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ANZ Property Solutions

Cairns | Summer 2012

A new dawn on the great Australian dream.

Baby Boomers, if you close your eyes and listen, you may still be able to hear the stern advice of your parents: "Find a partner, settle down, buy your first home and start a family". However, the younger generations are experiencing a different story.

A recent study by the Australian Housing and Urban Research Institute shows that in Generation Y (those in their 20s and 30s) just one in 40 will retire without a mortgage¹. They are renting much longer and waiting until later in life to buy their first homes. Many are even choosing to rent where they live and investing their money in properties elsewhere.

Let's look at why.

- People are studying into their late 20s, which means they can't always afford to live out of home. They also change jobs and travel more regularly than their Baby Boomer parents.
- Couples are having children later and enjoying the benefits of dual income, no children partnerships.
- Many can't afford to buy where they want to live. Figures from the Real Estate Institute of Australia show that the proportion of income required to meet average monthly loan payment has risen greatly, so for those with inner city jobs, home ownership may be out of reach².

Sources:

1. Australian Housing and Urban Research Institute, cited in *Is retiring mortgage free an unattainable dream?*, www.apimagazine.com.au, 7 October 2011
2. Australian Housing and Urban Research Institute, cited in Australian Property Investor, *Renting & Investing: a twist on the great Australian dream*, September 2011
3. Yardney, M, *Is retiring mortgage free an unattainable dream?* www.apimagazine.com.au, 7 October 2011

Australian Lending Awards, Mortgage Lender of the Year Award 2011 and Best Investor Lender Award 2011. The Australian Lending Awards is an independent initiative of *The Adviser* and specialist research and advisory firm RFI.



Sleep easy.

These figures have caused much concern amongst property experts, but there are many who believe that this modern twist on the classic Australian dream may not be a bad thing. According to Michael Yardney of Australian Property Investor, we are entering a period of unprecedented wealth, fuelled by the mother of all mining booms, so people in their 20s and 30s are in the perfect position to invest³. This indicates that those young Australians who are choosing to offset their rent with rental returns from an investment property may be right on the money.

Property expert, Chris Gray, strongly advocates renting where you want to live and investing in a median-priced property, as the demand is high, which leads to higher rental yields. Asking rents are comparatively lower for properties in higher price brackets, so you'll make money by renting a more expensive property, and investing in multiple cheaper ones.

Things inevitably change with time, taking with them a long list of pros and cons, but time is on the side of young Australians, so there are many good years of investment ahead.



Hitting hotspots.

In the current buyer's market, many investors are snapping up properties at bargain prices, but that's not to say investing in the right location is any less important. With many areas experiencing a 'boom', investing in lucrative locations can deliver higher rental yields and strong capital growth – however it can be difficult to know where to look.

The key to the perfect property may not be waiting under the mat, but here are some factors that may bring you closer⁴.

Transport.

The quicker it is to get from a suburb to the CBD, the more value it will have, so consider areas with good access to public transport and motorways.

Urban renewal and government decisions.

Look for industrial or run down areas that are being restored by Government agencies into prestigious residential precincts, such as waterfront apartment developments around shipping ports.

Ugly ducklings.

These often inner-city areas have been considered old and run-down or generally unfavourable in the past, but have a good location. These areas often become 'swans' (trendy, urban 'places-to-be').

Boom towns.

Mining towns in Western Australia and South Australia are considered 'boom towns' as the resources boom has created infrastructure and job opportunities.

The ripple effect.

When an area takes off, the effect can carry over into the neighbouring suburbs. Major hotspots can become expensive very quickly, so surrounding suburbs may be worth looking into.

A new wave of sea change.

Seaside locations have always been popular, but the trend is growing steadily as Australians flock to a life by the sea.

Source: 4. *How to pick a property hotspot*, www.news.com.au, 7 October 2011

Invest in some post-holiday healing.

It's no secret that a long wish list can leave you with a long holiday bill, but with a bit of careful (and early) budgeting, you can avoid the post-holiday hit.

For homeowners especially, the festive season can leave an extra special surprise in the form of unplanned expenditure, and balancing regular payments with festive expenses can make for a tough start to the year. As with many things, prevention is the best cure. If you're finding yourself in the midst of the mid-January juggling act, here are a few pointers to make sure your next holiday doesn't hurt you.

Three-way spend.

If you're paying off a mortgage, whether you're an owner-occupier or an investor, it's wise to guard these payments against the holiday hit. Many finance experts suggest dividing your budget into three high-interest bank accounts and having your salary automatically split between them⁵. That way mortgage payments can be taken care of by one account, everyday living expenses by another, leaving a third account for holiday spending. Multiple accounts can mean festive spending won't eat into everyday expenses.

Write a list and check it twice.

With a little planning, you won't need to be a scrooge this year. Write a list of all the people you plan to buy for, and start thinking early about what to buy them. Getting a plan of attack sorted early means you'll have a more realistic budget, and you'll be able to spread the spending across the year.

Holiday at home.

A great way to save during the holiday season is to stay home! Prices are at their peak during this time of year, so why not move social celebrations to your house?

Source: 5. *Will Christmas kill your new home dream?*, www.homemate.com.au, 12 January 2011





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Get away from the usual getaways.

Summer is the prime time for holidaying, and 'family favourite' destinations in Australia are not in short supply.

But perhaps the best thing about having the world's biggest island for your backyard is that there's always more to discover. This summer is seeing many explorers choose to escape the traditional holiday destinations and stray off the beaten track. Here are some emerging holiday hotspots that may present worthwhile travel, or even investment opportunities.

Canberra.

Rather than a family trip to the busy theme parks, why not try something different and opt for a more educational and family-friendly holiday to Australia's capital? Canberra's museums have great interactive exhibitions to keep the kids engaged, and the war memorial, parliamentary buildings and zoo are always worth a visit.

Margaret River.

Having recently been awarded the 2011 GWN7 Top Tourism award by Western Australian television network, Golden West Network (GWN7), the Margaret River region is experiencing a real tourism boom⁶. Originally a surfers' favourite, the breathtaking scenery, delicious food and wineries that produce over 15% of the country's premium wines are attracting all kinds of tourists⁷.

Darwin.

Australia's northern-most capital city has been named by Lonely Planet as one of the world's top 10 cities to visit. Darwin was the only Australian city to make the list due to its "pumping nocturnal scene, magical markets and restaurants, and world-class wilderness areas just down the road"⁸.

Kangaroo Island.

The rugged, windswept coastlines of South Australia's Kangaroo Island are a soon-to-be classic holiday destination. Kangaroo Island's breathtaking scenery is attracting a fast growing number of visitors each year.

Yamba.

The town of Yamba on the NSW mid-north coast is home to some of Australia's great surfing spots, including Angourie Point, the first dedicated surfing reserve in NSW. Many surfers are moving away from the popular tourist beaches in favour of more peaceful locations.

Bruny Island.

This island just off the southern coast of Tasmania is the perfect escape. The 'I'm-the-only-one-in-the-world' feeling is becoming increasingly popular among those looking for a moment of peace. Plus, rising popularity and low property prices mean that this area could be one to keep on the investment radar.

Melbourne.

White beach romances are on their way out with lovers turning to the quaint cobbled alleys of Melbourne for a romantic weekend away. Melbourne's winding walkways, hidden bars and restaurants provide a new discovery for even the most esteemed tourists.

Cairns.

With tropical far-north Queensland receiving government funding to enable planning of five new tourism projects, Cairns and the surrounding areas are sure to experience fresh and exciting tourism opportunities. Plans for a World Heritage Gateway Centre along with the warm weather and sultry atmosphere of Cairns suggest that this sunny location is fast becoming a tourism hotspot⁹.

Figuring out the figures.

Numbers never lie, but they don't always give you the right answer – unless you know which way to look at them. Most investors want the same thing from their investment property: capital growth and healthy rental yields. Luckily, property data is readily available to help ensure they get the best possible results, but it can be a real headache to decipher and extract the numbers that count. To help with the data daze, here are a few factors to consider¹⁰.

Rewarding returns.

For investors after lucrative rental returns, the weekly advertised median rent may be worth looking at, as it provides the middle return for all advertised rental listings in a particular suburb during a 12-month period. It, however, cannot be confused with the gross rental yield, as these figures are derived from the weekly advertised median rent as well as median property prices to calculate a percentage value.

Data has its differences.

Unfortunately, data doesn't always give a correct reflection of the market situation, but understanding the differences between raw and seasonally adjusted data may help. Raw data is the actual measure of how sales or values have increased or decreased over a period.

On the other hand, seasonally adjusted data is altered to account for seasonal changes that may have affected results. An example of this could be property sales' tendency to slow over the January period due to many people taking holidays.

Beware the X factor.

Every property, buyer, seller and suburb is different, so there's always an 'X factor' involved that could skew the data. According to Andrew Wilson of Australian Property Monitors, the more properties analysed, the lesser the chance of an X factor swaying the findings, so the best way to get a real feel for values is to look at as many properties as possible¹¹. Property buyer Rich Harvey suggests that to get a real sense of underlying trends, looking at data is best done over a decade, or a longer period of time, as opposed to a one or two year window¹².

Sources:

6. Government of Western Australia, *Margaret River wins Top Tourism Award*, www.wa.gov.au, 21 October 2011

7. Tourism Western Australia, *Margaret River*, www.westernaustralia.com, accessed 2 November 2011

8. Tourism Northern Territory, *Darwin named in Lonely Planet's top ten world cities*, www.tourismnt.com.au, 31 October 2011

9. Tourism Queensland, *Future attractions funding for Tropical North Queensland tourism announced*, www.tq.com.au, 24 February 2011

Sources:

10. Santoromito, M, *Beyond the numbers – making sense of property data*, Smart Property Investment magazine, September 2011

11. Wilson, A, cited in *Beyond the numbers – making sense of property data*, Smart Property Investment magazine, September 2011

12. Harvey, R, cited in *Beyond the numbers – making sense of property data*, Smart Property Investment magazine, September 2011

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We will come to you



What's happening in your state?

The start of the year is the time for new beginnings, and rate cuts from the RBA appear to have given the Australian property market a promising start.

After property prices hit record level lows in 2011, the outlook for 2012 is optimistic. According to the recently released QBE LMI *Australian Housing Outlook 2011 – 2014* report, by the middle of 2014, house prices in all capital cities will have risen¹³.

Top performing Queensland suburbs by quarterly growth¹⁴:

Suburb	Property type	12 month growth
Balgol Beach	House	34.5%
Dicky Beach	House	20.4%
Habana	House	19.1%
Barmaryee	House	16.9%
Cloncurry	House	16.6%

Investor outlook for Queensland.

Queensland remains the property market of choice for investors Australia wide¹⁵. Although it was hardest hit when property prices declined – with values falling 5.2% in the year to September – Queensland is showing signs of a strong recovery¹⁶. The aftermath of last year's natural disasters triggered major construction projects in the areas affected, which is likely to strengthen the market.

Alongside infrastructure projects, the resources boom has fuelled the market in many areas. The suburb of Gladstone is very much centre stage when it comes to Queensland's hotspots, with many investors now reaping the returns of buying in the suburb when the resources boom first hit. For those looking to invest now, Calliope and Tannum Sands could be heading in the same direction¹⁷.

Sources: 13. *Things are looking up for residential property*, Australian Property Investor, December 2011

14. Table data from Australian Property Monitors, cited in Australia Property Investor, December 2011

15. *Top 10 Queensland Hotspots*, www.hotspotting.com.au, September 2011

16. Zappone, C, *New house sales slump to 10-year low*, Sydney Morning Herald, 1 November 2011

17. Cross, L, *Getting into Gladstone*, Australian Property Investor, December 2011