

Hold or Buy?

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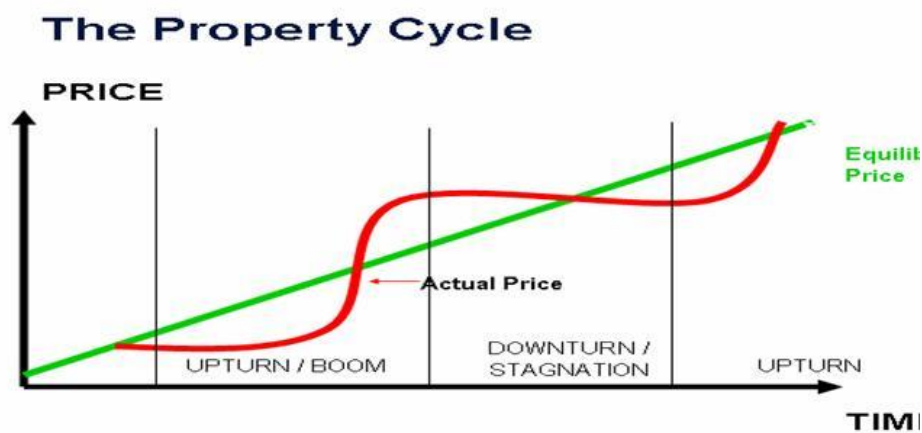


Investors,

Many people ask, is timing the market more important or is it better to have time in the market to realise capital growth? Many commentators of long term trends will say it is the latter; it is time in the market that is more important when you are considering about long term investment strategies using asset classes such as property. It is being prepared to hold property over at least one property cycle and preferably longer.

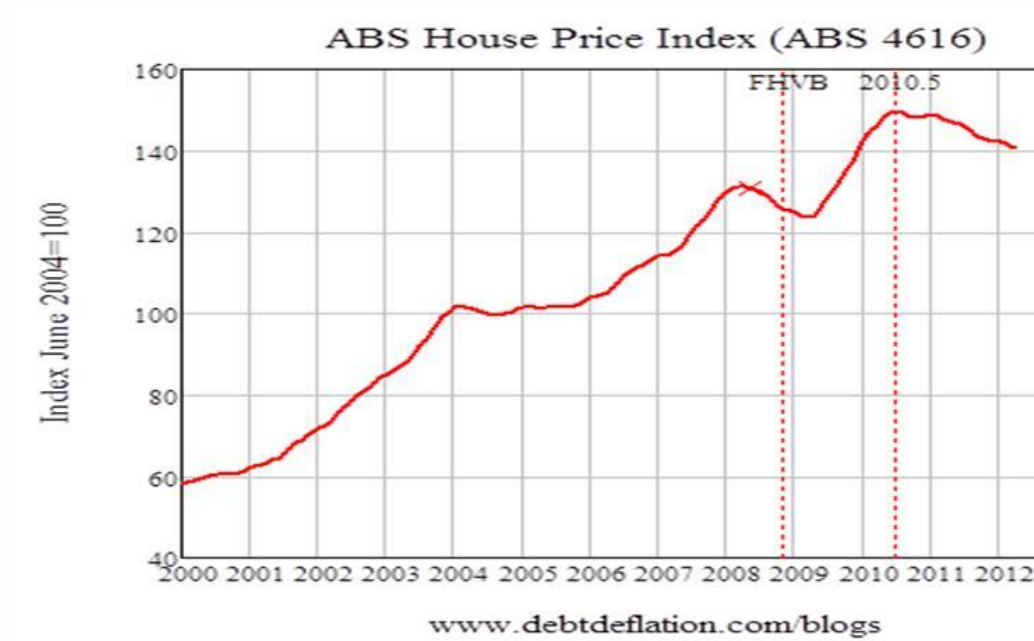
Property cycles in Australia tend to run on 7 to 11 year cycles. That said, there is always benefit in buying when the market is at or near the bottom of the cycle as you can benefit from the upturn and have the ability to realise short term capital appreciation for a revaluation and refinance strategy, to borrow again for the next investment property.

The basic concept is that an upturn/boom is followed by a downturn/stagnation followed by an upturn. This is illustrated below.



Source: Understanding Property Cycles – Michael Yardney

From a real life view, the graph below shows this clearly where the cycles can be seen with the respective upturn and downturns have occurred in the Australian property market. The question for investors is where we are in a cycle and when do look to invest again.



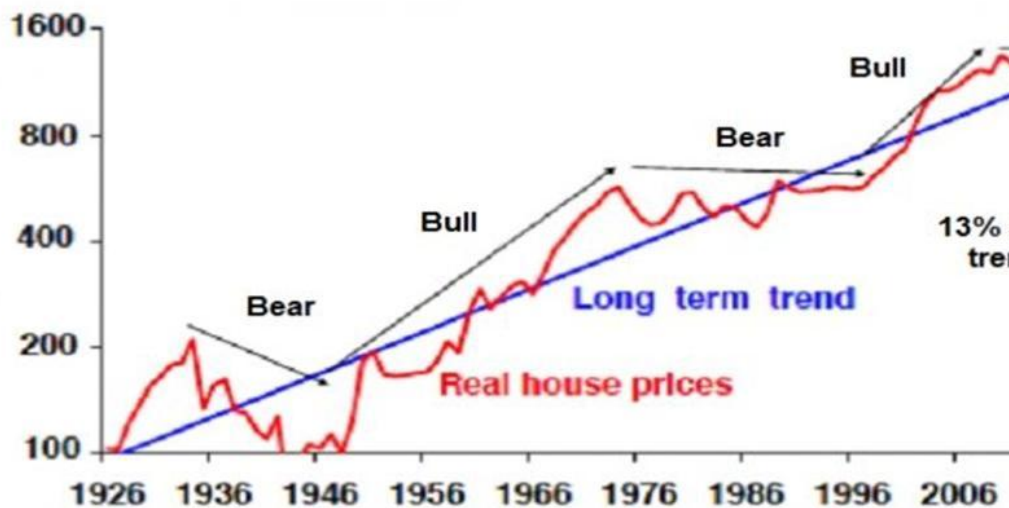
Viewing this on a longer time period, it illustrates the cycles and the periods where we have had a downturn in prices, however the trend line is still positive which comes back to the basic economic equation of demand and supply.

Real national median house prices



Source - <http://www.alankohler.com.au/?page=2>

Another version below looks at even longer term cycles, being the bull and the bear runs, indicating that we may still be in a bear cycle for another few years. Recognise that these are for an overall Australian market and that is made up of many individual area markets which are influenced more specifically by macro and micro economic factors relating to that specific area.



Source - <http://www.eureka-report.com.au/graphs/list?page=15>

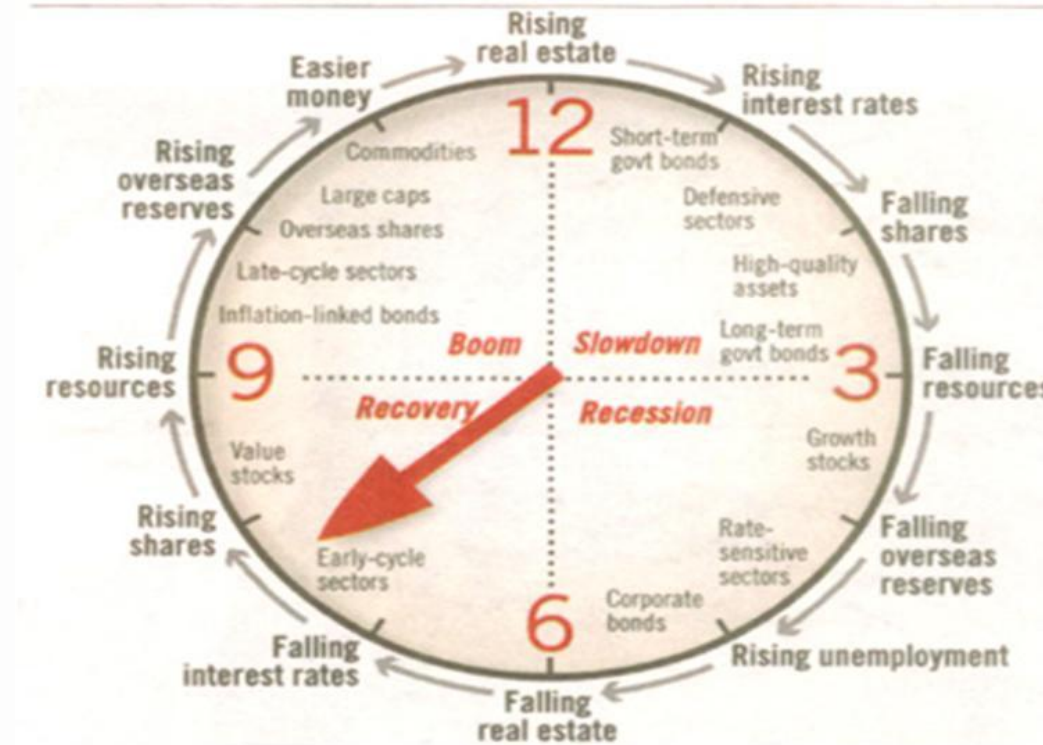
The Sydney market could be said to have been in a bear market or stagnant for nearly the last decade whereas the Melbourne market up until mid 2010 was in a

strong bull market and now in a bear market which may continue for some time due to specific lowering demand for manufactured goods.

The concept of a time clock has existed for some time now where based on cycles and correlation, it helps an investor determine where the economy is in a cycle.

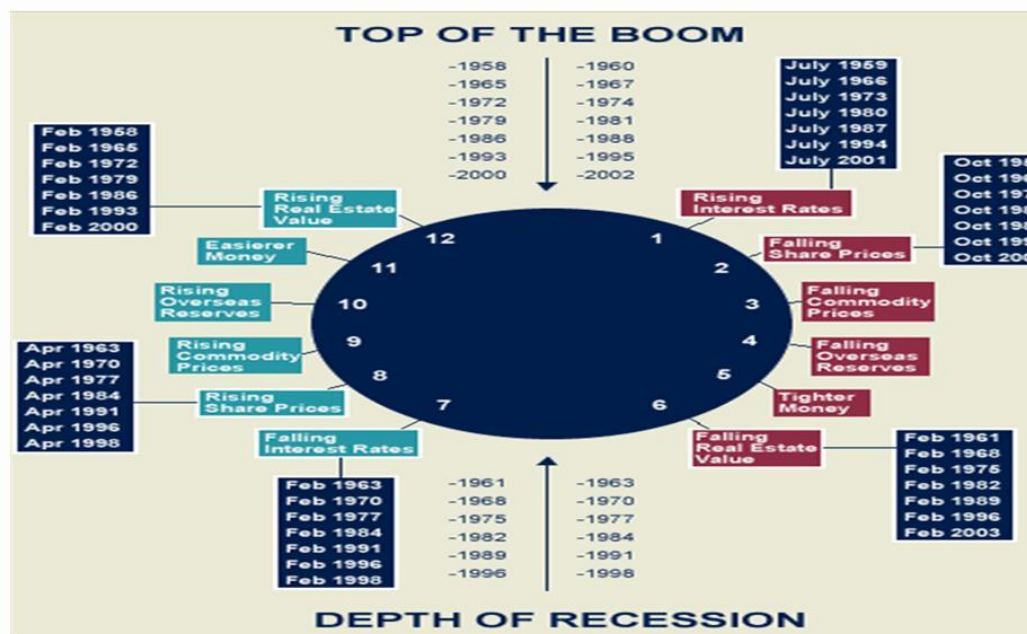
Timing counts

Multi-asset investment clock



Reference: Baker, P. Cash to shares: investment cycle comes bull circle, The Weekend Australian Financial Review, 14-15/11/09

To use real life historical events, the graph below shows the actual dates and periods that match this general concept of a time clock or investment cycle. It is a few years out of date but the concept is clearly demonstrated.



source: http://www.prgpi.com/investment_cycle.asp

All these seem to indicate that we have gone through to 6 o'clock and moving in the 7 o'clock range with falling interest rates. If you have set up your finances and are ready, with the low interest rate offers on the table and low real estate prices, now seems to be a very good time to buy. There is no guarantee that real estate prices will not drop further but the recent auction results and rise in median price may indicate that the market is turning. There is nothing worse than to look back and say "I wish I had bought then". Call me now to see what is possible for you and your family.

Some of the fixed rates now are at very low levels, 2 years at 4.99%, 3 years at 5.09%, 5 years at 5.77%. Variable rates are down to 5.6%. With the lower rates has also meant some lenders have dropped their servicing rates, so borrowing ability is now easier than 6 months ago. Is it time you had a loan health check? Give me a call for your free borrowing assessment and loan health check.

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