



Is this the time to invest in property?

Soaring rents, declining interest rates and a continuing strong demand for rental property is creating a situation where the opportunity for property investment has rarely been better.

When you compare the returns for investors in 2006 when everyone wanted to invest in property with the returns that can be achieved now, there's no comparison.

Rental levels are 30% to 50% above where they were at the height of the property boom.

Although there's been talk of a declining housing market many analysts suggest there's money to be made from property if you choose your investment wisely.

A worsening shortage of housing has pushed rents up to levels not seen in almost two decades.

It's not generally known that Australia took in 410,000 migrants last year - the biggest intake ever at a time when new residential projects have slowed.

Data from the Australian Bureau of Statistics shows the decline in new residential building construction meant that in 2008 there was a shortfall of 43,000 homes.

BIS Shrapnel's managing director, Robert Mellor, said he anticipates finance for housing starts to be solid in Australia but quite the reverse for medium to high density dwelling development.

As a result, rental property availability will remain tight.

When it comes to capital growth, recently published predictions have forecast that a resumption in the growth of property values in the major capital cities can be expected late in 2009 or in 2010.

It pays to remember that one of the key factors to investment success is the quality of the finance package and we pride ourselves in our expertise in putting together good packages for investors.



By Nick French, Managing Director

Interest rate cuts

Don't let your enthusiasm drive you into the wrong home loan

Ever been swept up by the moment and bought or signed up for something you later regretted?

It's something we're all susceptible to. In our business we see it most often with the purchase of cars.

Thrilled at the prospect of driving off in a new car many sign up to a 'bad' financing agreement without bothering to check up on the loan conditions.

Now there are signs that the same could be happening with home loans.

Buoyed by plunging interest rates, some purchasers seem to have come to the view that with record low interest rates, the remaining details of their loan package don't matter too much.

Also there are those who believe that banks are all pretty much the same and so are their loan products.

Both these views couldn't be further from the truth. For a start banks are different.

They have different cost structures and different priorities which are often subject to change. These priorities and cost structures are reflected in their loan products.

With the majority of the population currently trying to reduce debt and unemployment on the rise competition among lenders vying for your business is fiercer than ever.

Chances are you are constantly being bombarded by claims and counter claims from lenders keen to finance your home loan.

Faced with this never ending barrage of 'great deals' it's easy to let your enthusiasm lead you into taking the wrong financing option.

Now more than ever you need the advice of a specialist finance broker who can tell you which loan is best for you, taking into account not just the interest rate but also your particular

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circumstances and the many critical factors that can make the difference between a 'good' and 'bad' loan.

It's interesting to note that a survey by CPA Australia found there's a growing awareness in Australia of the need for getting good advice when securing a successful loan arrangement.

A total of 94% of the survey respondents indicated they recognised the importance of good advice at this time.

A recent survey by the Mortgage and Finance Association of Australia showed the main reason for people choosing to use a finance broker to organise their loans was because of the daunting task involved in sourcing the right loan.

Respondents indicated they chose brokers to assist them because of their access to a wide range of loans and for helping them get the right loan for their circumstances.

Be assured our team is kept fully informed of the changes occurring in the industry in order to ensure they can help people through the complexities of today's lending maze.

Some tips on searching for a first home

As a first home buyer, finding and choosing a first home from the thousands available for sale can be a daunting and sometimes overwhelming experience.

The following are some useful tips that could make it a lot easier:

- Commission a buyer's agent to help you find the right property or, alternatively establish a relationship with real estate agents in the areas you are interested in.
- Remember the vast majority of buyers are owner/occupiers not investors. So buy in areas that will be attractive to owner/occupiers when eventually you wish to sell.
- Buy a first home with good capital growth potential. This will help you upgrade in future.
- Choose a home based on your own needs, not just something similar to your parents' home.
- Get finance in place before you start looking. This will help your search by enabling you to determine exactly what you can afford to buy. It will also strengthen your negotiating position.



As brokers experienced in first home owner financing, we'll gladly discuss your options with you.

- You'll have a stronger negotiating position if you go for a suburb where there are lots of homes for sale.
- If you buy an older home, where most of the value lies in the land rather than the buildings, you may be able to increase its value substantially through fairly simple renovations. However, make sure to get expert advice.
- With apartments, parking and security are often extremely important to buyers, so choose an apartment in a complex that is up to scratch on these two key requirements.

About to sell your investment property? Don't fall into this costly trap

Are you thinking of selling an investment property which you bought during the recent boom.

If so be sure to make contact with us. Why? Because we have come across a number of recent cases where investors selling their properties have placed themselves in danger of being sued or having to incur high mortgage insurance costs.

So how could this affect you? To get a better understanding let's look at an example. Let's assume that when you bought your \$300,000 investment property a few years ago you were the owner/occupier of a home valued by the bank at \$500,000, on which you had a mortgage of \$340,000.

The bank lent you the full \$300,000 to buy the investment property. It did so on the basis that the total asset value was \$800,000 and the total loan commitment would be \$640,000 (\$340,000 + \$300,000) 80% of the total asset value of \$800,000, which satisfied the bank's normal lending limit of 80%.

Check with us to make sure you are not in danger of future legal action

Assume that you now want to sell the investment property to lessen your overall mortgage burden and let's say further that according to bank valuations both of your properties have dropped in value by 15%.

This means your primary home is now worth \$425,000 and the

investment property is worth \$255,000 - a total asset value of \$680,000.

Assuming you still owe \$640,000 as the investment loan was interest only, if you go ahead and sell the investment property, the bank could refuse to discharge the existing mortgage.

Why? Because you owe \$640,000 on total assets now worth only \$680,000, which at 94% is well above the bank's normal 80% limit. (See table)

We have personal knowledge of a number of recent cases where banks have refused to discharge loans because of circumstances similar to those in our example.

As a result the sellers are faced with the impossible situation of having unconditionally signed a contract of sale for the investment property, yet being unable to proceed with the sale because the bank won't discharge the mortgage.

With the buyers having in their hands a signed contract of sale,



some have resorted to legal action against the sellers.

In some cases the bank may agree to a discharge but usually at a high cost in terms of mortgage insurance.

The message is clear. If you are planning to sell an investment property, call us and let's see whether you're in the clear.

	2007	2009
Value of primary home	\$500,000	\$425,000
Value of investment property at time of purchase and sale	\$300,000	\$255,000
TOTAL ASSET VALUE	\$800,000	\$680,000
Total loan commitment	\$640,000	\$640,000
Loan as a % of total asset value	80%	94%

First home buyers

Only 4 months left in which to claim the increased grant!

You only have until June 30 to take advantage of the Government's major boost to the First Home Owner Grant.

There is no indication that the First Home Owner Boost (FHOB) will continue in its present form thereafter. This means you should act now to ensure you can claim the maximum benefit.

Fortunately, as a first home buyer there are a number of other factors that could help make your entry into home ownership that little bit easier. Interest rates are falling and house prices are lower.

First home buyers who sign contracts to purchase a newly built home between 14 October 2008 and 30 June 2009 will now be eligible for a one off payment of \$21,000 in terms of the new FHOB scheme.

First home buyers who sign contracts to purchase an existing home between 14 October 2008 and 30 June 2009 will be eligible for a one off payment of \$14,000.

Come in and see us now if you need more information or would like to find out how you can take the first step to owning your own home.



What do you do with those fixed loans?

With interest rates having been reduced recently, people are asking if they can now get out of their fixed loan and into a variable loan.

The answer

You need to consider the total picture over the life of the loan not just the very moment.

Your fixed rate loan was saving you interest until just recently and would have been worth while having.

Closing a fixed loan incurs costs so a careful analysis of the total picture of your loan portfolio needs to be done to determine whether it's worth incurring the cost of closure.

Most fixed loans are for relatively short periods and are usually for a portion rather than the total borrowing so the damage should only be relatively small and temporary.

Meanwhile for those people whose fixed loans are about to expire, make sure to look at your options before the bank transfers your loan into what may not be the most favourable variable interest loan.

If you would like to discuss your situation please feel welcome to call us.

We can analyse your current financial situation, make sure you have loan portfolio flexibility and have a strategy that's best suited to changing circumstances.