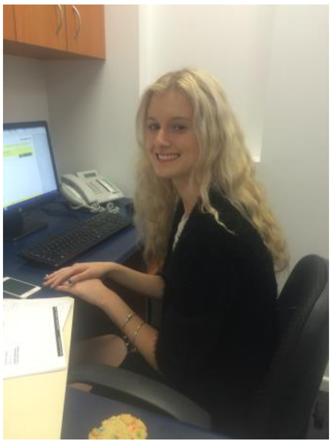
2015 Q1 Update

March 2015

Easter already?! Hope everyone is making the most of any available time these days – it all just seems to fly!

It's been a cracking start to the year with business up 60% based on the corresponding Quarter from 2014. Despite our great start, we are receiving mixed reports from within the market. Some are busy busy busy… and some not so busy. The level of enquiry has been down however the quality of the enquiry received has been exceptional. Thank you again for the wonderful support of our Business.



After an exhaustive series of interviews, we finally settled on a decision to appoint Amelia Inwood as our new Client Service Officer. Amelia brings an infectious cheeriness to our expanding Team and no doubt you will experience her vibrancy when you speak with her on the phone. I'm sure you will all join me in wishing Amelia a long & successful career within our Business.

The Real Estate Market continues to move steadily while the Interest Rate Market appears as volatile as the Qld Electorate! With another Rate cut looming, who wants to offer odds at another trip to the Polls again in the not too distant future? It's no secret that I'm still in shock over the recent Election result… Who'd want to be a Politician?!

On a personal front, Kids have settled in nicely to their respective Schools – Jibreel in Year 4 at Churchie & Kameliya in Prep. Soccer season is officially under way and after a solid pre-season with a new Team (our 2nd O35's team at BUFC), we kicked off the official season with a 2-1 win over Redlands. Did I mention how good we look in the new HSL sponsored Jerseys…?

Interest Rates/Lending

I certainly didn't anticipate the last Rate cut… and now the money is on another either in April or May. The current Cash rate is certainly in ground breaking territory and with Fixed Rates at all-time lows, it would be worthwhile considering fixing – they're not going to be this low forever! Obviously there are limitations while 'fixed' so you need to consider this too, but we're always willing to cover these with you. Please contact us to discuss.

So why the pressure on Interest Rates? Minutes from the last RBA meeting:

Data available at the time of the meeting suggested that the **Australian economy had continued to grow at a below-trend pace in the December quarter and that domestic demand growth had remained weak overall.** There had been some evidence suggesting that growth of dwelling investment and consumption had picked up in the December quarter, but there had also been **indications that business investment could remain subdued for longer than had been previously expected**. On balance, the evidence suggested that **labour market conditions were likely to remain subdued** and the economy would continue to operate with a degree of spare capacity for some time. As a result, wage pressures were expected to remain contained and inflation was forecast to remain consistent with the target over the next year or so, even with a lower exchange rate.

While credit had continued to grow a little faster than incomes, **household leverage had not increased significantly** and the Bank would continue to work with other regulators to assess and contain risks that might arise from the housing market <more on this later>.

'Weak' & 'Subdued' is how the RBA is assessing the pertinent economic factors. Effectively, confidence is low and no timeframe on how long this could remain. Will a cut increase confidence? I would suggest not! Smart people will bank the extra & accelerate the reduction of their home loan.

From a Lending perspective, the 'risks' the RBA alludes too is 'Interest Only' Loans (predominantly Owner Occupiers) & Benchmark Assessment Rates ie people borrowing to their maximum capacity in a low Interest Rate environment. APRA (the Bank's regulatory body) is also currently on the Lenders case about both 'risks'.

The primary concern with Interest Only Loans is that Borrowers are not reducing their mortgage and instead are using the surplus income for general/living expenditure. Hence, there is no safety buffer for when Interest Rates inevitably normalise (7.00% – 9.00%).

The other concern is the Benchmark Rates being used by Lenders when assessing Serviceability. This entails Lenders adding a 'buffer' to the Standard Variable Rate and assessing the Loan based on this over 30yrs P&I. Usually, this buffer is circa 1.50%-2.25% above the SVR. Just as important, the other 'benchmark' figure utilised in calculations is a 'Cost of Living' allowance. This is generally based around the Henderson Poverty Index (HPI) or Household Expenditure Measure (HEM). Effectively, these indicators measure the minimum required to live above the poverty line ie the the disposable income required to support the basic needs of an individual/family. Example: HPI/HEM Table suggests that a Single person requires $1250/mth, a couple $2030/mth, couple with 2 kids $2700/mth to live.

Remembering this is a minimum figure, APRA is delving more into Lenders practices around Benchmark Rates and COL Allowances. While I don't disagree with the concerns, rather than leave Lenders/Home Loan Professionals to 'self-regulate', I would prefer to see APRA impose a realistic minimum, and therefore alleviating any 'grey' area's and forgoing potential litigation surrounding these 'buffers/expenses'. Word is… that is exactly what they are seeking to implement at present. Does this mean that all Lenders will then offer the same Borrowing capacity? No… each Lender has their own formula as to how they assess external debts such as other Home Loans & Credit Card Limits. They also individualise how they treat various income types eg Overtime/Allowances/Casual Income/Self-Employed Add-backs etc. Some are generous on some, and not on other types of income. Even more reason why we as Home Loan professionals are important to our Clients & the Home Loan Industry.

If you think that's all a little complex… please join us in processing a Construction Loan from go to whoa! Haha!

Property

Home values across the combined capital cities increased by 1.4 per cent in March 2015 according to the CoreLogic RP Data Home Value Index, driven by an exceptionally strong Sydney result where dwelling values were 3.0 per cent higher over the month. The latest indices reading shows capital city dwelling values moved 3.0 per cent higher over the first quarter of the year. CoreLogic RP Data head of research Tim Lawless said, "although value growth has started 2015 on a strong note, the annual rate of growth has moderated back to 7.4 per cent, which is the slowest annual growth rate since September 2013."

Index results as at March 31, 2015

Region	Change in dwelling values			Total gross returns	Median dwelling price
	Month	Qtr	YOY		
Sydney	3.0%	5.8%	13.9%	18.3%	$690,000
Melbourne	0.6%	3.5%	5.6%	9.2%	$518,000
Brisbane	-0.3%	-0.5%	2.7%	7.5%	$445,200
Adelaide	0.1%	-0.9%	2.2%	6.6%	$405,000
Perth	0.0%	-2.7%	-0.1%	4.2%	$513,000
Hobart	0.2%	0.9%	-0.3%	5.1%	$310,000
Darwin	0.9%	0.4%	-0.8%	5.3%	$540,000
Canberra	1.9%	4.1%	1.5%	5.9%	$530,000
Combined capitals	1.4%	3.0%	7.4%	11.6%	$530,000
Rest of State*	0.3%	0.5%	1.9%		$369,000

* Rest of state change in values are for houses only to end of February

Take out the Sydney market and the Annual Rate sits at <5.00% across the Country. In fact, Sydney & Melbourne aside, the rest of the Country is <3.00%. No wonder there is a strong Sydney flavour in prospective buyers in Brisbane! Our houses are bargains in comparison to the citified cockroaches! I recently had my Investment property in Wynnum on the market and 50% of the genuine enquiry was from Sydney based purchasers.

It is Sydney the media/regulators refer to when citing 'heat' in the property market and concern for bubbles etc. Unfortunately it is painted as a nationwide issue however the factual Table above indicates otherwise. Steady sustainable growth is what we want to see moving forward, not the Sydney style growth…

On a little more positive note, new research from 'Onthehouse' has forecast their selection of the top 10 investor suburbs set to deliver during 2015.

All were based on houses bar one - Byron Bay the only one selected for possible strong growth in units. Tweed Heads South was top of their list for houses, while Byron Bay units were expected to deliver a total return of 13% this year.

Nine out of the 10 top investment areas (concluded when considering both projected growth and rental yield) are located along the regional coast of New South Wales and Queensland.

The below table lists the top 10 suburbs, in order.

Rank	Suburb	Dwelling	State	Median Value	Rental Yield	Capital Growth Last 10 Yrs	Predicted Growth 8 Yr % pa	Total Return 2015
1	Tweed Heads South	Houses	NSW	$432,000	5.49%	6.52%	9%	14%
2	Sussex Inlet	Houses	NSW	$350,000	5.39%	6.97%	9%	14%
3	Mollymook Beach	Houses	NSW	$453,000	5.24%	5.97%	9%	14%
4	Allenstown	Houses	QLD	$267,500	5.57%	5.77%	8%	14%
5	Byron Bay	Units	NSW	$497,500	5.90%	6.14%	7%	13%
6	Rothwell	Houses	QLD	$408,500	5.25%	7.61%	8%	13%
7	Bonogin	Houses	QLD	$629,000	5.12%	7.03%	8%	13%
8	Hermit Park	Houses	QLD	$384,000	5.41%	6.59%	8%	13%
9	Stratton	Houses	WA	$377,000	5.27%	11.50%	8%	13%
10	Morisset	Houses	NSW	$368,500	5.10%	6.94%	8%	13%

Home Sweet Loans

The HSL Sports Tipping Comp (III) is under way again with 81 tipsters tipping it out for a piece of $1800 in prizes. If current form is anything to go by… I'd be lucky to score a crumb… ☹

There's certainly no shortage of home loan business at present with Land/Construction finance accounting for 52% of our YTD figures. Purchase of existing property sits at 30% while Investors make up 13%.

Amelia is tracking quite well in her new role and while the learning curve is steep, Amelia has adapted quite well – despite the fact I scare her at times – haha… she's not the 1st and won't be the last!!! It won't be long before she will be speaking with most of you so please make her feel welcome. ☺

To help you ease your own cost of living pressures, the RBT (Reserve Bank of Tarek) is giving one lucky Reader a stash of Scratchies to the tune of $100!! That's about how deep my pockets run… Good luck… and please remember me in victory!

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!

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

Home Sweet Loans

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