

# Property Primetime

The newsletter for informed property investors

May / June 2009

## May/Jun Feature Article

2009 Federal Budget

– Impact on Victorian Property Investors

### **Scott Caddaye**

As a Buyers Advocate, I have a range of clients who are all at different stages of the investing cycle. Some have just started looking for their first investment property. Others have bought a single property and may be happy to sit tight with that one for the medium term. Yet others have bought one or two properties in the past 6 months and may now be looking for the next one – but also pondering about whether now is the right time to dive in again. Regardless of what stage you are at – I hope that my thoughts below might be of some benefit to you.

*continued on page 2*

## Special Announcement

Total Care – Now Available to Everyone



In response to recent requests, from July 1 2009 I have agreed to extend my Total Care service to existing investment property owners.

So, regardless of where or when you bought your Melbourne-based investment property, I will act on your behalf to secure lower property management fees, lower letting fees & provide a fully comprehensive support system for your investment property that will save you time.

In addition to the substantial saving in time - SNAP Total Care also saves you money - with typical savings for clients ranging from **\$1,000** to **\$2,000** per year for each property (well in excess of any fees payable for the service).

As at July 1 2009 – the Total Care fee is just 4% of rental income (plus GST) and is a tax deductible expense.

For full details of my Total Care offering – go to [www.snaponline.com.au/total-care](http://www.snaponline.com.au/total-care) or contact Scott Caddaye on (03) 9779-4884 or by email [property@snaponline.com.au](mailto:property@snaponline.com.au) .

## INSIDE THIS ISSUE

- 1, 2, 3    **2009 Federal Budget – Impact on Victorian Property Investors**
- 4        **News Headlines**
- 5        **Our latest “Top 5”**

## 2009 Federal Budget – Impact on Victorian Property Investors



Regarding property investment and the recent deluge of first home buyers into the market - the big take-out from the Federal Budget last night is not so much about what the Federal Government is doing, as what the Victorian State Government has already announced.

Consider the following summary table – it depicts the First Home Buyer Grants / Boost across both Federal & Victorian State Governments:

	Now until 30/6/09	1/7/09 – 30/9/09	1/10/09 – 31/12/09	1/1/2010 – 30/6/2010
New Home Grant – State Gov't	\$5,000	\$11,000	\$11,000	\$11,000
New Home Grant – Federal Gov't	\$21,000	\$21,000	\$14,000	\$7,000
<b>Total New Home Grants</b>	<b>\$26,000</b>	<b>\$32,000</b>	<b>\$25,000</b>	<b>\$18,000</b>
Established Home Grant – State Gov't	\$3,000	\$2,000	\$2,000	\$2,000
Established Home Grant – Federal Gov't	\$14,000	\$14,000	\$10,500	\$7,000
<b>Total Established Home Grants</b>	<b>\$17,000</b>	<b>\$16,000</b>	<b>\$12,500</b>	<b>\$9,000</b>
<b>Gap between new and established</b>	<b>\$9,000</b>	<b>\$16,000</b>	<b>\$12,500</b>	<b>\$9,000</b>

My reading of the table above is as follows:

- In the period 1/7/09 – 30/9/09, there will be a considerable incentive (almost 80% greater incentive than currently exists) for first home buyers to buy a new property as compared to an established property
- This incentive drops back on 1/10/09 – but still sees first home buyers who buy new, receiving a benefit that is \$12,500 greater than those who buy existing
- The minimal difference of just -\$1,000 for first home buyers who purchase an existing property pre-June 30 (compared to those that purchase July 1 – Sep 30 2009) should see some leveling off of the panic buying that has recently been observed in the market (they now have almost 5 months to buy – not 6 weeks)

Based on all of this, I would think that the purchase of an established dwelling for investment that occurs in the following time periods will each have benefits which did not exist before the recent budget announcements:

- Now until June 30 2009 – Decrease in panic buying from first home buyers should see less competition and more reasonable prices paid. Some will wait for July 1 and look at buying new, others will not have to rush to buy before June 30
- July 1 – September 30 2009 – Potential for repeat of the panic buying scenario as the 30 September deadline approaches will be tempered by two things. One – more first home buyers choosing new over existing due to massive one time \$32,000 grants. Two – less panic as the boost does not disappear on Sep 30 2009 (as first home buyers have been fearing it might on June 30), it merely halves from \$7k to \$3.5k
- October 1 – Dec 31 2009 – New home incentive is still double the established home incentive. This additional \$12.5k should see continued leaning towards new homes for first home buyers. The loss of \$3.5k of boost (established homes) will also see some first home buyers no longer able / willing to enter the market (unless buying new).
- January 1 2010 onwards – First home buyer activity should be restored to normal levels once more – across both new and established dwellings

## So – what is the bottom line?

Whilst a complete removal of the first home buyer boost (post June 30) would have seemed like an ideal outcome from the federal budget (it would have provided a sudden dramatic drop in first home buyer activity and a good reason to jump into the market from July 1), in the short term it may also have impacted prices negatively for those of us who already own investment properties. Instead, the way the government has structured things has actually presented an unexpected opportunity for those investors looking to make a purchase right now (pre June 30) – and then a positive landscape for purchases and growth right across the next 12 months.

For those who are happy with what they have and are not looking for any more properties right now, the news is all good. Any predictions of property prices plummeting due to the sudden and complete removal of the First Home Owners Boost – should now be tempered due to the gradual reduction of the boost over time. During this time, I believe that investor activity will continue to grow and fill the void left by exiting first home buyers. With record low interest rates, record high rents and record low vacancy rates – the only thing stopping the investing masses from getting out there is the fear of losing their job (despite the fact that 91.5% of people are expected to KEEP their jobs) or the fact that they are spending too much time listening to the doom and gloom talk on the news and current affairs programs each night. This should mean that those with investment properties already should not suffer any considerable downward price impacts over the next 12 months (quite the opposite I would hope) – and that anyone waiting to invest and crossing their fingers and hoping for cheaper prices in the next 6 or 7 months may well be waiting in vain.

I hope this information is of some help to you. I have spent a great deal of time considering the impacts of first home buyers on property prices (and – as a Buyers Advocate – competing with them on purchases in the market) – and I see the 2009 Federal Budget as a definite good news story for investors.



## NEWS HEADLINES

31/3/09

### Reading the Rates

Don't read too much into this (like you - I have no crystal ball) – but here are some observations from my latest round of analysis of interest rates.

- Despite the aggressive variable drops of recent months, the 10 year fixed rate at most major banks has not dropped since December (and one bank actually put theirs up in the last few weeks). 10 year rates are always slow to change – but movements (especially upward) give a hint as to where the banks see future 1-5 year rates going
- The best 1,2,3 year fixed rates (4.99% to 5.19%) are still dropping – but at a much slower rate
- The press are starting to talk about another possible month of no further interest rate cuts (very different to 6 weeks ago when the papers were full of talk regarding a half percent drop in March and more in April – June)
- The share market has (even if only temporarily) put on a bit of a burst in the last couple of weeks – which (if sustained) could lead to improved consumer confidence and spending increases (and less pressure on the RBA to drop interest rates further)

There is no way to predict the future. Rates could drop WAY lower (as was being popularly predicted just a few weeks ago), could stay in their current (relative) holding pattern for months, or could even start to rise (as has happened in a couple of - as yet - isolated cases recently).

I guess the message is this – at some stage in the future there will be risk-averse people who have been enjoying low variable interest rates – that kick themselves for not having locked in at the 4.99%-6% rates on offer for 1-5 year fixed terms. I know that my own properties are currently neutral to positive in their cashflow (as are the majority of my clients) – but I also know that it can't last forever.

If you are the type of person that is happy to ride the variable wave – then there is nothing to be done (other than rejoice in the current low rates – and pray for even more drops). However, if you are more cautious, then keep your eyes and ears open for signs/news of the economic recovery that is bound to ultimately result in increased interest rates. When that news starts getting traction – speak to your financial advisor, bank or mortgage broker nice and early (even if only to find out what options might exist for you at that time).

For now – enjoy the cashflow!



I am delighted to report that my book sales have been so strong that the book is sold out almost everywhere (both online and in shops).

If you are having trouble tracking down a copy – please contact me via [business@snaponline.com.au](mailto:business@snaponline.com.au) and I will let you know where to find one of the last remaining copies.

Thanks to everyone who has bought my book to date – it is your support that has made it a sellout!

## TOP 5 LOAN CONSIDERATIONS

1. PRINCIPAL AND INTEREST OR INTEREST ONLY
2. FIXED INTEREST RATE OR VARIABLE?
3. % TO BORROW (80%? 90%?)
4. BUY IN ONE NAME, JOINT NAMES, TRUST?
5. IF BORROWING 100% (USING EQUITY IN AN EXISTING PROPERTY) SHOULD YOU USE ONE BIG LOAN OR TWO SMALLER LOANS?



### CONTACT US

At **SNAP**, we pride ourselves on always being accessible and responsive to our clients.

Please feel free to email or call and we will respond quickly and courteously.

Don't forget to take advantage of our FREE initial consultation and needs assessment - just call or email to set up a time and place that suits your needs.

### SNAP Property Buying Support

Telephone: (03) 9779 4884  
Facsimile: (03) 9779 4774  
Address: 14 Larne Ave, BAYSWATER VIC 3153  
Email: [info@snaponline.com.au](mailto:info@snaponline.com.au)  
Web: [www.snaponline.com.au](http://www.snaponline.com.au)



## SNAP Property Buying Support

*We make buying property a SNAP*

The material presented in this document is for the purposes of general information only and neither purports nor intends to be advice. The author in no way warrants or guarantees that any strategies and investment methods presented in this document are suitable for your particular objectives, financial situation or needs. The author specifically disclaims any responsibility for liability, loss or risk, financial, personal or otherwise, which is incurred as a consequence, whether directly or indirectly, of the use or application of the information contained in this document. All investments carry risks. Before making an investment decision on the basis of any information presented in/attached to this email, please seek professional advice from a qualified financial advisor.