, a rebalancing is happening to the north and the west with the greatest percentage growth, coming off a low base. Also Ballarat and Bendigo as more people commute.

The Melbourne apartment market will be tested in some areas with developments expected to be completed by 2014 adding 96,847 apartments, which will test the rental market. This is up 30,000 from 2011.

Their view is that there needs to be a house price hierarchy, with a clear price differential between a house, townhouse and apartment and it needs to fit into the pricing structure of the suburb. They suggest that for boutique apartments to work (20 – 30 apartments in the block) the suburb median price needs to be > 1.3 times Melbourne average (or approximately \$650k for suburb price). They suggested that medium density infill should be considered in the middle suburbs as well as the Peninsular areas of Safety Beach, Dromana type suburbs.

Education is critical and the more you know, the better you are able to assess what makes sense to you. That said, you need to make a decision to move forward and invest, otherwise you may still be in a similar position in 10 years thinking back, if only!

What our Clients are Doing

With the slowdown in the Melbourne market, we have had a number of clients looking to balance their property portfolio's by investing in areas where there has been sustained capital growth with positive rent yields. These range from Tasmania to Sydney to Gladstone and Townsville in the central area of Queensland. Rent yields from 6% to 8% are being achieved.

We offer the service of providing properties reports to our clients to help them establish value and give them information on comparable sales and rent yields before they purchase. We do have contacts we can refer you to for buyers agents and conveyancers in these areas to assist you.

Caution Needed

We are coming across issues with valuations and rent yields, especially in the Melbourne market. We do not often recommend off the plan purchases unless it particularly fits your strategy and individual circumstances due to the risk of valuation and in some cases rent yields. In the few cases we have, we only recommend purchasing in boutique developments, less than 30 in a complex. We are hearing more and more, especially for large developments, valuations coming in up to \$100k lower than the purchase price and rents having to come down from what the glossy brochures indicated of \$520 to \$550 a week to as low as \$400 a week to attract a tenant and possibly giving rent free periods as well. Not only has the client the need to find another \$100k to settle, their rent yield has suddenly fallen from perhaps 5.2% to 4.0%. Combined these make a

huge difference to cash flow.

What we can provide to help you

Our website has been upgraded and we have provided an information rich resource for you, from terminology, to types of loan, potential issues to be aware of, ATO rental property guide for 2012 to a free Home Buyers Guide e-book. For property investors we also have a free Investors Guide e-book for handy tips. By all means go onto our site to download or request a copy of any or all of these.

The back issues of our newsletters are also available for you to download covering diverse topics like NRAS properties, tax deductions, holiday sea front properties, rent vs. buying decision, your first property, superannuation and reverse mortgages.

There are a number of reports on mining areas that others have put together, if you would like access to these, please e-mail and we will send you the links.

Loan Check

With the start of the new financial year, you will have received your half yearly or annual loan statements, now is a great time to check what the current interest rates you are being charged by your lenders. While interest rate is not the sole variable to consider, there is little point in paying in some case literally \$'000's more to a bank than you need to. If you are on a variable rate loan and paying more than 6.10% you are paying too much. Best rates are <6.0%. If you want to consider switching to a fixed rate, some are now down to 5.6% range (and lower). You may have a standard variable rate with Westpac at 6.89%, for a \$300k loan you may well be paying \$2,800 a year more than you need to. Give me a call or simply scan and e-mail your statements in and I will let you know what you could save. No obligation or cost.

Self Managed Super Fund

We have recently updated our qualifications to include providing advice on SMSF and have affiliated with a company that provides an end to end solution for people interested in setting up a SMSF to purchase property in. This is a specialist area where I have not found a previous solution for such an end to end process. I will provide further information in the next few weeks but if you are interested in finding out more, please contact me. This is a great way to better utilise your own superannuation funds and possibly reduce costs paid out to retail funds for them to manage just so they can lose your money for you.

Helping Others

Many of you have benefited from using our services and have kindly referred family, work colleagues and friends to us. We welcome those you have referred to us. If you know anyone who is looking for assistance, lowering their loan repayments, looking to invest or even buying their first property, by all means let them know of our service. The best way is to e-mail them with our details and Cc us in as well. We will treat these with the upmost respect.

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Helping People through Finance

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.