

# property news

JANUARY 2012



Welcome to the monthly Morrison Kleeman newsletter!

As part of our commitment to you, our clients and local community, we publish this newsletter to inform and excite readers about the property market. Included are articles, facts and figures on industry news and helpful property-related hints and tips. As always, we value your feedback, so please be in touch with any ideas and suggestions.

Enjoy!

**PETER KLEEMAN ■ DIRECTOR**

## 2012 — The Year Ahead

Without the help of a crystal ball to sneak a peek into the future, most real estate agents rely on previous data and historical trends mixed with current market activity to predict what lies ahead in the property market.

Enzo Raimondo, CEO of the Real Estate Institute of Victoria, said in a recent interview that he expects a better year than last with further interest rate cuts likely at sometime during 2012. He also reiterated his 2011 opinion that it is still an opportune time for first home buyers and investors to take advantage of our softer market.

It's likely that overseas economic woes will continue into 2012, undermining the stronger local economy and keeping consumer confidence subdued. Global uncertainty plays a significant role in how we live here. Many people are nervous about spending money even though the outlook here is relatively positive.

One thing is clear though, the Melbourne market does move in cycles with some years being very strong and others not so. This is due to a whole range of factors. Changes in the economy certainly have an impact, as do misalignments between supply and demand. The latter was a significant factor in the market in 2011. Over the last 20 years, however, investment in Melbourne property has provided better returns than the stock market, a factor that will provide comfort to many property investors, potential buyers and current home owners as we enter another year of real estate.



## Low-Doc loans explained

Low document or 'low-doc' loans have become increasingly popular in Australia over the last few years. Initially they were only offered by non-bank lenders but as traditional banks began to lose some market share in this area they began including them in their choice of lending products.

There are some major differences between mainstream and low-doc loans. The main one is that low-doc lenders do not require traditional proof of income such as company financials or tax returns. Instead borrowers generally complete a declaration that confirms they can afford the loan. This is known as self-certification.

Low-doc loans are particularly appealing to self-employed or full-time investors who may have difficulty showing a high level of income, as a result of either writing off a number of expenses, reinvesting profits into a business, or slow in lodging their tax returns.

Borrowers should be aware that interest rates and fees

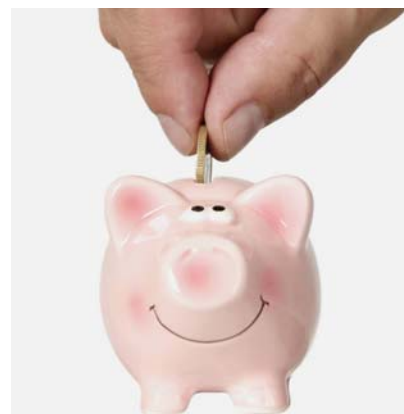
are usually higher with low-doc loans and that lenders mortgage insurance often applies. Loans are also usually capped at 80% of the valuation of the property.

Borrowers applying for a low doc loan are also asked to demonstrate that they have a clear credit history. Generally one or two small paid defaults are allowed if they are under \$500. Rate reward discounts may be offered once a specific period of time has passed with no defaults or arrears. Some lenders will even allow their clients to switch to more mainstream loans with lower interest rates.



## Tips for the Savvy Saver

Minimising household expenses is one way to put dollars back in your pocket. Buying grocery items in bulk, waiting for end of season sales and taking advantage of interest free deals and some of the ways we are able to save money. If you're a savvy saver on the look out for some top tips, here are a few ways you could save on your home insurance:



- **Improve security** — If you make your home less of a risk in the eyes of your insurer, they usually reward you with a cheaper premium. Added security measures such as a burglar alarm and deadlocks on windows and doors could help keep your premiums down.
- **Correct cover** — One of the main reasons why people have inflated insurance premiums is because they buy an unnecessarily high level of cover. Make sure you give an accurate rebuild cost for your property – this is the amount of money it would take to re-build your home from scratch.
- **Boost excess** — The excess is the amount of money you'd have to pay in the event of a claim. For example, this might be the first \$500 of the claim amount. Many insurance firms offer a choice of excess levels. The higher the excess, the lower the premium. If you feel comfortable doing so, you could agree to pay more excess should you need to make a claim.
- **Shop around** — The number one tip! Don't just stick with the same insurer out of apathy or familiarity — make sure you check out the market to ensure you're getting the best possible deal for your needs. Insurance policies can vary by hundreds of dollars. Simply make sure you are getting the level of cover you require and always read the fine print!

Thinking of buying or selling? Think Morrison Kleeman.

968 Main Road  
ELTHAM VIC 3095  
Phone 03 9431 2444 Fax 03 9431 2650

2/86 Grimshaw Street  
GREENSBOROUGH VIC 3088  
Phone 03 9435 7666 Fax 03 9435 7677

3/101 Hazel Glen Drive  
DOREEN VIC 3754  
Phone 03 9717 8780 Fax 03 9717 8816

[www.morrisonkleeman.com.au](http://www.morrisonkleeman.com.au)