

2011 IN REVIEW



20 December 2011

So 2011 didn't start in the best of fashions for us! The Floods that decimated the Lockyer Valley and affected nearly every person in SEQ in one form or another, then Cyclone Yasi that swept through Nth Qld, didn't exactly give us a lot of cheer into 2011. But there's always a positive to come out of these things and the one that stands out by a country mile is how everyone banded together to help those in need! Our very own Flood Appeal gave me a 1st hand insight into the overwhelming generosity of people in times of need – we filled a Semi and more of mainly new goods that were delivered directly to the people of Ipswich & Grantham! And that was just from our own Clients & Associates, and in most cases in addition to contributions of money and time to other organisations and appeals! Well done everyone!!

The impact of these floods on the Property Market are still being measured however there was and still is a major impact on property in the affected areas. I will go one step further and say that it has had an indirect impact on most property in SEQ, with Valuers a little lost on how to value property effectively. Notwithstanding this, Brisbane (in sync with Perth) has copped the biggest brunt of reduced Property Valuations. Are we at bottom? See 'Property Outlook'.

Europe will govern whether we see GFC II in 2012, and will also go some way to determine where Interest Rates will head and how quick. See 'Residential Lending Market'.

For those who love a punt on the Stock Market, there's a comical insight into the 2011 version of 'Stock Market Terms'... Can't say I disagree with most of it! (See Page 6)

And finally, my personal highlights of 2011 coupled with some more 'future' Clients (See Page 5).

The Residential Lending Market

The new National Consumer Credit Protection Legislation is now a year old.

Lending Policies continue to evolve like the changing of underwear. Lo Doc in its original form is now officially dead, with ASIC stating that this is the area they're going to target specific compliance of! Lo Doc is still accessible but with documentation ie BAS and Trading Statements and/or an Accountants Letter. Good luck getting an Accountant to verify you earn more than the numbers in front of him/her...

The most challenging aspect of the NCCP is reconditioning Clients expectations. In a nutshell, we're simply unable to undertake/compile/submit some applications/submissions the way we used to! Crossing the 't' and dotting the 'i' is the only way now. Now more than ever is a good time for Brokers to familiarise themselves with every intricacy of Lenders policies. As we know only too well, the more knowledge we have the more loans we can get approved!

Lenders continue to price for business! Some of the better Variable Rates in play (SVR circa 7.30%):

\$250k - \$500k	< 80%LVR	6.41%	Pro Pack \$350PA
> \$500000	< 80%LVR	6.31%	Pro Pack \$350PA
\$250k - \$500k	< 75%LVR	6.35%	Pro Pack \$120PA
> \$500000	< 75%LVR	6.30%	Pro Pack \$120PA
>\$150k	Any LVR	6.61%	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 5.75% (under Pro Packs).

Not sure how long these pricing 'discounts' will continue for as we have already seen one or 2 Lenders wind back these discounts in the last few days.

Interest Rates

Once again the recent RBA Cash Rate changes brought out a new round of criticism of our Banks... Even had me considering rehashing my Special Edition Interest Rate Bulletin from 12 months ago! Bottom line is this... Banks are a business! They are there to make profits for Shareholders and they pay significant taxes (hence the token slaps from Mr Universe (Treasurer) Wayne Swan). Taking out a home loan is a 'choice', not a 'right', and we do this knowing full well that the Interest Rate will change throughout the term of the loan, it's as certain as death and taxes.

Yet, our funky media and its commentators seem hell bent on making an issue out of the way Banks go about their business. Even Mr Swan is imploring us to 'go down the road and get a better deal!' The fact is that if he actually sat down and sharpened his pencil and tuned his Calculator, he would realise what a dumb statement that is and understand that in most cases, refinancing is a 'false economy'! Everyone should already be on either the Basic Variable Rate or under a Professional Package with discounts. If you're not, please contact me to discuss...

So where to for 2012? 2011 saw 0.50% shaved off the Cash Rate and in most cases passed on in full. How much in both cases is the big Q? As Terry McCrann (Courier Mail Columnist) stated, what we don't want to see is the level and pace of cutting that we experienced in 2008. I know you're thinking why not - 5's is better than 6's or 7's! But the fact is that if that should occur, then we will be in global economic meltdown, and possibly on a larger scale than in 2008, which some feel will happen. For a change (please don't fall off your chair), I'm going to remain neutral in my opinion and stay on the sidelines in making Interest Rate predictions...

The big crunch though is what will the Banks do...? ANZ have officially made the move to meet on the 2nd Friday of every month to review & determine their Interest Rates. A move I believe everyone else will follow in the ensuing months. This in my opinion is a good move on their part as now the Media & Politicians have no grounds to criticise the timeframes in responding to the RBA's movements. Only one third of funding comes from Australian Money Markets, with the rest sourced through a multitude of sources. Perhaps if Mr Swan & co want a better deal for Consumers, they can fund this themselves...

Property Outlook

What I said in the 2010 Annual Review:

Much has been made about where we are at with property however one thing is certain at present... There are a lot of over-priced properties on the market for the current climate. I'm not for one minute suggesting that those properties aren't worth the asking price, just not today! Price your property correctly and sell it quickly. Very much a 'buyers' market, and I expect that to continue well into next year... Definitely some good buying opportunities out there if you're in a position to do so!

Still a Buyers market and still some good buying opportunities, although not so many over-priced properties! In fact, I have found this year that Owners are actually understating the value of their properties, in comparison to the actual Data/Stats/Valuations. This is a far cry from the previous 10 years where in more than most cases, everyone stated their property was worth more than it actually was...

So where are we sitting at the moment?

Australia capital city home prices fell by four per cent in the year to October 2011, after a 0.5 per cent decline in the month. The median dwelling price in capital cities now stands at \$448,500.

According to the latest RP Data, Brisbane led the national decline, with average home prices falling 7.5 per cent in the ten months to October 2011. Home values in Melbourne, Adelaide and Perth all declined 5.8 per cent, 4.4 per cent and 3.8 per cent over the same period, while Sydney remained relatively steady, with prices dropping by 1.4 per cent. At the same time, regional home prices fell by 3.4 per cent.

There is also credibility for the argument that national price falls are being 'skewed' by a retreat at the more expensive end of the market.

2012? While some industry professionals feel there could be up to another 10% decline in house values, one of the country's largest and most reputable Valuation firms (Herron Todd White) recently indicated that their research and data seemed to trend towards 'a bottom' in SEQ. This means that very little decline is expected from here, if any. Notwithstanding this, they also weren't expecting to see a major bounce either in the next 1 -2 years.

An article that I found very interesting (written by Economist Rory Robertson):

Writing on Business Spectator, Robertson admits that the days of "easy capital gains" resulting from "the big structural downshift in inflation and nominal interest rates in the early 1990s and the big structural increase in credit availability as banks were deregulated" are over, but he denies that Australian households are excessively geared because "even now, only about one-third of households have a mortgage (one-third own outright and one-third rent)".

"In any case, the fact that average home prices are unlikely to surge higher from here does not mean they are destined to collapse. With the one-off structural shift higher now complete, average home prices will tend to rise and subside in cycles over time," Robertson says

"The most-likely scenario," Robertson says, "is that real home prices will trend gradually higher over our lifetimes as real incomes rise, and two-thirds of our population continues to compete aggressively to live on the best-located bits of ground near the CBDs of our seven coastal capitals and Canberra."

He says many of the "doomsters don't actually know very much about local housing and home lending markets, don't own their own home or – commonly – both".

Nicely stated Rory!

It's not all work here at HSL and on 17/11, 9 of our lucky Clients attended the Annual HTW Property Overview Breakfast! All would agree that it was well worth attending!



Some outstanding highlights included:

A property parcel of 3.947ha (comprising 1.147ha of dryland & 2.8ha of seabed in Main Beach (Gold Coast) – **Purchased in 11/2007 for \$49 100 000... Sold in 10/2011 for \$13 000 000** (a decline of 73.5%!!!) WOW – someone did their backside big time on that one!!

Stunning Investment yields... 2 bed 1 bath Unit in Caboolture sold for \$125000 – renting for \$215/wk (8.9% Yield), & 2 bed 1 bath Unit in Woodridge for sale for \$159000 – renting for \$230/wk (7.5% Yield).

The Presentations are available for you to peruse. Please access our HSL News Page to download - <http://www.homesweetloans.com.au/news.php>

Please allow a few minutes for the Residential Presentation to download as it is a rather large file. Residential Overview begins on Page 39 of this Presentation. Both Presentations are worthwhile reading, especially the Economic update.

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

Again, it really has been a year of 2 extremes – a very quiet middle 6 months bookended by awesome 1st and 4th Quarters. The current quarter has seen a lot of Clients who have been patiently sitting on the fence take the jump into buying. There's still a few of you waiting, but certainly not the number that we had 6-12 months ago.

Notwithstanding this, we are in the very small minority who have written more business in 2011 than 2010! As most of you know, our business is 100% referral and we will continue to strive to provide you with excellent service and provide you with information that can help you to increase/improve your financial positions. THANK YOU!

2012 will see Glass Tumblers and Key-rings join our Gift range. Thanks to everyone who took the time to vote on the Key-rings on our Facebook page!! Your key-ring will be sent to you sometime in January (hopefully).

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 or request from the HSL website...



Facebook

Despite my 'pig-headedness', I've finally become a personal 'Facebook-er'... I must admit it is much easier to stay up to date with everyone's activities etc! Thanks to everyone that accepted my 'Friend' request, and if you haven't received an invitation, it's because I couldn't find you... so please feel free to send me an invite ☺!

On that note Home Sweet Loans is also on Facebook. Our Facebook page will contain a link to ALL of our updates & information material (that will be stored on our Website). We will also issue various Alerts that you may not receive via email.

To access our Facebook page, please go to www.facebook.com/HomeSweetLoans and click on the link to Home Sweet Loans. **Please 'LIKE' us...**

On a housekeeping matter, please note that we are here to assist during the Application process, and post Settlement. If you require any assistance whatsoever once you have your loan in place, please call us at anytime. This alleviates any issues that you will encounter dealing directly with your respective Lender, especially when it comes to Product switches and Discharges/Releases.

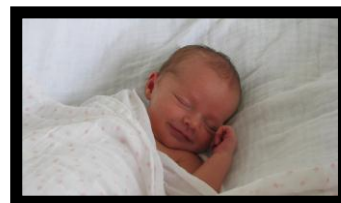
We Value Your Thoughts!

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 & Facebook 'Likers'.

Final Note for 2011

Baby Corner

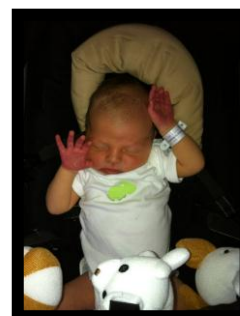
Annie & Steve Campagner welcomed little Jessica into the world on 14/11/2011.



Christine Smith and family welcomed little Stella on 21/10/2011.



Alison & Chris Kuessner welcomed little Finn on 16/11/2011.



Marnie & Paul Te Aho welcomed little Abbey on 05/09/2011 (sorry, no pic).

Congratulations to all – may they all grow healthy and make you proud!

My highlights for 2011?

The birth of #4 Yaseen! Well loved (smothered) by his 3 siblings ☺!

The mighty Sea-Eagles – Premiers 2011, who subsequently imploded like no other sporting team before them!! Eeeeekkkkk....

The Brisbane ROAR, who roared to the Premiership/Championship double, then proceeded to break the all-time National record of 35 consecutive games undefeated... and subsequently equalled the record club losing streak of 4 games... There's a theme developing of implosions within my favourite teams... But not the Lions though!! They just missed the wooden spoon so what's left to 'implode' from there?! C'mon boys, let's hear that roar of the lion in 2012 and onwards!

Unfortunately though, no 'record' PB fish landed in 2011 – that's what having another baby does... but the intent is there for 2012 – stay tuned ☺.

In waving goodbye for 2011, we take this opportunity to wish you all a wonderful & safe festive season!! Don't eat/drink excessively and drive safely so we can see you all in good health & spirits in 2012!

Take Care!
Tarek

NEW STOCK MARKET TERMS

CEO	Chief Embezzlement Officer
CFO	Corporate Fraud Officer
BULL MARKET	A random market movement causing an investor to mistake himself for a financial genius
BEAR MARKET	A 6 to 18 month period when the kids get no allowance, the wife gets no jewellery, and the husband gets no sex.
VALUE INVESTING	The art of buying low and selling lower.
P/E RATIO	The percentage of investors wetting their pants as the market keeps crashing.
BROKER	What my financial planner has made me.
STANDARD & POOR	Your life in a nutshell.
STOCK ANALYST	Idiot who just downgraded your stock.
STOCK SPLIT	When your ex-wife and her lawyer split your assets equally between themselves.
MARKET CORRECTION	The day after you buy stocks.
CASH FLOW	The movement your money makes as it disappears down the toilet.
YAHOO	What you yell after selling it to some poor sucker for \$240 per share.
WINDOWS	What you jump out of when you're the sucker who bought Yahoo at \$240 per share.
INSTITUTIONAL INVESTOR	Past year investor who's now locked up in a nuthouse.
PROFIT	An archaic word no longer in use.

