

2014 Q3 - Update



September 2014

Super busy is the only way to describe this last quarter, but hey, make hay while the sun shines I say! If only Valuers were in on the fun – party poopers that they are! In all seriousness though, if there is a serious flaw in home lending, it's the Valuation process... How 2 opinions can differ on the same property (circa \$60000 apart in some cases) continues to defy belief/logic.

A few beneficial articles in this Q's update: potential restrictions on investment lending; consider fixing; & Northside Brisbane as Qld's #1 Hotspot.

We also agreed to a further 2 year Sponsorship of the Bayside United FC Junior Competition. We've been very happy with our partnership to date. Given the impending Government/Council Grants to upgrade the facilities and fields for 2015 and beyond, we are very excited about the opportunity to continue our involvement with the local football community. We will also be 'kitting' out the Over 35's Squad for 2015 in HSL colours – I think that's the bit I'm excited about the most.

Haha yes well... my goal drought continued to the end! We did take out the Premiership and despite missing out on the Championship double 1 zip in the Grand Final, it was a fantastic effort by the old timers. Now to Indoor & Super 6's, where I do my best work... ;0)



The HSL Footy Tipping Comp was run and won - congratulations to the 18 prize category winners and all 80 tippers for their participation. Look forward to breaking the 100 tipper mark in 15, so please keep an eye on your inbox in Feb for your opportunity to participate. Given the nature of the Bonus Tips, we'll have to rename the comp 'The HSL Sports Tipping Comp'....

Interest Rates/Lending

Let's begin with a recent article on Interest Rates and potential Lending restrictions:

Normally with the property market hotting up the RBA would start to think about raising interest rates but right now it's loath to do this given uncertainty regarding the rest of the economy and the risk a rate hike would put upwards pressure on the still too high \$A.

As a result the Australian Prudential Regulation Authority (APRA) is more closely monitoring the banks and the RBA and APRA are now discussing steps that could be taken to ensure sound lending practices are maintained with a focus on investors. The latter would involve the use of macro-prudential controls to slow the housing market – which is really just a fancy term for the old fashioned credit rationing that used to be applied prior to the 1980s.

This could involve limits on loan to valuation ratios, forcing banks to put aside more capital or forcing banks to impose tougher tests when granting loans. Such approaches all have problems: they tend to work against first home buyers; if they target investors as looks likely they work against a group of lower risk borrowers; people can start to find their way around them; and their impact is hard to gauge.

The best approach is for the RBA to first ramp up its efforts to warn home buyers of the need to be cautious. But if that fails in quickly cooling the property market, expect an announcement from APRA and the RBA on lending restrictions likely targeting investors in the next few months.

In English... it may become harder to qualify for an investment property loan. We are already at 95% INC LMI. My guess is that if pursued, it may become 90% +LMI.

To fix or not to fix?

There's only one John Symond (Aussie) comment I have ever agreed with – 'It's not rocket science'... Well here I am finding myself agreeing with him again for only the 2nd time ever:

John Symond, the founder of Aussie Home Loans, has revealed he has taken five-year fixed loans for his Sydney investment property portfolio. The refinancing was done this week.

"I've never been a proponent of fixed rates," he told Ross Greenwood's 2GB Money News earlier this week "But I've gotta fess up, this week personally on a couple of properties, I've locked away five year fixed at high 4% which you can get around the market.

"My feeling is I think you're taking a risk by taking three years because you know rates between now and three years, over the next 12 to 36 months, that's when probably interest rates will be trekking up. "You are going to be locked in to the end of three years. "You might find they will sail pass you, and when you come out of your three years you've missed the boat.

"Whereas five years I think you can't go wrong, you are going to get two or three years premium low rates and I thought you know what I am going for it.

"I've looked at it and I thought lowest fixed rates in history, lowest, even if they go down half a percent which I'll be surprised, hey you're within half a percent of the lowest in history. "So you know I think it is a good time to do it even if you go and fix part of your loan. "I have three apartments, you know what I am going to lock them away and I don't have to worry about rates moving up in 12, 18 months, two years' time."

So yes... do 2 Lebs make a right?! In this case they do! It is very hard to ignore Fixed rates at the moment. With most 3 year rates between 4.89% - 4.94% and 5 years at 4.99%, it is well worth considering fixing a part of your loan.

Obviously there will be restrictions like limited extra repayments and no redraw, but that's why you would fix a part of and not your entire home loan. Please contact us for further info if you're considering fixing.

Property Market

While the property market continues to hum along in most areas, while buzzing in others, I thought this quarter might be time to take stock and look at where some experts are tipping the next 'buzz'...

Terry Ryder was one of a number of property commentators who tipped that this year would be Brisbane's time to shine.

The hotspotting founder stands by his claims, releasing a new report detailing his 10 Queensland "hotspots" - areas Ryder and his team believe show good potential for price growth and are strong investment material. Ryder names 10 areas in Brisbane and regional Queensland that he predicts will benefit from tourism, infrastructure investment, agriculture or resources.

Unfortunately, it's not all sunny for the sunshine state. According to Ryder, areas including Emerald, Mackay and Gladstone are all suffering from over-supply and don't present good prospects for investors.

"Markets to avoid include Gladstone, Mackay and Emerald," writes Ryder. "Gladstone continues to have enormous economic growth factors, particularly from the LNG infrastructure under construction, but its property market has been destroyed by over-building by property developers. Mackay and Emerald have both been afflicted by oversupply as a time when demand from the coal industry has weakened. Emerald is likely to recover first, once one of the Galilee Basin coal mining projects start construction."

Ryder also cautions those who are hoping to jump into the Gold Coast market. "The seeds of the next over-supply are already being sown on the Gold Coast and any gains are likely to be short-term. This is a market for speculators, rather than long-term investors," explains Ryder.

TERRY RYDER'S TOP 10 QUEENSLAND HOTSPOTS (we'll just look at #1):

1 BRISBANE NORTHSIDE

Ryder's reasons for growth:

- ✓ Jobs nodes
- ✓ Education medical
- ✓ Transport infrastructure
- ✓ Ripple effect

Ryder nominated the northern suburbs of Brisbane as the number one hotspot in Queensland. According to Ryder's report, the area features a mix of affordable and middle market suburbs, good transport links, and is close to major employment hubs. He also notes its proximity to the airport and seaport.

The area includes:

- Chermside
- Deagon
- Zillmere
- Alderley
- Aspley
- Nundah
- Gordon Park
- Lutwyche
- Taigum
- Banyo
- Brighton
- Carseldine
- Everton Park
- Ferny Grove
- Wavell Heights

The population in Brisbane Northside is projected to reach 310,000 by 2036, according to the report.

Ryder's summary of Brisbane's Northside house market:

Suburb	No. of	Median	1yr	Growth	Median
Alderley	124	\$620,000	8 %	5 %	4.4 %
Aspley	237	\$469,000	1 %	5 %	5.1 %
Banyo	105	\$435,000	9 %	5 %	5.3 %
Boondall	179	\$410,000	4 %	4 %	5.3 %
Carseldine	161	\$480,000	7 %	4 %	5.0 %
Chermside	125	\$450,000	4 %	5 %	4.5 %
Clayfield	146	\$800,000	5 %	5 %	4.6 %
Deagon	96	\$380,000	3 %	4 %	5.3 %
Everton Park	170	\$482,000	6 %	5 %	4.9 %
Ferny Grove	106	\$535,000	14 %	5 %	4.8 %
Gordon Park	80	\$627,000	11 %	6 %	4.4 %
Lutwyche	28	\$587,000	7 %	6 %	4.1 %
Nundah	145	\$550,000	10 %	6 %	4.6 %
Strathpine	159	\$329,000	4 %	4 %	5.5 %
Taigum	106	\$382,000	19 %	5 %	5.3 %
Wavell	217	\$541,000	5 %	5 %	4.5 %
Zillmere	132	\$380,000	6 %	5 %	5.1 %

Source: APM. "No. of sales" is the number of house sales in the past 12 months. "Growth ave." is the average annual growth in median prices over the past 10 years. "snr" = statistically not reliable

Ryder's summary of Brisbane's Northside unit market:

Suburb	No. of	Median	1yr	Growth	Median
Alderley	68	\$426,000	10 %	6 %	5.2 %
Brighton	30	\$400,000	Snr	Snr	Snr
Carseldine	33	\$410,000	5 %	Snr	Snr
Chermside	182	\$399,000	11 %	7 %	5.4 %
Enoggera	37	\$415,000	6 %	5 %	5.6 %
Everton Park	89	\$376,000	-13 %	7 %	5.3 %
Gordon Park	39	\$363,000	9 %	6 %	5.2 %
Lutwyche	67	\$384,000	-14 %	7 %	5.1 %
Newmarket	32	\$455,000	24 %	8 %	5.1 %
Nundah	262	\$412,000	11 %	8 %	5.5 %
Taigum	16	\$395,000	Snr	8 %	Snr
Wavell	28	\$387,000	Snr	Snr	5.4 %
Zillmere	81	\$365,000	-1 %	8 %	5.3 %

Source: APM. "No. of sales" is the number of house sales in the past 12 months. "Growth ave." is the average annual growth in median prices over the past 10 years. "snr" = statistically not reliable.

Home Sweet Loans - Housekeeping

On our website is our '**Budget Organiser**' Template. This Organiser has been designed to assist you in implementing a budget or simply tracking your expenses. It's amazing where your money goes once you decipher it on paper! You can download this for FREE! I'm also open to any suggestions on how we can improve it too!

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...



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'.

Take Care
Tarek