

Q3 - 2011 UPDATE



28 September 2011

This is how I opened the Q2 Update:

Everything seems to be stagnant at the moment, with no one rushing to commit to anything. Perhaps people are tentative due to the unknown... Who knows what and how this proposed Carbon Tax will affect us! Consumer confidence is simply negative and while interest rates continue to hold, the majority are still, according to the stats, putting money away at levels not seen since the GFC. Translated... people are not spending!

Nothing has changed since then, except that the world financial markets are even jitterier! IF you believe in 'cycles', the smart money/opinion is that we are on the 4th leg of the 5 legged cycle before the 'big' one. That is, currently on a 'down' leg before the next 'blow off top', and then capitulation of the world markets. The final 'up' leg is on the back of the US and Europe printing one final round of \$\$\$ (all in nothing but hope), before it all comes crashing down on top of them! The Aussie \$\$, priceless! Let's see if the smart money is 'on the money' in due course...

And of course, what's capitulation on the world stage without some dingbat analyst from the US telling us how property will perform in our backyard...?! I will take a look at good old Harry's prediction and where I see holes in his analysis (if you can call it that)! See Property Outlook on Page 2.

And finally, 'Mini-me #4' lobbed on the scene... along with a few potential future Clients (See Page 4).

The Residential Lending Market

Cut Glenn cut!!! Simply no reason other than to expect a cut in the RBA's Cash Rate! Even if just to see whether some consumer confidence can be stimulated prior to the traditional Christmas spending period (or what's fast becoming a 'non-spending' period).

Yes, we are definitely in the throes of a 2 speed economy! Want proof? Not sure how many of you caught the Courier Mail front page (Thu 22/09)...? At Moranbah in Central Qld, you can rent a basic 3 bed'er with AC for \$1800/wk! Yep, \$1800 per WEEK – not a misprint! For the same squirrels, you can get a 5 bed, 5 bath, 2-storey fully furnished home with private jetty and pool on the waterfront in Surfers Paradise. If that's not 2 speed, not quite sure what is!

Hence, this is the delicate balancing act that the RBA has to consider, monitor and act on when considering the Cash Rate... oh bugger it Glenn, just give us a cut!

Lenders continue to price for business! Some of the better Variable Rates in play:

\$250k - \$500k	< 80%LVR	6.91%	Pro Pack \$350PA
> \$500000	< 80%LVR	6.81%	Pro Pack \$350PA
\$250k - \$500k	< 75%LVR	6.85%	Pro Pack \$120PA
> \$500000	< 75%LVR	6.80%	Pro Pack \$120PA
>\$150k	Any LVR	7.11%	Absolutely ZERO FEES – on everything!!

Good pricing on Fixed Rates although I am expecting these to drop further if & when the RBA drops Rates. 3yr Fixed Rates currently as low as 6.39% (under Pro Packs).

Some of you may have heard recently of CHOICE promoting its One Big Switch partnership...?

Last month, the self proclaimed people's watchdog CHOICE joined hands with One Big Switch to launch the Big Bank Switch campaign which promised to champion home owners a better deal on their mortgage. CHOICE will receive referral fees and commissions paid by financial institutions to their partner One Big Switch. CHOICE recently admitted concerns that its subscription revenue will dry up and it needs to find other sources of revenue. The hypocrisy of it all is that it was only a few years ago that CHOICE was urging borrowers to avoid brokers altogether! Now, they are (a pretend) one! Kind of reminds of Aussie John before he realised how much market share he was losing to 'Brokers'!

Now, just in case you're wondering...

Although CHOICE receives commission, you won't receive a true mortgage broking service. CHOICE will not review your circumstances and needs to recommend an appropriate solution/loan for you. It also won't help you with loan paperwork or help resolve any issues with the Lender processing your loan. It will present loan offers to you, you will then need to make a decision on your own as to whether the offer is the best available to you and then arrange the switch yourself. Let's not forget that you still have to qualify, and there will be some cost to refinance - and that's if you truly believe that you are getting some sort of financial benefit out of it too!

Not only do we provide a truly personalised service, we spend time with you to understand your needs and give you access to a wide variety of lenders. Our experience and intimate knowledge of the Lending market allows us to recommend the best products available to suit your circumstances, now, and for the future (where possible). We are also here for you during the term of your loan!

Property Outlook

Buyers market? Certainly appears so! Herron Todd White (one of Australia's leading Valuation Firms) currently places Brisbane as 'Bottom of Market' in the property cycle, 'Trend in Housing Construction' increasing while 'Volume of House Sales' declining. What's this telling us? I suspect that the increase in Construction is more than likely related to the Government Building Boost of \$10k. Declining volume tells me that people are unwilling to sell for anything less than what they believe their house is worth, especially if they don't have to sell! The increasing volume of Renovation projects is borne from home owners choosing to upgrade their current homes rather than selling and buying something bigger/better in this current market.

Notwithstanding this, American Economic Forecaster Harry Dent recently landed on our shores and promptly declared that Australia's house prices would return to late 1990 or early 2000 levels! What is it with our media's obsession to quote these clowns? Seriously! As if we don't have enough bad news in our papers on a daily basis! Well Harry, let Tarek point out some pertinent numbers for you...

For the purpose of realism and keeping it close to home, I'm going to base my argument on prices in Brisbane.

Harry says that house prices will return to late 1990 or early 2000 levels. The Median in Brisbane for 2000 was \$121000. The Median in 2010 was \$460000. In 2000/01, I was financing new house & land packages in North Lakes for circa \$150000.

Let's take a look at what the best case scenario is in producing a 400m² block in SE Qld today. If a developer was to undertake a land development, the cheapest a block of this size could be brought to the market is \$160000. This takes into account the land (inc Development Approval), Headworks, Civil Works, Council Fees & Sales Commissions. This assumes that the all services run directly past the 'front door' of the development (as if!). This also assumes that

the Developer has a ZERO profit margin, and the land is situated on the 'other' side of Caboolture! Then add a 'budget' 3 bed'er of a minimum standard that if the Wolf huffed & puffed, couldn't blow the house down – cost \$105000 – complete with floor coverings, driveway, fencing, landscaping etc - \$130000.

So we have a total cost of the cheapest house and land possible of \$290000. Inconceivable that you could purchase/build any cheaper! Again, you're on the other side of Caboolture!

So Harry says that while we cannot build a house for under \$290k, our Median will be \$121000! Huh?! Here's another teeth scatterer...

Let's say you have purchased a house for the median price of \$400000 over the past 2-3 years. Assume that you were fortunate enough to have 20% deposit and hence you borrowed \$320000. You're great with your money and you've paid \$20000 off since, so your current balance is \$300000. You're then faced with the prospect of selling your house for Harry's Median of \$121000. Bigger it, let's say he missed the mark and the Median is \$200000! My question is... where do you find the \$100000 shortfall that you need to give your Lender to settle?

For the Median to drop, people have to sell! No-one is going to sell at a loss unless they are forced to – plain & simple! The reality is that all that will happen is that sales will dry up – and the number of Real Estate Agents will simply diminish...

So Harry, before passing your 'educated' opinion in our backyard in future, spend a few hours researching some stats and numbers – and leave the space free in the papers for something worthwhile...!

Just a reminder, we forward information on this topic weekly to our Property/Finance Information Group via e-mail. Should you wish to be added to this list, please notify me accordingly.

Home Sweet Loans

Over a year in the making, but finally released our Home Buyer Guides! The Home Buying Essentials and Property Investment Essentials. These 24 page colour booklets are packed with information for those who haven't purchased a home (ever or in a long while), or anyone considering dipping their toes in the Investment pool. If you would like a FREE copy, or know anyone that could benefit from them, please email me...



We Value Your Thoughts!

Our business is referral based! That is, we source our business exclusively from you, our valued client. In recognition of the value of this to our business, we believe in rewarding you for these recommendations! Gift Vouchers, Movie Tickets, a night at the Footy, lunch/dinner at sumptuous Restaurants – the more of your family & friends you refer, the greater your rewards! We also conduct a regular competition through our Quarterly Magazine. Throughout the year, we conduct several competitions that are exclusive to our 'Email Alert' members – ask us how to join.

I also love to hear your opinion, on anything & everything! So if you have something to share, or wish to debate anything that I may have written or stated, please feel free to hit 'send' on that email - all in strict confidence of course (if funny though, I reserve the right to share 😊)!

Final Note

Another boy!! Yaseen Baytieh born on 09/09/2011 - 3.73kg.



And some future Clients for Yaseen...

Conrad & Pip Dewey welcomed little Eli Raymond Dewey (#1) into the world on 19/08/2011 - 3.26kg.



Dieter & Nat Stahmer welcomed little Finn Jacob Stahmer (#4) on 07/09/2011 - 3.62kg.



I would love to hear of any new additions to the Home Sweet Loans family. Please email us a pic and the relevant details and we'll include them in upcoming updates! ☺

Big weekend in Footy coming up! I have no idea who'll fly the flag in the AFL but I'll be a barracking for the Cats! Nothing worse than having to put up with Collingwood supporters for another 12 months on the back of back to back flags!! YIKES!!!

As for the League, the best part of this grand final is that non-Manly supporters will be forced to barrack for the Sea-Eagles, or be branded un-parochial for supporting the Warriors...! LOL!!

GO MANLY GO!!!!

Take Care!
Tarek

Who was the first person to say, 'See that chicken there... I'm gonna eat the next thing that comes outta its bum!' ...?



Office 07 3907 0233 Mobile 0414 727 349 Fax 07 3907 0385
tarek@homesweetloans.com.au PO Box 881 Wynnum QLD 4178 HOMESWEETLOANS.COM.AU

Home is where the loan is.