

# The Wise Times

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## EDITORIAL

How many times do we say to ourselves "I wish I had done that." Or "I wish I had invested then." How many of you have listened to the media and thought "Property prices are falling, I will wait awhile before I invest in my first/next property?" Well, I believe that you have done the wrong thing by waiting. For most of this year, through this news letter and at seminars, I have been telling you that property prices are NOT falling, but still rising. Rents are also rising faster than a yeasty hot-cross bun dough mixture.

Last Monday I was privileged to attend a lunch where Frank Gelber, chief economist of BIS Shrapnel, was the guest speaker. Mr Gelber was quite "bullish" about the future prospects for property prices in Australia, and South East Queensland in particular. He, like me pointed to the continually rising population, and lack of new building activity, which is putting a great strain on our present property resources. Mr Gelber suggested that we are likely to see a rise in prices of some 30% over the next three years, with a commensurate rise in rents.

Then, to add the icing to the cake as it were, the latest REIQ growth figures for Queensland have just been published. These are for median prices between June 2007 and June 2008, which takes in six months of so called "Doom and Gloom." Look at the results:

Brisbane City Council area as a whole up 17.1%, Annerley up 23.1%, Aspley up 17.9%, Chermerside up 17.1%, Everton park up 23.7%, Holland park up 29.9%, Kedron up 26.1%, Windsor up 30.4%, Wynnum up 30.0% and Zillmere up 23.4%. These are all suburbs Wise has promoted and sold in over the past year. In the Ipswich area, the same story is unfolding, Brassall up 24.5%, Flinders View up 24.6%, Ipswich as a whole up 26.4%, and Raceview up 21.4%.

Congratulations to all our Wise Investors who invested over the last twelve months, your wealth is steadily increasing. To be part of the next wave of wealth creation, may I suggest that you STOP PROCRASTINATING and START TO TAKE ACTION. Wise has some great packages and opportunities available NOW, so don't be an "I wish I'd done that," be an "I'm glad I did that!" The choices of course are yours, but please consider carefully your next course of action.

**Lionel Morris LREA DipFP**  
**Wise Director**



## HOW TO LIVE LONGER

Late into John Howard's term as Prime Minister of Australia he was asked how he continued to have an unyielding enthusiasm for one of the toughest jobs in the World. He remarked: "My mother told me that no man was ever too important or too busy not to stop for lunch..." and I added to John Howard's wisdom "and have a glass of red wine!"

Little did I know that science has proved that red wine is not only good for you [being part of the Mediterranean Diet we hear so much about] but is also has very powerful anti-aging benefits. Apparently Resveratrol in red wine, in addition to acting as a powerful antioxidant, has now been shown to affect genetic aging. According to a recent article in the New York Times a company called Sirtris founded to develop drugs with the same effects as Resveratrol was sold to GlaxoSmithKline for \$720 million.

So, in a few years time there will be a "wonder drug" available that combines the antioxidant properties of red wine with its antiaging benefits.

My question is: Why wait? You can get all the benefits right now easily, the natural and healthy way by enjoying a regular glass of red wine!! And there is more evidence that, in moderation, red wine is truly a health drink miracle. According to a Harvard Medical School study, Resveratrol increased the survival rate of human cells after exposed to DNA-damaging radiation. It even extended the lifespan of roundworms, fruit flies, yeast and human cells by up to 70%. Further research shows it can also protect you from embarrassing "senior moments" caused by Alzheimer's. It protects the brain from free radicals believed to start the process of cognitive decline and keeps brain cells alive. And my research, in justification of my evening glass [or three] of red wine shows that Resveratrol is more potent when taken in combination with other antioxidants. When I get home to-

night I will make sure that I have the necessary other ingredients of antioxidants like vitamin C, E, and alpha lineolic acid. Apparently the combination creates a synergistic effect that attacks every kind of free radical threat in your body...giving you a long, healthy, disease-free life. All I need to do now is work out how to get Teresa to share in the benefits of antiaging red wine too and solve the question of "who drives home?"



## Helpers Required

Are you a successful property investor? Isn't it great having your property working for you? Haven't the current Capital gains being experienced increased your wealth dramatically? If you are a happy and successful Property Investor, then Wise has opportunities for you to work with our Area Managers in Melbourne, Canberra, Brisbane and Darwin. I am sure that you have friends or family that would benefit enormously from being shown the correct way to invest, just as Wise showed you. Talk to your Area Manager or the team at Wise Spring Hill today and find out how working with a Wise Area Manager can help you to help others, and to earn you an income to go towards your next purchase too.

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

# INTEREST RATES-HOUSING INVESTMENT RETURNS

By Michael Matusik

August's RBA Board minutes clearly show that the negatives acting to weaken economic growth are now predominant in the RBA's view. Also, the negatives are gaining over the positives. The impact is evident in a range of monthly indicators such as consumer and business confidence; retail trade; housing lending, sales and new starts and credit growth. The positives, such as the July tax cuts and this year's 20% boost in our terms of trade, are no longer seen as sufficient to offset the negatives.

The RBA's view on the cash rate outlook boils down to two issues. Expected high inflation outcomes over the rest of the next 12 to 18 months support the case for keeping interest rates on hold. But the downside risks are now considered more important. The general consensus is that the RBA will cut the cash rate by 0.5% by the end of calendar 2008, to 6.75%. A rate cut of 0.25% on the 2nd September has happened, followed by another possible 0.25% cut in November.

Now, the financial markets expect at least five 25 basis point cuts in the cash rate by the middle of calendar 2009, bringing the cash rate to 6.0%. At present the standard variable home loan interest rate averages 9.6%. Before the credit crunch struck last year, the variable mortgage was 1.8% higher than the official cash rate. Now that global funding costs have increased, this margin has reached 2.35%, suggesting that even if the cash rate dropped to 5.5% (as some are predicting) home buyers would still be facing lending rates above 7.5% - a far cry from the halcyon days of early 2002 when mortgage rates were just above 6%.

But will the RBA drop interest rates by this much? Renowned market commentator, Robert Gottlieb, thinks not. Gottlieb believes that the RBA is looking at the enormous investment taking place in infrastructure and resource projects, and is deliberately setting interest rates high so that housing starts go into decline until the lump of infrastructure spending is over. He argues that if the RBA doesn't adopt such a strategy, the construction boom would lift inflation to near double digits. Now this does not rule out interest rate falls, but they are unlikely to go back to levels of a year or two ago until big slabs of the infrastructure/resources investment bludge have passed. We concur - and the RBA has time on its side. Strong migration means we have a shortage of new housing, which is underpinning prices and rents. We expect new housing starts to remain subdued until 2012. However, lower than expected inflation figures in coming quarters or very weak job and/or credit data may prompt more cuts during 2008/09. But expected high inflation outcomes mean a gradual approach to rate cuts is more likely at this stage. We expect only two 0.25% cuts over the next 12 months.

Now, we all know there are two basic types of home loans - variable and fixed. When it comes to a variable rate, it does not matter when you buy, so why wait to buy when everyone else is jumping into the market? When it comes to fixed rates, most don't realise that they do not change in line with actions by the RBA. Instead, they tend to move in advance of RBA actions and reflect shifting market expectations about what the RBA may do in the future. Today's fixed mortgage rates have factored in anticipated cuts in the cash rate by the RBA. In fact, if you think there is a chance that the RBA will not cut interest rates as aggressively as the market expects - which, as out-

lined above, might be the case - then fixing now is advantageous. In short, the best time to fix a home loan is when the RBA is about to cut interest rates and when markets have become convinced there are further interest rate cuts to come. In contrast - and contrary to public opinion - the worst time to fix rates is when the RBA are likely to raise interest rates.

Fixing for a "longish" term, however, might not be a great idea at present, given the added premium in longer-term, fixed rate loans due to the sub-prime credit crunch. Maybe a two or three year fixed term might suffice. But there is no logical reason to delay buying a residential property on the basis of waiting for interest rates to fall. In fact, the exact opposite applies. An analysis of interest rate falls since the early 1990s and against housing starts, prices and sales and confidence (measure by the Westpac-Melbourne Institute Good Time to Buy a Dwelling Index) has found that a 0.25% fall in mortgage interest rates causes:

Housing starts rise by around 5% over a three month period immediately after the drop in interest rates,

House prices also rise by between 2% and 3%, again over a three month period after the rate drop,

Sales volumes lift on average by 5% within the first quarter after a 0.25% decline in interest rates, and

Buyer confidence lifts about 8% within a month or two straight after the decline in interest rates, or by 12.5 points as measured by the Westpac-Melbourne Institute index.

Given this evidence, waiting until interest rates drop before buying is not wise at all. Many might be surprised at how well residential property has performed over the last 12 months.

So don't wait! Now is the time to buy!



## The Path to Success - Make Good Decisions

"I've been fortunate enough to spend time with a lot of very driven business people - Martha Stewart, Donald Trump, Jeffrey Katzenberg, just to name three. The commonality is pretty fast decision making. Just get it done. Yes, no, yes, no... not to vacillate, and sit around and wonder, until it's too late." **Mark Burnett** creator of Survivor and The Apprentice

# Pete's Tips No 61

## HERE WE GO AGAIN

Despite the best attempts of the media to 'talk down' the market, despite the double blow of high interest rates and soaring petrol prices, despite the meltdown in the local and international share markets, good old bricks and mortar residential housing in Queensland managed a price rise of 10-20 per cent in most regions. And most commentators are now predicting that house prices are set to surge again.

REIQ figures for the June quarter released only last week show the industry weathered the economic storm of the last year surprisingly well. While the median house price was steady in most areas across the state for the last quarter and some areas registered modest falls, Brisbane, Ipswich, Moreton Bay and Redland continued to grow. REIQ Chairman, Peter McGrath said "these results fly in the face of some commentators who predicted doom and gloom and substantial drops for property markets across the country." Mr McGrath also pointed to the longer term trend and noted that Queensland median house prices had almost tripled from \$135,000 to \$390,000 in the past ten years.

Property analyst, Michael Matusik says returns on residential houses have outstripped all other major investment options over ten years and he predicts property prices will grow 8-10 per cent per annum over the next three years.

For the unfortunate battlers who are caught in the rental trap the outlook remains bleak. Despite a reduction in stamp duty for first home buyers from 1 September and the Reserve Bank's decision to cut interest rates by 0.25% on 2 September their ability to escape the rental trap isn't getting any easier. If anything these measures will increase demand and cause price increases, especially at the bottom end of the market. Rents are still increasing at an astounding rate. A glance back through Wise records shows - a two bed unit at Albion that was rented for \$215 per week five years ago is now rented for \$340 per week - a 58% increase. A three bed townhouse at Gaythorne that was rented for \$250 per week in 2003 is now rented for \$350 per week - a 40% increase. An older style three bed timber home at Everton Park that rented for \$195 per week in 2003 now rents for \$310 per week - a 59% increase in five years.

For those who can afford to get into the property investment market there will never be a better time than now. History has shown that there is usually a price surge in residential housing as interest rates drop. So jump aboard before you get left behind because "here we go again."

Happy investing,  
**Peter McDonald**  
Property Listing Manager LREA



## RBA LOWERS OFFICIAL CASH RATE

**RBA Lowers Official Cash Rate. At its meeting today the Board decided to lower the cash rate by 25 basis points to 7.0 per cent, effective 3 September.**

Inflation in Australia has been high over the past year in an environment of limited spare capacity and earlier strong growth in demand. In these circumstances, the Board has been seeking to restrain demand in order to reduce inflation over time.

**Statement by Glenn Stevens, Governor Monetary Policy RBA**

As a result of increases in the cash rate last year and early this year, additional rises in market interest rates and tougher credit standards, financial conditions have been quite tight. Some further tightening has occurred over the past couple of months. Conditions in international financial markets remain difficult, with heightened concerns over credit persisting.

The evidence is that the tight financial conditions, in conjunction with other factors including higher fuel costs and lower asset values, have exerted the needed restraint on demand. Indicators of household spending have recorded subdued outcomes over recent months, and credit expansion to both households and businesses has slowed. Surveys suggest a softening in business activity and growth in production has slowed. Indicators of capacity utilisation, while still high, are declining and there have also been some signs of an easing in labour market conditions.

The rise in Australia's terms of trade that has occurred is working in the opposite direction, adding substantially to national income and ability to spend. Fixed investment spending by businesses continues to be very strong. At the same time, high prices of oil and a range of other commodities have added to global inflationary risks. They are also dampening growth in a number of countries.

Given the opposing forces at work, considerable uncertainty has surrounded the outlook for demand and inflation. On balance, however, it is looking more likely that household demand will remain subdued and overall economic growth slow over the period ahead. Inflation is likely to remain relatively high in the short term, with the CPI affected by the high global oil prices in mid year and other increases in raw materials prices. But looking further ahead, the outlook for demand suggests that inflation in both CPI and underlying terms is likely to decline over time, provided wages growth remains contained. The Bank's forecast remains that inflation will fall below 3 per cent during 2010.

Weighing up the available domestic and international information, the Board judged that there was now scope for monetary policy to become less restrictive. The Board will continue to assess prospects for demand and inflation over the period ahead, and set monetary policy as needed to bring inflation back to the 2-3 per cent target over time

**Brad Oliver**

Tel 07 3420 0044

Fax 07 3420 0144

brad@firstchoicehomeloans.com.au



**FIRST CHOICE**  
HOME LOANS

# WISE Contact Details

## WISE INVESTMENT

**SALES DIRECTOR**  
Lionel Morris

07 3837 0300 0419 719 520  
lionel.morris@wiseinvestment.com.au

**MANAGING DIRECTOR**  
Bronwen Morris

07 3837 0300 0421 045 973  
bronwen.morris@wiseinvestment.com.au

### ACT

**Damon & Paula Banks**  
0414 247 716

damon.banks@wiseinvestment.com.au

### SOUTH QLD

**Keith & Carol Gough**

07 3261 1545, 0410 426 115,  
0403 084 154

keith.gough@wiseinvestment.com.au

### NORTHERN TERRITORY

**David Bradley**

08 8942 2720 0424 102 799  
david.bradley@wiseinvestment.com.au

### VICTORIA

**Michael Osborne**

03 9744 7144 0403 370 584  
michael@mcmahonosborne.com.au

### VICTORIA

**Bereni Franklin**

0419 854 971

bereni.franklin@wiseinvestment.com.au

## WISE REALTY

**MANAGING DIRECTOR**

Lionel Morris

07 3837 0333 0419 719 520  
lionel.morris@wiseinvestment.com.au

**MANAGING DIRECTOR**

Bronwen Morris

07 3837 0333 0421 045 973  
bron@wiserealty.com.au

**LISTING MANAGER**

Peter McDonald

07 3837 0333 0411 727 034  
peter.mcdonald@wiseinvestment.com.au

### SENIOR

**PROPERTY MANAGER**

Carol Gough

07 3837 0333 0403 084 154  
office2@wiserealty.com.au

# Wise Free Seminar Dates

**NT**

**Darwin**

### PROPERTY FORUMS

**7:30 - 9:30pm Tue 21 Oct**  
**7:30 - 9:30pm Tue 18 Nov**

Property Investment Forums will be held each month, with the date and location notified by email. If you would like to be notified of these and other events please send me an email

david.bradley@wiseinvestment.com.au and I will add you to the distribution list.

### PROPERTY INVESTMENT COURSES

**7 - 9 Mon evenings**  
**6th, 13th & 20th October**

This 6 hour course runs over 3 evenings providing a comprehensive understanding of what is required to become a successful property investor. Numbers are strictly limited.

To find out more, please contact David on david.bradley@wiseinvestment.com.au or 0424 102 799.

### INVEST IN PROPERTY WITH YOUR SUPERANNUATION

**2 - 5 Sun 5th October**

Lionel Morris will be describing how investors can use superannuation to invest in residential property without additional contributions. Lionel will also demonstrate how WISE investors can own a \$400,000 investment property for \$80 per week after tax or less using a WISE Ultimate House and Land Package.

Seats are strictly limited, to reserve your seat please contact David on david.bradley@wiseinvestment.com.au or 0424 102 799.

### PERSONAL APPOINTMENTS

If you would like a personal appointment to discuss property investment and how it can benefit you, please call David on 0424 102 799 or after hours on 8942 2720.

**ACT**

**Canberra**

**Tues 21 October 7.15 for 7.30**

Introduction by Damon Banks  
Lionel Morris will talk on property investing in general, the current state of the market, The Wise Ultimate Investment package, the year in review, was it as bad as we thought? What of the future? What does 2009 hold for us all?  
Plus

Innovative finance products by Brad Oliver

**The Walter Yorke Room**  
**Clifton Suites on Northbourne**  
**100 Northbourne Avenue**

Bookings to your host  
Damon Banks 0414 247716  
damon.banks@wiseinvestment.com.au

**Wed 3 December 7.00 for 7.30**

Xmas drinks and nibbles  
Nuts and Bolts  
by Lionel

Great for beginners, and a good refresher course for the experienced investor

The services that Wise Canberra offers by Damon Banks

To cross collateralise or not by Brad Oliver

**Clifton Suites on Northbourne**  
**100 Northbourne Avenue**

Bookings to your host  
Damon Banks 0414 247716  
damon.banks@wiseinvestment.com.au

**Wednesday 22 October**  
&

**Thursday 4 December**  
**PERSONAL APPOINTMENTS**  
**Brad Oliver-First Choice Home Loans**

Discuss your personal & investment property finance requirements/options in private

**QLD**

**Brisbane**

**Fri 10 October 6pm BBQ**  
**7.15pm for the meeting**

Lionel Morris will be speaking to us on "Is now the time to invest". Lionel will cover topics such as high interest rates, high prices, locality, shares etc. So come along and have all your questions answered.

**25 Pirramurra St**  
**Bracken Ridge**  
Special Guest  
Lionel Morris

A meeting that is a "must attend"

Bookings essential - phone Keith on 0410 426 115 or 3261 1545 no later than Tuesday 7th October at 5pm

Keith is available to you at anytime for one on one meetings if you so desire. He will meet you at your home, at ours or at the Coffee Club. We are here to be of assistance so don't hesitate - we like to be kept

### MAVERICK QUOTE OF THE DAY

"Hard work keeps the wrinkles out of the mind and spirit."

**Helena Rubinstein**

Check this out... Google Map now gives you the opportunity of taking your property search experience to a whole new level.

You can now check out at street level any property in selected cities and actually walk down the street by panning rotating and zooming using Street View maps.

**Go to the usual Google Map site**  
**www.google.com.au, type in the exact address,**  
**search and then hit 'Street view' to see any house and street in 3D.**

## Rental Yields Climbing

After a year of average rental returns there are now 180 Australian suburbs achieving a gross rental yield of at least 6 per cent. The latest RP Data research found four of the seven capital centres have seen an increase of gross investment returns from residential property in the year to March 2008.

According to RP Data research director Tim Lawless market conditions are different now. "Properties are taking longer to sell and there is more movement on the asking price of properties in the market as stock levels mount due to decreased levels of buyer activity."

He says investment levels in the Australian real estate market have not fallen this low since the end of 2006. The report showed rental returns fell during 2007 as dwelling values increased at a faster pace than rental rates.

"With capital growth softening in the market, together with an exceptionally tight rental market, gross yields are trending up." Adelaide, Brisbane and Melbourne are the only capital cities that have not shown an improvement in gross yields between March 2007 and March 2008. These areas are still showing above-average rates of dwelling value growth.

Mr Lawless says the best metro rental yields can be found in the outer suburbs along transport corridors where housing prices are low relative to the rental market. President of the Real Estate Institute of Australia (REIA) Noel Dyett says there has been a significant decline in the number of new building approvals following interest rate rises. "Without the additional housing stock urgently required to address Australia's housing shortage, not only will home loan affordability suffer, but we can expect to see rental affordability reach new lows as well," Mr Dyett says. Of the 180 suburbs throughout mainland Australia achieving a gross yield of 6 per cent, just over one third are within the capital city metro areas. The remainder are in regional towns, particularly resource and intensive and coastal lifestyle locations.

Written By: Charlotte Cossar  
Source :  
www.realestate.com.au  
(June 2008 - Issue 1)

## Would You Like a WISE Body Corporate?

Apart from dramas with tenants, and the fear of not having one, the next greatest gripe that most owners of strata titled property have, appears to be associated with their Body Corporate management. Our property managers here at Wise Realty are always having problems with Body Corporate managers, either in not being able to contact them, or else just with complete lack of action. Accordingly, Wise has decided to start our own Body Corporate management business. This should be in operation by the end of April. All our Wise owners will shortly receive a questionnaire regarding their Body Corporate management. Please help us to help you by completing and returning this questionnaire as soon as possible after receiving it. Together we can make Wise stronger, and add to your investment Peace of Mind.