

In The Know...

August 2009 Newsletter

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Property

Is it Time to Invest Again?

There is no doubt that residential property has withstood the doomsayers predictions of massive price falls of up to 40%, following the GFC.

The reasons it has stood up are well documented; Record low interest rates, a housing shortage, high rental demand, growing population, government stimulus in the form of First Home Owners incentives etc. So, is it time to be thinking about getting into the market and competing when prices are showing signs of improving?

As an active investor myself and in helping many investors each month secure property, the question of timing is as difficult as the actual decision as to what type of invest-

ment one should be buying.

Residential property should always be considered as a long term investment, given its high entry costs (stamp Duty etc) to obtain. So one must ensure they can hold onto the investment for a minimum in my opinion of at least 7+ years to at least allow for a traditional economic factors to influence the price of their investment.

By this influence I mean, the value and overall return of the property will ultimately be affected by the supply of land the demand and availability of housing stock and finally the ability of the market to afford the rent or purchase price on offer. The greater the demand and ability to afford the rent or the value to buy the overall

better return the investment will deliver.

If you research the long term price value of property as we have done since 1974, you will learn more about the suburbs that have performed best over this period. Some suburbs have delivered long term compounding growth returns of over 10% for 34 years.

Now I realize some say past performance is no guarantee, but this long term trend is very hard to argue with. So in terms of timing an investment property, it is hard to also argue that the right locations, over the long term, always offer a good time to buy property!

Ben Kingsley
Founder Empower Wealth.

Tenants

Ask the Right Questions

Finding the right tenants for a property is all about asking the right questions of the prospective tenant.

A good, clean and reliable tenant is worth holding on to, but to ensure they are a good tenant we must ensure they meet the criteria of the owners.

When a potential tenant enquires about a property, a diligent property manager

'Both the landlord and tenant really don't want to be in a position in three months where the tenant cannot pay'

should ensure they collect as much information about their wants and needs as possible. This includes getting a understanding of what they can afford to pay, as both the landlord and the tenant really don't want to be in a position in 3

months time where the tenant cannot pay anymore. Solid reference fact finding sheets, need to ask the right questions so both the property manager and owner know what to expect. Our experience and reference system helps us find the right tenant—Simone Bullen.

Simone Bullen Real Estate
Property Management

Market Measures:

Auction Clearance Rates:

**Jun 09 Qtr: -
Melbourne 80.2%
Sydney 68.5%
Brisbane 44.6%**

**Dec 08 Qtr: -
Melbourne 54.9%
Sydney 44.7%
Brisbane 25.3%**

(Source: RP Data)

Qtr Rental Yields:

**Melb H: 4.20%
U: 4.80%
Syd H: 4.62%
U: 5.58%
Bne H: 4.60%
U: 5.47%
Cbr H: 5.43%
U: 5.71%
Perth H: 4.52%
U: 4.98%**

(Source: RP Data.com)

Finance

Investment Loan Structuring

Most Property Investors realise that debt plays a part in operating most investment properties. Furthermore, those sophisticated investors who learn that 'sensible' leverage or borrowings can accelerate their potential investment returns, take an active approach in better understanding finance and finance structuring through working with professionals who aid them in getting the best possible loan structuring.

Superior loan structuring of finance should also ensure that the structure is set up to accommodate future plans

What is loan structuring?

Loan structuring is all about structuring your finances to allow for the separation of non deductible debt from deductible debt (investment debt). But it shouldn't stop there.....

Superior loan structuring of finance should also ensure that the structure is set up to accommodate future plans. These plans could include:

- Debt Elimination options—Noting payment first of non-deductible debt
- The Future leasing on your existing Owner Occupied home and the potential Offsetting of interest and possible future tax benefits
- The non cross securitisation of more than one security (property)

per loan/mortgage

- Provision for automated repayment options and full use of interest minimisation functionality within the loan and banking structure
- Factoring in of future equity and investment needs and retirement goals, including wealth and income targets
- Ensure future cash flow needs are accommodated for, without effecting the loan repayments/commitments

The future plans also need to work in with one own day to day banking requirements from their lender. Product features should also include:

- Competitive Interest rates (On-going, not just cheap today to win your business, then more costly later on)
- Internet & Phone Banking
- Low Fees or a suite of products that justify an annual fee payable—like what's on offer under a professional package
- Limited or no penalties fees for restructuring or splitting/hedging options

Our experience in dealing with hundreds of

clients is most finance / mortgage providers, notably the lenders direct, have little understanding of what's required in regards to superior loan structuring for the most effective outcomes for the borrower.

Furthermore they lack the knowledge and experience with clients who have more than one investment property and usually lock in all the clients securities against all mortgages, putting the bank in a position of extreme advantage in holding all securities unnecessarily.



Property Investors looking to build on a property portfolio should ensure they deal with professionals who specialise in the area they are wanting to invest. In terms of property investment its now different—find an accountant with lots of Property Investment experience, find a mortgage broker (like Empower Wealth) who don't sell property but specialise in the correct financing of property investments and finally find a solicitor well versed in property transactions.

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Mortgage Broking Services
Investment Finance Strategists
Property Acquisition Education

Quote of the Month:

"The perfect long term relationship between tenant and owner comes from each being respectful and understanding to the other"

Simone Bullen
Property Manager
Simone Bullen
Real Estate

Upcoming Education Workshops Events::

**Residential Property Investing—
Wednesday 19th August—6pm
(This Wed Night!)**

**eSearch Superior Property
Tuesday 25th August—6pm**

**Money, Investing & Finance—
Wednesday 26th August—6pm**

For more information and to Book—Visit:

www.empowerwealth.com.au