



Money Matters

with Bruce Cruickshank



Mortgage brokers seek to capture tomorrow's customer

With Generation Y set to become the largest and most affluent generation to date, savvy mortgage brokers are beginning to recognise the value of responding to the needs of this highly lucrative segment of the market.

According to banking research firm RFI, brokers should consider utilising online opportunities or risk losing relevance

as increasing numbers of younger consumers look to the internet for their mortgage products. RFI director Alan Shields said this shift in customer dynamics will ultimately reduce the amount of face to face interaction young consumers have with brokers.

"In 10 or 15 years time, generation X and generation Y home buyers will expect to apply for their mortgage online," he said. "Brokers could potentially see this as a threat, or an opportunity to create some sort of direct channel experience."

The company's research shows 30% of people aged 18-24 would apply for a mortgage over the internet, while noting that less than half of Europe's established financial institutions have a dedicated strategy in place to capture Gen Y, a point which has caused major collapses in the European banking system.

The relative wealth of Gen Y consumers, says RFI, is shown by data from the Australian Bureau of Statistics, which predicts Gen Y's collective earnings will grow by 85% in the next ten years, a rise that will see them exceed the wealth of the Baby Boomer population by at least \$500 billion.



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Increasing rents set to push tenants back into home buying market

A dramatic increase in weekly rental rates is set to drive many renters to pursue home ownership, as property values across the nation plateau. The latest Home Value Index from independent property monitors RP Data shows weekly rental rates have risen 4.6% in the last six months, while capital city home values fell 2.1% in the three months to March.

According to RP Data's research director, Tim Lawless, these figures favour prospective buyers, particularly first timers. "With household incomes growing at 6% per annum, interest rates potentially approaching the peak of the tightening cycle, rents increasing, and house values going nowhere, buyers are seeing an improvement in their position," said Mr Lawless.

"With first time buyers now representing a bit less than 15 per cent of all owner occupier housing finance commitments, it is likely that market activity in the first-time buyer market will increase in the medium term," he added.

Damian Smith, CEO of financial comparison website RateCity, added further weight to Mr Lawless' comments. "We believe this is a very good time for potential first home buyers who are confident about their employment prospects and have a solid track record of building savings, and can therefore meet repayments with confidence," he said.

Look after Mum and Dad by giving them a safe home

According to the Public Health Association of Australia, falls in the home are the leading cause of injury-related death in those aged 65 years and older, while they are also a major contributor to injury-related hospitalisation.

So with this in mind, Archicentre, the building advisory service of the Australian Institute of Architects, is urging families to conduct a safety audit of the home for their elderly parents. David Hallett, Archicentre's Victorian State Manager, said the audit should focus on removing hazards and planning an ongoing safety strategy.

To assist the safety-conscious, Archicentre has identified a list of key areas to assess when checking home safety, said Mr Hallett. These include:

- Removing trip hazards, such as loose electrical extension leads across walkways, loose rugs above stairwells, and unwinding hoses in gardens
- Checking for slippery or unsafe surfaces, such as mossy steps and wet paths
- Installing grab rails in toilet and shower areas to assist mobility
- Ensuring all deadlocks are fitted with keys on the inside of the door
- Installing movement sensors to light up dark areas, both inside and out
- Installing new batteries in the smoke alarm and test it works
- Disposing of stacks of old magazines and newspapers which can create a fire hazard.

Aussie builders will be hardest hit by carbon tax, says HIA

Australia's Housing Industry Association (HIA) has joined the growing opposition to the Federal government's climate change policy, which hinges on its proposed carbon tax. According to the HIA, Australian building product manufacturers are at risk of bearing the full brunt of the tax, with home builders set to overlook local building products in favour of cheaper imports if the carbon tax goes ahead.

"Imported building products will become more price competitive, more cost appealing, and that paints an ominous picture for Australian manufacturers and for those employed in the sector," said HIA chief executive Graham Wolfe.

This is because the carbon tax will lead to cost increases across a broad range of building materials, products, fixtures and fittings, he said. "It will add an extra \$6,000 or more to the cost of building an average new residence, placing additional affordability pressure on new housing activity, and adding an extra \$43 per month to the family mortgage repayments."

Across the course of a 25 year loan, this will see mortgage holders shell out an extra \$12,800 in total repayments, said Mr Wolfe, adding that the imposition of a carbon tax would be like kicking "an own goal" against Australian building product manufacturers.

Flood Affected House Prices

– (Source Herron Todd White Newsletter May 2011)

Herron Todd White property Valuers have been tracking property sales across Brisbane post January 2011 floods and whilst each case needs to be assessed on its own merits, as a guide they have found that if a property had flood water through it but the main structures remained intact, a 10% discount on its pre flood value seems about right. If however it copped some real flow, a range of around 15% to 20% below the pre flood figure is a reasonable indication.

One instance was a major renovated prestige property sold pre flood for a tidy sum then got flooded allowing the buyer out of the contract. The property will now be sold 'As Is'. Other examples available.



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