Property Investor Update
June 2015

Davidson

What's in the federal budget for real estate?

It's that time of year - budget season. As states and territories, business executives and low-income families alike hold onto their seats, Australian Treasurer Joe Hockey has laid down a budget with a number of impacts on the housing market.

This is important to pay attention to, whether you're buying a home as an experienced investor or a first time buyer - but what's going to change?

Steady as she goes in the tax corner

"If it ain't broke, don't fix it" seemed to be the motto on taxes relating to real estate in the Australian Budget, with no significant change to many important fees.

In a May 12 response to the budget from the Real Estate Institute of Australia, CEO Amanda Lynch said the tax arrangements that have been held in place will be great for property investment.

"With other sectors of the economy slowing, housing will play an increasingly important role and it is pleasing to see the government has not tampered with tax arrangements that have been proven to help stimulate housing investment in Australia," she said.

This pertains to both negative gearing and the Capital Gains Tax, both of which have proven good incentives for people to purchase investment real estate in Australia over recent years.

A bump for building

Furthermore, the budget contained packages that will have benefits for the supply side of the housing industry, by boosting construction businesses - something the Housing Industry Association is thrilled by.

"The $5.5 billion 'Growing jobs and small business package' provides important support to a wide-ranging group of small businesses in the residential construction industry," said Graham Wolfe, HIA Chief Executive for Industry Policy and Media Relations in a May 12 release.

This statement referred to the small business sector as the "engine room" of the housing construction industry, so this grant might have some fantastic benefits for this part of the residential real estate market.
Given that Australian Bureau of Statistics figures already have trend approvals sitting at 18.2 per cent higher in March 2015 than the year before, this is a strong base to work from! This could mean we're about to see even stronger growth in housing construction, and all the growth benefits that come with it.

This gives first time buyers of property for sale more options - grants available to this group are usually only for use on new homes or the construction of a dwelling.

Boosts to construction means more new properties for first home buyers or investors.

Contact us to find out what's in your area.

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Sabrina Loschiavo
Senior Property Manager
Mob: 0431 560 322 Ph: 8798 2661
Email: pm@davidsonfirst.com.au

Can I add property I already own to my self-managed super?

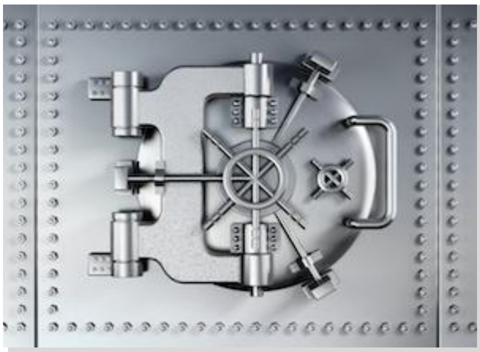
This will depend on whether the property is residential or commercial.

You can buy a commercial property that you already own and even borrow against it, as long as you meet the borrowing criteria i.e. a maximum Loan to Valuation Ratio of 72% for residential property and 63% for Commercial Property.

If you want to buy a residential property, it cannot be owned by a related party as it must be kept at 'arms length'.

It must be purchased from and leased to an unrelated third party.

We recommend you seek independent professional financial advice before making any property investment decisions.



Investor access to mortgages tightens

The chances of a significant property adjustment are rising as momentum builds for serious mortgage lending reform.

Statistics for the big four banks reveal that more lending risk has entered the system, putting pressure on regulators to find a way to slow the market.

Investor market share reached 35.3% in the March quarter – up from 34.2% the year before – while the share of interest-only mortgages rose from 36.8 to 38.8%.

The increase in interest-only mortgages poses a risk because these loans are more sensitive to movements in interest rates than principal-and-interest loans.

Investor growth is also a concern because investors often have smaller deposits than owner-occupiers and are more likely to speculate.

Banks have increased their mortgage volumes by 8.6% & investor volumes by 12.2%, thereby increasing their exposure to Australian housing.

All four of the major banks recently responded to regulatory concerns by making it harder for investors to access mortgages.

However, credit ratings agency Moody's has called for more reform, which would have the effect of further slowing the market.

Moody's believes banks will gradually revise mortgage risk weights over the next 18 months, while also increasing the quantity and quality of their capital holdings.

This will probably mean less housing activity and reduced price growth.

Mid/End of month payment dates

June

Mid 16th
End 29th

July

Mid 16th
End 30th

August

Mid 17th
End 31th

September

Mid 16th
End 30th

October

Mid 16th
End 30st

November

Mid 16th
End 30th

December

Mid 16th
End 30th

Recent Rental Results

Hammondville
8 Morley Ave
3 bed 1 bath 1 car $510 pw

Holsworthy
74 Bardia Pde
3 bed 1 bath 1 car $470 pw

Moorebank
4 Topin Place
3 bed 2 bath $500 pw

Hammondville
54 Meehan Ave
4 bed 1 bath 1 car $540 pw

Wattle Grove
20 Anzac Mews
3 bed 1 bath 3 car $550 pw

Holsworthy
12 Labuan Rd
3 bed 1 bath 4 car $480 pw

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Hammondville NSW 2170
www.davidsonfirst.com.au
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