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### **Low Rates Turn the Tide**

*The current environment of low rates is making a solid case for property investment. Shares are producing huge losses and dividends are falling. Meanwhile, rents are rising.*

While the market has witnessed a decline at the higher end of the property market, at the first-home buyer's end another bubble is starting to grow. On the whole, however, property prices have barely budged.

Government statistics say the market fell 6.7 per cent last year but this excludes flats, which generally have been rising. Taking this into account, RP Data puts the fall at only 3 per cent. Whatever figure you choose, that hardly qualifies as a crash.

Foreclosures are a harbinger to property crashes and they have hardly surfaced outside the metropolitan fringe.

The actual trend is seeing investors returning to the market pursuing the potent cocktail of rising rents and lower interest rates. Home finance approvals for investment properties soared 8.9 per cent in April. This would equal an annualised rate of 107 per cent just to give you an idea of what this indicates. Actually, the demand for home loans has been increasing for six consecutive months leading into April as well.

On a more somber note, the amount lent was still lower than a year ago. But if you're thinking of purchasing, consider that low rates may not last much longer. The money market expects a rise of half a percentage point early next year.

But the Reserve Bank is saying something else altogether. It says it may cut rates yet again but has a wait and see attitude. Certainly there'll be no increase while unemployment is rising.

But the fact that the market thinks rates might rise is actually a bonus for property. Why? Because they're saying the economy is getting better faster which is good for asset prices.

With world banks stuck keeping interest rates low (even at ground zero) until well into recovery, a globalised credit boom is almost certainly coming.

Meanwhile, here in Australia there's no way property prices are going to drop while rates are this low.

Source: "Home is where the profit is", *The Sun-Herald*, 14 June 2009.

## **First Home Owners Grant Boost Extended to September 30**

*First home buyers can breathe more easily. The \$7000 boost to their payments has been extended to September 30, 2009. This means that those buying an established dwelling will be eligible for a grant totaling \$14,000. Meanwhile, those purchasing a newly constructed dwelling will continue to be eligible for a \$21,000 grant provided they enter their contract by September 30 as well.*

If you miss the deadline as a first home buyer, you can still receive \$10,500 towards a purchase of an established dwelling from October 1 to December 31, 2009 and \$14,000 for new dwellings.

In a speech to Parliament in May the Treasurer, Wayne Swan, said the grant had helped 59,000 people buy their first home and supported employment in the housing sector.

The boost to the grant is designed to stimulate the wider economy. Investment in building dwellings is forecast to fall by 2.5 per cent this financial year and to register no growth in 2009-10 before recovering the following year.

"The near-term outlook for dwelling investment continues to be dominated by low levels of household confidence and persistent funding difficulties for medium density dwellings," the budget papers say. "As a result, dwelling investment is expected to remain flat in 2009-10 before staging a solid recovery in 2010-11 with growth of 11.5 per cent."

"Loans to first-home buyers have risen sharply to the highest level as a proportion of the market since 1991."

Source: "Bigger grants extended in move to prop up housing," *The Sydney Morning Herald*, 13 May 2009.

## **Home Affordability Improves Dramatically**

*According to the Reserve Bank, a typical home is worth a little over four times the average household's annual after-tax income, down from almost six times five years ago.*

The reasons for this are strong growth in incomes and a period of more sluggish median house price growth. Both of these are working in the interests of would-be home buyers. “This is a dramatically better picture on Australia’s housing affordability,” the chief economist at UBS, Scott Haslem, said.

The governor of the Reserve Bank, Glenn Stevens, said that the gradual improvement in affordability suggested Australian house prices were not heading for the same large price falls witnessed in other countries.

Source: “Home affordability dramatically better”, *Sydney Morning Herald*, 20 May 2009.

## **Let the Home Dry Out After a Flood**

*With global warming the weather continues to play havoc with cycles of bush fires and flooding. So let’s take a look at what happens when there’s excess water around the home.*

According to Archicentre, flooded homes take months to recover and homeowners should allow the house to completely dry before starting renovations.

Archicentre State Manager, Angus Kell, says water damage can require chipboard cupboards, doors and plaster works to be totally replaced. “The first telephone call following a flood is usually to an insurance company,” he says. “Beware of finalising a claim for the following reasons.”

Here is Archicentre’s post flood protection checklist.

- ❑ Power points and switches collect mud, so ensure a licensed electrician checks these before reconnection.
- ❑ Water can penetrate gas and other appliances, flooding pilot lights and causing damage to interior pipes. A flooded house full of fumes is extremely volatile. Natural gas, compressed natural gas and propane gas should be checked by a licensed registered plumber.
- ❑ Additionally, particle board cabinets will expand and collapse after water damage. Don’t waste money repairing cabinets that need replacing.
- ❑ Following flooding, large pools typically form under the house. These areas need to be re-graded to prevent long-term structural damage like rotted floor framing.
- ❑ Keep the under floor space well ventilated. Timber floors could otherwise dry unevenly and result in twisting and warping.
- ❑ Flooded concrete slabs need to be dried out thoroughly before laying carpet. This can take weeks. New carpet on a wet slab will ultimately rot.
- ❑ Sub-floor central heating ducts can fill with water. Ducts may need to be cleaned or replaced if they are full of mud.

- ❑ Plasterboard walls require time and patience before repainting. The outside walls probably feel dry, but inside the walls are wet and invite mould.

Source: [www.archicentre.com.au](http://www.archicentre.com.au)