May 2015

MARYANNE BIRCH
REAL ESTATE

PROPERTY MANAGEMENT NEWS

Changes for Investors Obtaining Mortgage Finance

In the last few weeks the major banks have announced changes to how they will treat "Investors" when they apply for Mortgage finance.

These changes include reductions to discounts offered to Investors, increased requirements for assessing serviceability, reduced LVR's and other changes to Credit assessment policy.
And why?
The body charged with the task of supervising Australia's banks is the Australian Prudential Regulation Authority (APRA) and they have become concerned about the increasing rate of growth in lending to Investors in the Residential Real Estate market.
APRA is also making noises that they would like to see the major banks hold additional "Cash Reserves" to protect against any "shock" in the Residential Real Estate market.

The recently completed Murray Inquiry into the Finance Industry suggested these additional "Cash Reserves" could be as much as $18 billion.
Now that is a lot of money to have sitting in a bank account doing nothing.
The banks make their money from buying money (Deposits) and then selling it (Loans). That is their business model, that is how they generate Profits and that is how their employees are remunerated and rewarded.
So if the banks had to house a cool $18 billion in Cash doing nothing; that is $18 billion less they have to sell and to make money from.

So the banks have decided to be proactive and be seen to be "doing the right thing" in a bid to influence APRA against such an impost. Do the changes announced by the big banks mean Investors will no longer be able to borrow? NO.

Will it be too difficult for Investors to be able to borrow? NO.
Is there plenty of money available to borrow? YES

Are all Lenders imposing the same requirements? NO (so shop around or talk to a good Broker)

So what does it mean for Investors?
The changes to lending policy implemented so far will make some scenarios that are close to the limit more difficult to get approved.
This is not necessarily a bad thing as if the deal is more profitable and less risky for the Investor; this will deliver a higher rate of return.
And if it is less risky for the Investor then it is also less risky for the Lender suggesting both will benefit.

With each Lender adopting a different Policy, it now becomes even more important to ensure you have the right Lender with the right Product for each scenario.
And as all Lenders are likely to follow each other in reducing Discounts offered to Investors, this will make loans to Investors more Profitable for the banks so they will want to write more of this less risky business.

In the current environment with record low Interest Rates, strong Rental Yields and increasing Prices; whether or not the Lenders are going to reduce discounts or make the hurdles a little higher to get approval should not hinder Investors who have completed appropriate and adequate due diligence; reviewed their best, worst and most likely case scenarios; and are looking to invest for the long term.

Are the changes unfair? Depends if you are the bank, APRA or the Investor?

By Allan Just (Financial Advisor - Caeroux Financial Services)
The information contained in this message is of a general nature only and is not to be taken as specific advice suitable for any particular individual.

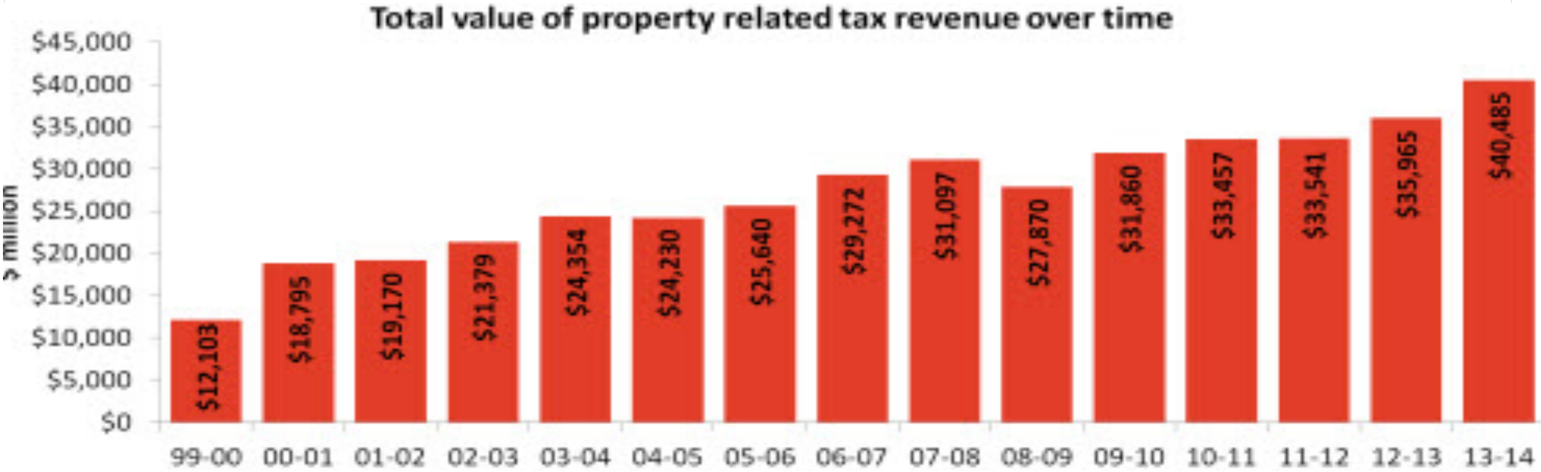
Joke of the Month!!

After an elderly couple starts getting forgetful, they visit their doctor. Their doctor tells them that many people find it useful to write themselves little notes.
When they get home, the wife says, "Dear, will you please go to the kitchen and get me a dish of ice cream? And maybe write that down so you won't forget?"
"Nonsense," says the husband. "I can remember a dish of ice cream."
"Well, I'd also like some strawberries and whipped cream on it," the wife replies.
"My memory's not all that bad," says the husband. "No problem -- a dish of ice cream with strawberries and whipped cream. I don't need to write it down."
He goes into the kitchen, and his wife hears pots and pans banging.
The husband finally emerges from the kitchen and presents his wife with a plate of bacon and eggs.
She looks at the plate and asks, "Hey, where's the toast I asked for?"

DID YOU KNOW...

Toilets account for 35% of all indoor water use

Property related tax revenue moves beyond the $40 billion mark for the first time on record



Last week the Australian Bureau of Statistics (ABS) released data which revealed that 48.7% of state and local government taxation revenue over the 2013-14 financial year came from property related taxes. The data showed that over the year, state and local governments collected a record $40.485 billion in taxes from property related sources. In comparison, they collected $21.341 billion in taxes from employers, $11.208 billion in taxes from the provision of goods and services and $10.024 billion in taxes on the use of goods and performance of activities.

The total value of property related taxes increased by 12.6% over the most recent financial year. This represents the greatest year-on-year increase in property related tax revenue since it rose 14.3% over the 2009-10 financial year. In comparison, taxes on employer's payroll and labour force rose by 2.8%, taxes on the provision of goods and services rose 1.2% and taxes on the use of goods and performance of activities rose 3.5%. Overall, state and local government tax revenue increased by 7.2% over the year.

With home values nationally beginning to rise in June 2012, it is clear that state and local governments are a major benefactor of the strong housing market conditions. With higher home values, taxes such as land tax, municipal rates and stamp duty on conveyances all increase. Conversely when housing market conditions shift and value growth slows or values falls the largest source of tax revenue (property) is adversely affected.

The data highlighted shows that property related taxes are the most important source of revenue for state and local governments, accounting for 48.7% of their total taxation revenue. The question is whether governments can continue to rely on property being a one-way bet?

Source: blog.corelogic.com.au

Rental Property Extras That Are No Longer Extras

The gap between house rentals and units and townhouses no longer exists with a tendency now for tenants to go for the easy lifestyle and everything new and shiny. (refer RTA March quarter median rents in our last newsletter supporting this trend, but it's not unique to Brisbane.)

It's the mod cons that they are attracted to. The dishwashers, air conditioners, remote garaging, no garden responsibilities, security, and in some case, just the 'newness' of the overall package.

We are finding that older homes and units are being passed over for more modern stock resulting in longer vacancies, and the rents falling behind their more modern competitors.

To counteract this, we recommend that you consider giving your older rental property a birthday. Add some mod cons, give it a fresh paint and carpet, consider updating the kitchen and bathrooms, and maybe consider including lawn and garden maintenance in the rent.

While it can be costly to take on everything at once, you can put a strategy in place to do it over time. While there is an obvious cost, you will also be able to charge more rent, you'll score a tenant ahead of your competitors, and there are also massive depreciation benefits when you add new appliances and upgrade in this way.

If you would like us to assist in planning an upgrade, please don't hesitate to contact either your Property Manager or our Rental Department Manager Jeff Going-manager@maryannebirch.com.au

PROPERTY OF THE MONTH

3/111 Pashen St, Morningside

Offered exclusively to the Maryanne Birch Real Estate peoplebase, this immaculate two bedroom, two bathroom spacious unit is Morningside's best kept secret. With long term tenants in place, pick up this low maintenance gem before someone else does!

Inspect by appointment only

$430.000+