

Perspective

Welcome to the first edition of Perspective People Property Money.

We're launching our new newsletter during autumn, a traditional time of transition and abundant harvest. Sadly, if you read the headlines elsewhere, we're deep into a long and harsh economic winter. That's why our goal is to share knowledge and shine light in dark places - to provide a little Perspective, you might say.

Best wishes, Max and the Provincial team

Client Focus

Darren & Michelle Arandez



What was your objective in buying?

The objective for us in buying investment property is to ultimately own a sufficient amount of properties over the next 15- 20 years that will generate enough rent income so we can retire and live off the rent and still own our properties so one day we can pass them onto our kids.

Why Provincial Home Loans?

I met Max a few years back and really believed in his methods and simple practices to build a portfolio of investment properties by using your equity in your own house and then using your investment properties to purchase more properties. He also brings years of knowledge in the property market to the table to complement his business knowledge of setting up the investment loans that best suit your lifestyle and objectives.

What is your next purchase/project?

Our next purchase would most likely be in Williamstown, as one day we would like to retire there. We would buy in there in the next few years as the market will probably still be very affordable, rent it out for the next 10 years or so while the kids are still schooling, then sell our house and hopefully have enough to pay off the Williamstown house and move in there.

People

Meet the Team



Max is our Managing Director / Finance and Property consultant. He has clocked up 22 years in the property and finance profession and is still loving every minute.



Alex is our Finance and Property consultant. Alex has stepped up to the client consultant role after 2.5 years as clients service manager and completing an accounting degree. Congratulations Alex!



Sue came to us fresh from the aviation industry and is now flying high as our Marketing / Relationship manager.



Rekha recently joined us as Clients Service Manager, bringing a Masters in Human Resources and international banking to the team. Rekha will soon expand her own team as she is expecting later this year!

Perspective



Property

Fast Facts

- **Perhaps** the biggest story in residential markets is rising rental returns which are currently 5.4 per cent and 4.5 per cent for units and houses, respectively. This means that as mortgage rates fall investors will soon confront "positive gearing" opportunities, given the stability in rents. (RP Data)
- **Rents** in apartments and houses have grown an average of \$40 per annum from September 2007 to September 2008 to reach a median of \$330 and \$370 respectively. (Your Investment Property)
- **Vacancy** rates are averaging less than 2% across the nation's capital cities. Rental rates for houses increased by 11% over the past year. (RP Data Sept 08)
- **Melbourne** median property prices decreased by 3.2% (now \$381,300) in 2008. Stock Market portfolios typically lost 30 - 50% in value over the last 15 months. (Crosby Textor)
- **Over** the year ending June 2008, approximately 157,000 new dwellings commenced construction, well below the 200,000 dwellings required, according to Commonwealth Treasury estimates. Australia's population is increasing at a rapid pace, creating further demand for accommodation. (RP Data)
- **Australian** Bureau of Statistic figures show that in December 4602 first home buyers received finance approval for a new home – a 37.9% rise from December 2007 and the highest figure since records began in 1991.

What do we think?

Let the facts and figures do the talking! Decreased prices and falling interest rates mean property is far more affordable now than at any point in the past five years. This is especially relevant when purchasing investment properties as rental returns are closer than ever to interest rates. We believe these factors, coupled with the shortage of property supply in Victoria, mean now is the time to have the confidence to invest in property - and catch the next wave of capital growth.



Money

Number Crunching

- **Over the December 2008** quarter the average home loan repayment fell by 26% to \$2,056 per month, significantly lower than the previous average of \$2,796. (HIA-CBA First Home Buyer Affordability Index)
- **Approximately 20%** of Australian mortgages are currently on a fixed rate (Reserve Bank)

Variable vs. Fixed – the big question

Variable rates provide maximum flexibility. You can reduce the loan quickly and can often access additional benefits such as 100% offset accounts.

Fixed rates provide security in knowing the rate won't change for a specific period of time - up to 10 years can be locked in.

Points worth knowing

- You are limited in making additional repayments during this time and high fees maybe incurred to leave the facility.
- We believe choosing either fixed or variable relates to the individuals financial situation.
- Keep an eye on fixed rates mid - late this year.

By the way

- **When interest rates decrease** you need to authorize your lender to reduce your repayments. Call or email us to confirm the quickest way.
- **Did you know** as well as providing individual finance solutions, we help everyone from first home buyers to seasoned investors with locating, assessing and purchasing their specific property?



"Quote end Quote"

Over the past 35 years, Warren Buffett has emerged as arguably the greatest investor in American history. He was ranked by Forbes as the richest person in the world during the first half of 2008, with an estimated net worth of \$62 billion. Buffett lives in the same house he bought three decades ago for \$31,500, drives an older Lincoln Town car, and downs countless cans of Coca-Cola every day. He says:

"It's far better to buy a wonderful investment at a fair price than a fair investment at a wonderful price."

"A simple rule dictates my buying: Be fearful when others are greedy, and be greedy when others are fearful."

"Only buy something that you'd be perfectly happy to hold if the market shut down for 10 years."

COMING UP NEXT

- Our new Office in Carlton
- Our new and exclusive service – **Provincial Plus**

FIRST HOME BUYER SEMINAR

In conjunction with Advantage Property Group, Thursday 23rd April and Thursday 21st May, 7 – 9pm, St. Kilda Town Hall, Council Chambers Room.

Limited seats, please call Provincial Home Loans 9600 3300 to reserve your seat.

PLACES AND THINGS WE LIKE

Hot Property - <http://www.banburyvillage.com.au>

Managing your weekly budget - <http://www.moneysavingexpert.com>

A great coffee in Melbourne - <http://www.stali.com.au>

