

# Mortgage *News*

Your guide to mortgages, finance & property

Spring 2008



## Boost your cash flow with property investment

### Strong rental yields are offering astute investors instant returns

Residential property has historically doubled in value every eight to 12 years, offering Australian investors solid capital gains. But what many would-be investors sometimes forget is the opportunity to generate lucrative rental returns from an investment property from day one.

Many property markets across Australia now strongly favour the investor. With severe housing shortages affecting most markets, immigration on the rise and construction activity weak, yields on rental properties have risen sharply.

There was a time that property investment was considered an option only for the rich. But with today's innovative mortgage products the opportunity to build wealth through property ownership is well within the grasp of many Australians.

A significant percentage of the rental income your property will generate is usually factored in when a lender assesses how much they are prepared to lend. That means buying an investment property could be an option for some borrowers even if they don't think they'll qualify for a loan for their own home.

If you're keen to explore purchasing an investment property, your first port of call should be with your broker to assess exactly how much you'll be able to borrow. Your broker may also be able to provide you with a loan pre-approval so you'll be able to buy with confidence as you'll know how much a lender is willing to fund.

With finance in place you'll need to consider what type of property to buy and in which area. Depending on the region you plan to buy in and the tenants you aim to attract, consider whether a unit or apartment is the best option.

There's a range of options to source further information on these issues. As well as researching on the internet, make sure you speak with your broker – they'll be able to discuss some of the pros and cons of each type of investment property. They can also put you in touch with other relevant professionals, such as accountants, to work through tax and other issues to ensure your investment property is as effective as possible.



Select Financial  
PO Box 464  
Ermington NSW 1700

**Contact:**

Chris

**Telephone:**

0400 642 180

**Fax:**

02 9613 9622

**Email:**

[info@selectfinancial.com.au](mailto:info@selectfinancial.com.au)

**Web:**

[www.selectfinancial.com.au](http://www.selectfinancial.com.au)



# Drive for *BEST PRICE*

**Selling in a buyer's market can be tough but with the right approach you should still be able to achieve a solid sale price.**

Are you looking to move on to something bigger and better? Perhaps work has taken you to a new area or maybe with the kids now moved out you're ready to downsize? It can be a tough gig selling in a sluggish market but with the right approach you can still achieve the best sale price.

Before you embark on the sales process you'll need to consider your objectives: most importantly, are you looking for a fast sale or to achieve the maximum price?

While there's still every chance you'll achieve both, it's best to consider which is more important as this will dictate your sales strategy.

With your strategy established you can start to think about preparing your property for sale.

To achieve the best result you'll need to think like a buyer and consider what a prospective buyer will like and dislike about your property.

First and foremost you'll need to detach yourself from your emotions – it's important to remember that the things that appeal to you about your home may not necessarily push someone else's buttons. So make a list of all the aspects of the property that may be a problem and consider what can be done to mitigate the negatives.

While there's obviously nothing you can do about location and structural matters, you can have a considerable impact on cosmetic appearance.

If you have a yard, for example, get to work on fixing it up as soon as possible so that when prospective buyers arrive it's clean and green. Fencing is also something that can make a big difference since buyers with young kids or pets may well look for a well fenced property.

You can also make a big impact on the interior without having to spend a fortune. You may well love all your furnishings and ornaments but will buyers? If you've chosen an auction over private sale it may be worth stripping out all your belongings and shipping in hired furniture for a day – it may well make your place feel bigger if it's not so cluttered.

With your home looking at its best you'll be in the best position to attract your desired price; you'll also feel a lot more confident when it comes to negotiating.



## Quick tips for boosting your home's sale price

**Mini make over:** Take the time to fix up any small problems such as damaged fly screens, loose door handles and peeling paint. These are inexpensive to repair and can spoil the overall feel of your house. Such blemishes can also send potential buyers' minds speeding into "spot the flaw" mode.

**A cheat's renovation:** Some smart decorating can be just as good a renovation – and a lot cheaper. Make sure your home is shiny clean from head to toe, clutter free and dressed to impress. Fill your vases with fresh flowers, ensure fruit bowls are filled with fruit and why not finish it all off with some scented candles?

# Release the pressure!



If your mortgage repayments are becoming increasingly difficult to manage consider these tried and tested techniques to get back on top.

Official interest rates are now 2.5 percent higher than in 2002, increasing home loan repayments dramatically. Combined with the higher cost of living it's no surprise a good deal of borrowers have found themselves struggling to stay afloat.

If you feel like you're in this situation don't give up, there are a number of ways to make your loan repayments that little bit more manageable.

- **Extend the life of your loan:** Adding an extra five years to your loan term can minimise your repayments.
- **Change to interest only:** This could reduce your loan repayments dramatically, but remember it's only a short term strategy – otherwise you'll never pay off your home.
- **Change your loan type:** You may be paying extra for loan features you don't need when a basic product could be cheaper.
- **Consolidate your debt:** If you're juggling credit card debt, personal loans or car finance with a mortgage you may find one loan easier to manage and cheaper. By rolling other debts in with your home loan, you'll pay your mortgage rate on all of your debts, which is likely to be the lowest.

These are just a handful of ways to better manage your loan repayment so make sure you chat to your broker about any concerns you have – they'll be best placed to find a solution for you.

**Step one** Your broker is in the ideal position to help you manage your debt commitments and should be your first point of call should you find yourself struggling. Not only do they have access to a range of lenders, they're experienced finding the most appropriate solution to the very common issue of managing mortgage repayments. The sooner you act, the quicker your broker can help alleviate some of the pressure you may be facing; they can also potentially save you thousands of dollars in interest and take years off your mortgage.

# Spring fever



Nothing can dampen the joy of spring more than bothersome hay fever. Consider these tips this season to keep your symptoms at bay.

- **Spring clean:** Reduce your exposure to dust and pollen by keeping your home squeaky clean.
- **Be informed:** Check the forecasts for wind and pollen and try to avoid outdoor activities if the forecast isn't good.
- **Keep your bed allergy free:** Wash your bed linen in hot water and avoid hanging it out on a clothes line – opt for the dryer instead.
- **Protect your nose:** Smear the inside of your nose with petroleum jelly or oil such as sesame or almond to stop pollen from touching the lining and to reduce irritation caused by tissues.
- **Quit gardening:** Hire a gardener – do not even attempt lawn mowing... you're just asking for trouble!
- **Block it out:** Keep the windows closed in your house and car and use air conditioning instead. (Be sure to keep the filters clean!)

**Be proactive** While medication can be a great help in combating the symptoms of hay fever it won't fix the underlying causes. Try your best to ensure your lifestyle is less susceptible to hay fever through being fit, active and healthy – and if you're really suffering go and see an allergy specialist.

- **Spice up your life:** Add spices with anti-allergenic properties to your diet, such as turmeric, sage and coriander.
- **Get moving:** Exercising is a great way to clear your body's channels and boost your immune system – but best keep it to the gym rather than a grassy oval!
- **Eat well:** By keeping healthy your body will be best placed to tackle hay fever head on, so up your intake of fruit and veg and avoid sluggish foods such as take away, cakes and pastries.

# Economic wrap



The upward rate cycle was finally broken in September as the Reserve Bank of Australia (RBA) cut interest rates for the first time in seven years, bringing the official cash rate down to seven per cent.

And what a welcome relief it was for borrowers who have watched the cash rate head ever north from 4.75 per cent in 2001 to 7.25 in March this year.

Whether borrowers will soon be able to celebrate a second rate fall remains to be seen, with uncertainty still surrounding both international and domestic economic conditions.

On the domestic front, economic growth slowed to a rate of 0.3 per cent in the June quarter, ABS data showed, bringing annual growth to less than three per cent. There is mounting speculation that this moderation in growth could put pressure on the RBA to reduce rates further before the year is out.

Inflation however remains a significant concern for the RBA, and the cost of funding for lenders remains volatile – so borrowers shouldn't expect a dramatic reduction to regular borrowing costs anytime soon.

Higher interest rates over the past few months have certainly smothered activity in many of the nation's property markets. As of July, RP Data said house and unit sales were down around 30 per cent on the ten year average.

Despite this, our property markets continue to ride the storm, with national property prices dipping just 1.8 per cent since the beginning of the year. And with the news of a cash rate reduction, expectations are that market conditions could improve.

For the average borrower, the 0.25 per cent drop in interest rates should free up at least \$40 per month – welcome news for all.

Nevertheless, with so much uncertainty remaining around interest rates right now it's critical to continue to be prudent with your finances. Visiting your mortgage broker is always a smart strategy when interest rates change direction so drop in and have a chat about your home loan.

Indeed, for current and prospective borrowers alike, there should be some pretty good deals out there – especially in the fixed-rate category – and there are several lenders offering substantial discounts.

Your broker will be able to assess whether your current loan is still the most suitable option for you or if there might be some more suitable products out there.

So whether you're after a mortgage health check, thinking of buying that very first home or you want to get in on strong rental returns, make sure you visit your mortgage broker to get some great advice.

## Newsletter Subscription

The Select Financial newsletter keeps you up to date with all the important trends in the Finance Industry.

To subscribe to our free email newsletter simply fill in your details on our website and click subscribe.

