

property news

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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

Property Investment a solid option

Even with the apparent global financial crisis hitting hard in 2009, astute property investors are enjoying a prosperous time around the nation. And this positive placement looks set to continue over the coming year.

There are several key reasons why investing in property is a sound decision in Australia. The first one is our rapidly growing population. Australia is poised to become the world's fastest growing industrialised nation over the next four decades, with a rate of population growth higher even than India. With this rapid rise in the population comes an increasing demand for housing. Not everyone can afford to buy a home so renting is their next best option. And with a huge demand on rental properties, it's investors who reap the rewards.

Real Estate Institute of Victoria CEO Enzo Raimondo says, "There are very few places in Victoria where vacant rental homes are easy to find and there is no sign of that changing. As a result of the very low vacancy rate in Melbourne, rents have risen more rapidly than CPI (consumer price index) over the last five years and this will continue to be the case until more homes are constructed where people want to live."

As well as low vacancy rates, property investors, like all Australian mortgage holders, are enjoying exceptionally low interest rates. These favourable rates are another reason why property investment is a wise choice. Even if rates rise during 2010 it's unlikely they will return to 2008 levels anytime soon. This leaves loan repayments on investment properties down at manageable levels.

Finally, median house prices across Victoria and the entire country are climbing at an encouraging pace. Any negative impact on prices due to the GFC has been reversed in most suburbs with further growth noted in many popular investment areas across Melbourne. Property values generally double every 10 years even when an economic downturn hits during that period, so good capital gains are more often than not attained over the medium to long term. Of course, it's vital to do your homework before investing and always seek the advice of an expert when adding property to your investment portfolio.



Interest Rates — How, When, Who and Why

Interest rates are a major talking point for most Australians and rightly so. In the last 18 months rates have dropped to record low levels from alarmingly high levels and are again on the move. However, despite their importance, there remains some confusion over how rates are set, what influences them and why.



The Reserve Bank of Australia (RBA) is in the driving seat when it comes to setting the cash rate (the base interest rate). The RBA aims to ensure the dollar remains stable so to promote full employment and contribute to the economic prosperity of all Australians.

The RBA's board meets 11 times a year to discuss interest rates. The board consists of members of the Bank, the Treasury, other Australian government agencies, and leaders of other institutions that are part of the nation's economy. Detailed reports on the Australian and international economies are prepared for the board. The reports can include information on retail sales, consumer confidence, the prices paid by producers and more. It also looks at international markets, the price of wholesale credit (bank to bank), the performance of the Australian dollar and other issues. Globally, rates tend to move in cycles and often take their lead from the United States, the world's biggest economy.

The RBA cash rate is based on the rates paid by banks in the wholesale market. So while credit is available to banks at a rate of 3.5 percent in the wholesale market, for example, they will add a premium before applying the rate to retail loans and mortgages. The concept is the same as a greengrocer buying produce in bulk at a lower rate than offered to shoppers.

It is impossible to know for sure which direction rates are headed. Economists and financial analysts make interest rate forecasts and these are often reported in the media. However, no one person or organisation is in sole charge of the direction of interest rates. Indeed, while the RBA sets the rate, the factors that influence it are many. And as mortgage holders with a 25 or 30 year loan, riding the ups and downs is all part of the deal.



Garden glow

These days we put a great deal of time and effort into our gardens to keep them looking good. It makes good sense then to double our enjoyment by incorporating garden lighting so that we can get as much pleasure

from our outdoor spaces during the evening as we do in the day. Creative use of outdoor lights can also add a magical quality to an otherwise ordinary backyard.

There is an abundance of choice so finding the right lighting solution can be challenging. The key is to look at the existing garden and then plan for the best possible lighting, or even better is to consider lighting at the planning and design stage of the garden.

Energy efficient lighting is extremely popular and an excellent option. For example, solar lights store energy during the day, and turn on automatically at night. They are easy to install, require little maintenance and will not break the bank either. Brightness of solar light is considerably less than other types, but it cannot be beaten for cost effectiveness and eco-friendliness.

Incandescent light is a more traditional type of outdoor lighting. It runs on normal household voltage and can provide brilliant light, especially for "up-lighting" feature trees or plants. Environmentally though, they perform poorly using high levels of energy and require professional installation when drawing on household voltage.

LED (Light Emitting Diodes) lights are an attractive option offering a mix of energy efficiency and good effect. They emit a softer, more ambient light, use little power and are long lasting. LED lighting can also be used to create spectacular effects within a garden landscape particularly with garden art or decking.

But remember, lighting doesn't necessarily have to be highly sophisticated or on a grand scale. Even the subtlest effects of a candle lit outdoor table or a simple garden lantern can create a relaxing atmosphere in your private oasis.

Thinking of buying or selling? Think Morrison Kleeman.

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