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Money Matters

with Bruce Cruickshank



Sydney and Melbourne lead the way as agents see market recovery



As 2011 progresses, the majority of real estate agents are expecting increased activity in the property markets of Australia's capital cities, according to a recent industry study by Australian Property Monitors (APM).

In the APM survey, real estate agents were found to be cautiously optimistic about the future, and according to APM senior economist Andrew Wilson, there are already promising reports. "Early signs of stabilisation and recovery are emerging particularly in the Sydney market. Melbourne is showing some resilience in what was expected to be a quiet period for that city. Brisbane is the big surprise with reasonable levels of

buying activity despite the damaging effects of the January floods."

According to Mr Wilson, the mid price and low price segments of the market remain strongest in Sydney and Melbourne, with some activity being reported in the high price segment for the Brisbane and Perth housing markets. However, he noted there is still a way to go in some other capitals. "The high number of properties for sale in other cities indicates a continued stock hangover from the low buyer activity levels that ended 2010."

Mr Wilson has expanded his views on the Australian housing market, in the

latest APM House Price Report. In it, he says, "2011 will be a year of stabilisation and modest growth for most capital city housing markets. The fundamentals for the property market remain sound with a strong economy, rising incomes and ongoing housing shortage to underpin an emerging recovery in the second half of this year."

Mr Wilson believes Sydney will lead all other capitals in growth, while the Perth market will begin its gradual recovery over the remainder of 2011. He says Hobart, Adelaide and particularly Canberra are also expected to record good levels of growth.



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Battery change reminder and get to know your smoke alarm at the same time

Smoke alarms are mandatory in all homes in South Australia, Western Australia, New South Wales and Queensland, with moves for similar regulations to be put in place in other Australian states and territories.

Furthermore, fire services around the country, including the NSW and Tasmanian fire brigades, recommend that homeowners and landlords use the bi-annual daylight savings clock changes as a reminder to check the health of their smoke alarm systems.

As Queensland and Western Australia do not have daylight saving, it is important to set a regular date, such as a birthday or anniversary, to check your smoke alarm's batteries. And while you're up the ladder, take note of what type of smoke alarm you have in each part of your house, because this is important too.

According to a fact sheet from the Fire Protection Association Australia, ionisation alarms work best for flaming fires, where heat and flames build up quickly, while photoelectric alarms detect visible smoke produced by smouldering fires. This makes photoelectric smoke alarms the preferred option for most households, and ideal for bedrooms, hallways, lounge rooms & corridors that lead to exits.

And while smoke alarms that go off when you burn the toast may be annoying, remember they are also valuable devices which detect smoke well before most people will. This can provide critical seconds and minutes to save your property and your life, and at a cost from around \$10, buying a smoke alarm could well turn out to be the best investment you'll make.

Exit fee ban a double-edged sword

During March the Federal Government passed its proposed blanket ban on exit fees into law, with Treasurer Wayne Swan's National Consumer Credit Protection Amendment Regulations 2011 (No.2) outlawing exit fees from the mortgage market, effective from July 1, in an attempt to promote more competition among mortgage lenders.

But the move has sparked debate across the mortgage industry. According to Mortgage & Finance Association of Australia (MFAA) chief executive Phil Naylor, the legislation included deferred establishment fees as an exit fee, a move that could actually diminish competition.

"The deferred establishment fee allows borrowers to avoid an establishment fee if they remain in the loan for three to five years. Only if they leave before the agreed date do they pay the establishment fee. This allows for cheaper loans to consumers, but the government has now defined the deferred establishment fee as an 'exit fee' in the new regulations."

Mr Naylor explained that the deferred establishment fee is typically used by non-bank lenders to create cheaper mortgages. "By banning this crucial aspect of their business model, it will reduce non-bank lenders' ability to compete in the market and therefore reduces consumer choice," he said, adding that the MFAA has called for deferred establishment fees to be exempted from the government's exit fee legislation as a result.

Rates on hold again, but where to from here?

The good news continued at the Reserve Bank's April meeting, with the RBA Board leaving the official cash rate unchanged at 4.75%. This extends the recent rate hike breather, and now makes four successive meetings and five months that the RBA has spared mortgage holders from additional repayment headaches.

But there seems to be some conjecture as to when, or if, any further rate rises might be expected. HSBC Chief Economist Paul Bloxham says "markets currently have less than 25 basis points of tightening priced in this year", while RateCity CEO Damian Smith says "it's likely that the Reserve Bank will lift the rate by at least one 25 basis point rise in 2011."

LATE NEWS:

Interest Rate Discounting
Lenders are still fighting to get their hands on your loan and are offering some great discounts and even more than is advertised for the right borrower.

There's no better time to get into the property market either as a home owner or investor with low interest rates for the life of the loan and property prices flat so a good time to get a bargain.

Investment Property Ticking all the Boxes

A client of mine has 2 (1x 3br & 1 x 4br) brand new detached duplex units at Morayfield for sale both have 2 bathrooms, double garages, patios and air conditioning. Located close to shops, schools transport, the Bruce Hwy and sporting clubs. Call me and I will put you in touch direct.



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