HOME LOANS NEWS NOW

A smart read.

August 2005 Issue 3

In this issue...

How can you take advantage of the slower property market? In this issue, we ask a buyers agent for some tactics for buying a property for less than its market value.

To help you keep your finger on the property pulse, we've also listed the latest house price and rental statistics for the major property markets around Queensland.

Do you have any family or friends who are looking for a home or investment loan? Until 31 October 2005, for any loan referred by you which proceeds to settlement through Home Loans Now, we will send you a cheque for $100. Just make sure your friend or family member mentions that you told them about our service. Call 1300 135 137 for more info.

Best wishes from the team at Home Loans Now.

Taking advantage of the times

Have you ever heard someone brag about buying a house for something like $10,000 below its real value, giving them "instant equity"?

The good news is that there's no magic formula for acquiring properties for under their market value. In fact, the current stage of the property cycle is being referred to as a "buyer's market". With less demand from buyers in the market place, houses and units are taking much longer to sell. Anyone in the property industry will tell you that it's a lot easier to negotiate a good price on a property now than it was a couple of years ago.

Brisbane buyers agent Meighan Hetherington says that there are two important ingredients necessary for buying a house for a price less than its market value. The first is research and the second is persistence.

1. Research

Hetherington says it's vital to look at comparable sales data. Have a look at the prices achieved in recent sales of properties just like the one you are targeting. This data can be sourced, for example, from RP Data or the Home Price Guide. Hetherington also suggests asking local real estate agents to provide information about recent comparable sales in the area.

"Don't make the mistake of looking only at current asking prices in the area. At the moment there are still some sellers around who have unrealistic expectations and may overprice their properties. The only way to assess current market value is to look at actual sales data," she says.

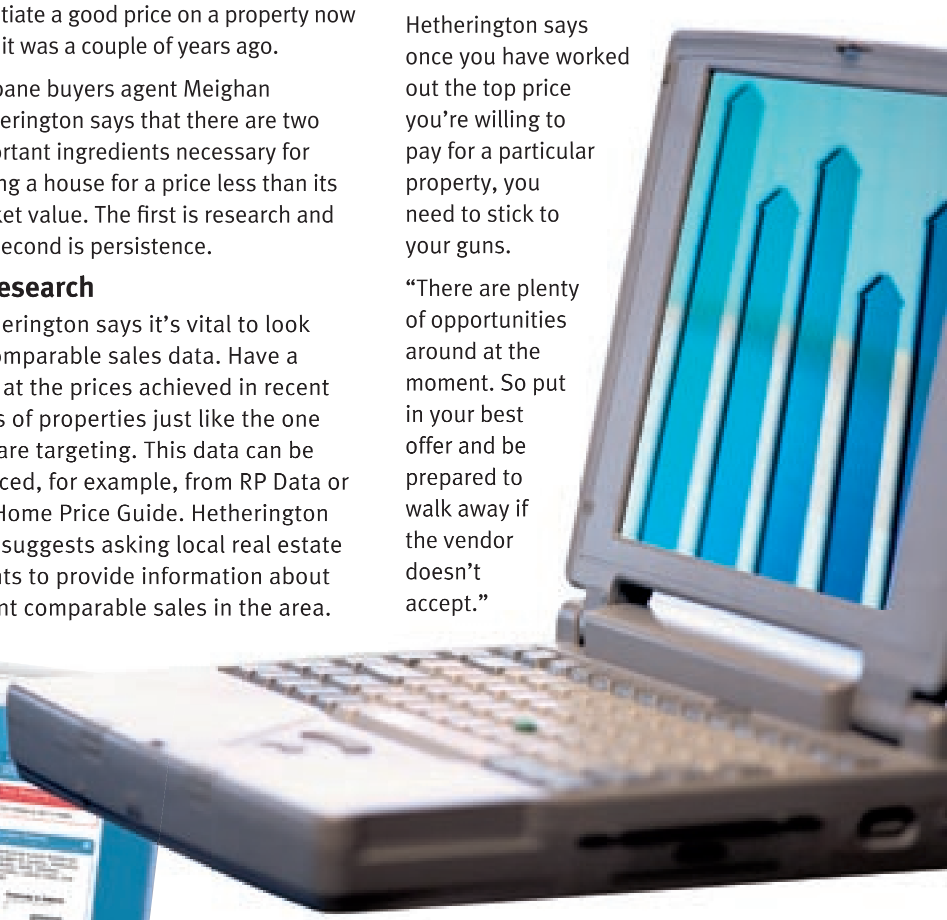
"But keep in mind that this data is often a few months old. Prices may have gone up or down slightly during that time.

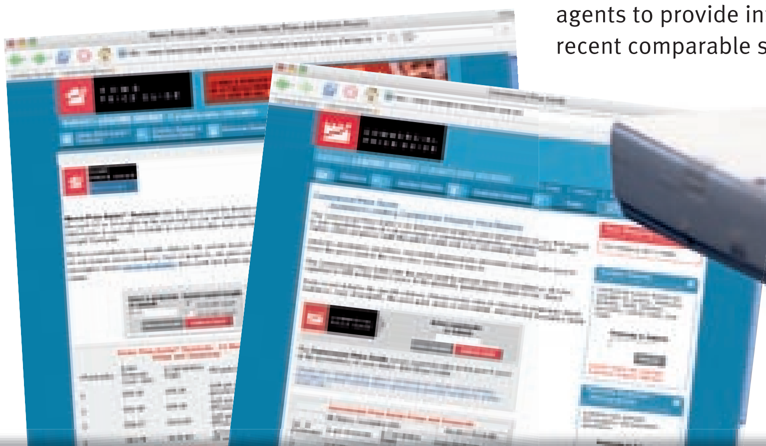
"Then find out why the owners are selling. Owners who have to sell because they have bought somewhere else, been transferred interstate or have a change in circumstances are likely to be more negotiable on price."

2. Persistence

Hetherington says once you have worked out the top price you're willing to pay for a particular property, you need to stick to your guns.

"There are plenty of opportunities around at the moment. So put in your best offer and be prepared to walk away if the vendor doesn't accept."





How is Brisbane faring?

By looking at supply and demand indicators in any property market, you get a good picture of its state of health. Michael Matusik, director of Matusik Property Insights, recently gave the Brisbane market this report card:

"Just under 1.8 million people call Brisbane home. The region's population grew by just under 40,000 new residents last year, and there is an underlying demand to create 17,000 new dwellings each year. New housing starts are down 17% on last year, creating an undersupply of stock around three months, or around 5,000 new dwellings.

"The residential vacancy rate is currently just 2.7%. Weekly rents lifted by around 7% for both houses and apartments across the region last year, and end prices rose by 4% for houses and 6% for apartments during 2004.

"Queensland holds close to 40% of the new full-time jobs created across Australia over the last 12 months, and Queensland's unemployment rate is only 4.5%.

"One-third of the residents rent; most still live in detached houses (but this is changing as the largest household type is people living alone – 26%) and 84% spend less than 30% of their income on housing costs."

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Queensland House Prices and Rents, March Quarter 2005

City/Zone	Preliminary median price	Lower quartile	Upper quartile	Median weekly rental*	Lower quartile*	Upper quartile*
Brisbane	$307,500	$246,000	$389,500			
Inner suburbs	$440,000	$375,000	$575,000	$300	$270	$350
Middle suburbs	$340,000	$285,000	$422,300	$250	$230	$280
Outer suburbs	$260,000	$210,000	$327,800	$210	$190	$240
Gold Coast	$370,000	$315,000	$460,000	$300	$265	$335
Townsville	$260,000	$212,800	$321,000	$230	$200	$260
Cairns	$265,000	$225,000	$320,000	$250	$230	$280

Source: *Real Estate Institute of Australia Market Facts.* *Three-bedroom house.

What is a quartile?

The REIA data on this page shows figures for median prices and rents, as well as lower and upper quartile figures.

A "median" is the middle number from a range of data. For example, the 50th price in a list of 100 sales prices.

The lower quartile figure would be the 25th of 100 figures in a set of data. So if the lower quartile price for a suburb is $200,000, then 75% of prices for that period would have been above $200,000 and 25% of sales would have been lower than this price. So it's a good indicator of what prices (or rents) are doing at the lower end of the market.

Finally, the upper quartile would be the 75th highest figure in a list of 100 – an indication of what's happening in the more expensive end of the market.

Case study: Credit card nightmare

A mortgage broker can help you in more ways than you might imagine.

Recently a lady approached Home Loans Now when she was in a real financial pickle. Because of some health and family problems, she'd accumulated a lot of credit card debt.

She had 13 credit card debts, as well as a home loan and a personal loan. The level of her repayments had become crippling, and she'd seen hardly any reduction in her credit card debts for the past couple of years.

Initial position

Outstanding home loan debt: $82,000

Credit card debts: $139,000

Personal loan: $26,000

Monthly repayments: $5,559

The client's house had been valued at $225,000. By refinancing her home loan, she was able to access just over 80% of the equity in her property. This provided enough funds to pay off 10 of the 13 credit cards. The repayments on the refinanced home loan were at a lower interest rate than her previous credit card commitments. And the new home loan was taken out with "interest only" repayments (rather than principal and interest). This is one strategy for reducing monthly home loan repayments.

She also obtained a personal loan for $40,000 to clear the existing personal loan (a $26,000 debt) and two other credit cards.

That left the client with only one credit card debt remaining.

New position

Refinanced home loan: $185,000

New personal loan: $40,000

Single credit card debt: $20,000

Monthly repayments: $2,625

Under the new arrangement, the client's repayments were $2,934 lower than her previous monthly commitments.

The home loan refinancing was done through a "non-conforming lender". These lenders often charge higher interest rates to account for the higher risk they take on with some borrowers. In the case of this client, the interest rate charged was 8.69%. Although higher than the standard variable rate, this rate was still much lower than the interest that was being charged on her credit card debts previously.

A compelling reason for the new lender to refinance the client's home loan was that her existing home loan had been conducted well, with no history of arrears. And with this particular lender it wasn't necessary to produce evidence of her conduct in relation to her unsecured loans (the personal loan and credit cards).

Who's saying what?

AMP Banking Managing Director, Michael Guggenheimer, June 2005:

"The small rise in home loan affordability indicates that the housing market might start to stabilise after years of big price increases. A stable housing market should provide good opportunities for owner-occupiers over the next few years as investors look to other markets for income and capital returns."

***Midwood Queensland Investment Report,* May 2005:**

"ABS estimates for the year ending September 2004 show that Queensland's population is growing at a consistent 2.1% per year. This is more than double the rate for the rest of Australia (1% per year)."

Premier Peter Beattie, June 2005:

"The Fisherman's Wharf waterfront precinct will increase the amount of public space in the boardwalk area by double. It will also enable the boardwalk to be extended along the waterfront eventually linking South Bank and Kangaroo Point. This will provide the missing link in (the) 7 km riverfront walkway from Kangaroo Point to Orleigh Park in the West End."

We're branching out!

Home Loans Now has just opened a new branch in Morayfield Shopping Centre, located right at the entrance to Woolworths.

"We are moving to Morayfield due to the volume of business we are already getting from within the area," says Home Loans Now Director Sandi Smith.

In the new branch you'll find our Loans Managers Stuart Smith and Robert (Bob) Ogilvie.

Stuart has been with Home Loans Now since 2001 and has a total of 23 years banking and finance experience. He holds a Diploma of Business (Banking and Finance) and is an Accredited Mortgage Consultant with the MIAA. He has completed the Securities Institute Certificate IV (Financial Services, Finance/Mortgage Broking). He's also an Associate of the Australian Institute of Bankers.

Bob was originally employed by Home Loans Now in 2000 and has a total of 25 years banking and finance experience. He's currently enrolled in the Certificate IV (Financial Services, Finance/Mortgage Broking) and holds a Diploma of Management. Like Stuart, he's an Accredited Mortgage Consultant with the MIAA.

To contact our consultants call 1300 135 137 and arrange for a mobile visit at your convenience. Or drop in and see us at our Morayfield or Toowong offices.

HOME LOANS NOW
A smart call.

Congratulations Home Loans Now

Home Loans Now was recently selected as a finalist in the Australian Mortgage Awards 2005. The Mortgage Awards recognise excellence and achievement in the mortgage industry. Home Loans Now was chosen among thousands of nominations and after months of industry research, in the category of Homeside Lending Brokerage of the Year (under 10 staff).

The announcement is due to take place in late August.

The news of this nomination came shortly after Home Loans Now was recognised by the MIAA for its achievements.

"We were proud to be nominated as one of only three National Finalists in the 2005 Mortgage Industry Association of Australia Excellence Awards in the category of Mortgage Originator (2-5). It is an honour to be recognised by the industry as one of the top three brokers in this category in Australia," says Home Loans Now Director Sandi Smith.

MIAA EXCELLENCE AWARDS
2005 FINALIST
ORIGINATOR OF THE YEAR (2-5)