

## **ECONOMIC INDICATORS MAY VARY BUT THERE IS CAUSE TO BE POSITIVE**

**After various hiccups with the federal budget and news of the unemployment rate rising to 6 per cent nationally and 7.3% in South Australia many pundits have become overly pessimistic. But read on ....**

The Australian Bureau of Statistics has reported that building approvals have increased 14.3%, seasonally adjusted, in the 12 months to May 2014. This has led some to speculate that investment in the real estate construction market could take over from where the demise of the mining boom has left off.

Combined with one of our longest periods of low interest rates we have much to look forward to. We need to stay positive. Markets rise or fall based on confidence and they become their own self fulfilling prophecy. If we demonstrate confidence, people buy and prices rise and so the economy prospers but if we shrink back from investing then prices fall and the economy follows.

Real Estate Agents are an optimistic lot because we know how a poor situation can so quickly turn around through encouragement. It will turn the fortunes of others provided it is realistic encouragement in sound investments. This office will never steer its clientele into investment for investment's sake. Just because some advertisement for sale describes a property as a great investment, you still need to look in detail at what it offers, likely returns and know the area.

We remain dedicated to seeing the South of Adelaide prosper.

If any of our readers would like any advice on investing or even if it is only a second opinion on what price you would like to offer for a property you are considering then we would be happy to receive your call or email.



## **DON'T LET YOUR INVESTMENT PROPERTY DRAG YOU DOWN**

There are a couple of things that can turn a great investment into one that is a drain on your time and bank account.

### **Adopting the 'set and forget' approach**

Many investors think that once their purchase of a property has gone through and a lease has been signed they can kick back and let things take care of themselves. But if you don't keep a close eye on the local market, you could lose a lot of rent compared to surrounding properties.

Properties obviously experience wear and tear, and it's important not to be lazy or stingy about making repairs. This can signal to your tenants that it's okay to be lazy with their maintenance and paying rent on time.

### **Choosing a bad loan**

Some investors choose a standard principal and interest loan, but paying back principal on an investment can strain cash flow that could be used to buy other properties or pay back personal debt.

Interest-only loans are the best option for investment properties because they maximise your tax benefit with negative gearing. And avoid locking in a fixed rate for long periods because sometimes it is not always possible to know if you will need to sell. Break costs on fixed interest loans can be expensive.



It can be a good idea to get a loan on an investment property with a different bank than your own home. If things get difficult in the future they can ask you to sell your own home rather than the investment property because it may have more equity or because they think it is more attractive to the market so will sell quicker.

And don't be tempted to 'cross securitize' your loans. That is when your bank wants to note its interest on all of your properties. This linking can result in the same scenario as mentioned above; when the bank has a hold on all your properties they can again demand the family home go on the market. Let each property stand on its own with a separate loan.

**If you want advice about managing property or getting a loan then contact us on 8186 2777.**



## PROPERTY SPRUIKERS PUT ON NOTICE

It was reported by the ABC in February that three state governments are sending warning letters to property spruikers, amid growing concerns about high-pressure tactics used on consumers at seminars across the country.

Property spruikers operate nationally and typically hold free seminars where people are invited to receive investment information and advice but are instead presented with a range of investment properties to purchase.

Western Australia, New South Wales and Victoria have sent letters to dozens of spruikers warning them they must abide by Australian consumer Law or could be hit with penalties of up to \$1.1 million.



Apart from high pressure sales techniques there is a concern that some information given is blatantly inaccurate. Another concern was the selling of education programs to some who attended seminars to set up rent-to-buy and vendor-finance property deals that could leave people very vulnerable.

Some seminars will actively encourage people into using their self-managed super fund to invest in property. That in itself is quite legitimate but people will need legal and financial advice.

It is critical to buy into an investment property that will perform well with their life savings and not to get pressured into buying a property that some developer is having trouble off-loading in a suburb where the market has turned sour.

People should not feel pressured into signing anything on the night, but if they do then they should realise that a 10-day cooling-off period may apply.

This office has dealt with companies such as Martindale Property Group and the South Australian Property Panel, but we would describe their seminars as factual, very informative and far from being high pressure they seem even laid back. And they do not sell education programs, so we are more than happy to associate with them.

We would stress that everyone should be wary at any seminar where the hosts are more concerned about getting them to sign up with some deal that seems too good to be true, rather than assessing their current situation and needs.

We welcome enquiries from anyone who wants to look into their investment options in a no-pressure environment.

