

Record Price Growth a Sign of Better Times

Australia has proven its resilience in withstanding and overcoming the economic challenges of recent times. With increased confidence in many sectors and positive reports of recovery in the broader economy, the property market is moving forward in leaps and bounds. According to RP Data, August 2009 saw national property prices jump by almost 2%, the highest monthly increase since the RP Data-Rismark Home Vale Index began in January 2005.

August's 1.9% rise in property prices, in addition to being higher than expected, brings cumulative capital growth for the first eight months of the year to an exceptional 7.9%. The most recent figures also coincide with the winding down of first home buyer activity, which helped push prices up in the earlier part of the year. Amidst increasing home values, auction clearance rates are very strong at almost 80% (compared to less than 50% for the same time last year), and sales volumes have increased considerably. The level of market activity has increased by 17% since the beginning of June and is sitting at 26% higher than for the same period in 2008.

Home values are increasing in all sectors including the upper end. All capital cities have achieved solid growth in the first seven months of the year with Darwin experiencing the greatest increase with 10.8% in house prices. Both Melbourne and Sydney have performed extremely well, with increases of 8.5% and 6.6% respectively. While Brisbane saw home values grow by 3.8%, market conditions continue to improve, with houses and units taking just 29 and 26 days respectively to sell. Brisbane's unit values, at

\$349,666 are the most affordable of any mainland capital city, according to RP Data. Overall nationally, houses have outperformed units.

As competition from the first home buyer sector wanes, the market is seeing a resurgence of both second and third time buyers, or 'upgraders', and plenty of investors. Many investors too are currently preparing their finances in preparation to hit the ground running in 2010. Australia's population growth has, according to the Australian Bureau of Statistics (ABS), again achieved record numbers and is expected to increase dramatically in the years to come, which will provide additional investment opportunities for the long term as capital cities expand and new cities are likely to be developed as a result of a housing shortage.

As this most interesting of years draws towards its end, the Australian property market has proven its solid foundations, its capacity for growth over the long term, and a resilience to withstand global economic conditions that brought other countries to their knees.



Did you know?

Residential investment property has been among the best-performing asset classes over the past 20 years.

Mortgage Stress – Who Needs It!

While the Reserve Bank followed through on an inevitable interest rate rise (from 3% to 3.5%) in early October, mortgage holders are advised to take pro-active steps to minimise the impact and that of further increases. Although certain things can't be controlled, many can. Taking control of your mortgage can have you saving thousands of dollars – and saying goodbye to your mortgage sooner rather than later. Here are a few tips:

- Negotiate your current loan. Are you paying only for the features that benefit you? Does your lender have any deals on offer? Can they offer you a better package? It helps to have done some homework on competitors' rates and fees first for some extra bargaining power. Lenders want to keep your loan and will try to avoid you taking it elsewhere.
- Find the cheapest loan (including rate and fees) with a flexible structure that allows extra regular or ad hoc repayments without any penalties. Be aware of any exit or establishment fees before refinancing, thereby ensuring that the costs don't outweigh the benefits.
- Make your repayments more frequently. Paying your mortgage off weekly or fortnightly significantly reduces the loan balance in most cases. Lump sum payments (such as tax returns and work bonuses) will reduce the life of your loan.

- Make higher repayments than required and explore areas of incidental spending that might best be re-directed to your mortgage. Remember, the quicker you pay off your loan, the less you pay in the long run.

For those taking out a new loan, the most common mistakes include: borrowing more money than is realistically affordable and succumbing to seemingly attractive advertised rates without considering hidden fees and charges that add to the overall payout figure. Using the best mortgage simulator technology, which takes into account all rates, fees and government charges, gives the most accurate information for the most informed decision making.

Managing your mortgage means your mortgage doesn't manage you! For further information, see your local Professionals agent, who can point you in the right direction.



The Great Aussie Backyard is Changing

While the Hills Hoist and BBQ remain as fixtures, Aussie backyards are greener than ever with more Australians growing more of their own food in gardens, pots, balconies and window sills. The focus is on fresher food that minimises our carbon footprint through the adoption of sustainable practises and the reduction of 'food miles', or the distance which food has travelled to end up on our plates. As well as minimising environmental impact, growing your own food is fun, economical and very educational for children.

This fast-growing trend extends well beyond the backyard. Community gardens, where local residents come together to farm their individual plots within a larger garden, are growing in popularity. So too are farmers' markets, which support local farmers and producers and offer fresh produce that's travelled few food miles and may well have been picked the day before. Restaurants are also adopting the 'garden to table' concept by

developing their own kitchen gardens. Aussie kids are getting their hands dirty, then whipping up a storm in the kitchen in an increasing number of Australian primary schools through the Stephanie Alexander Kitchen Garden Foundation program.

If you'd like to be a part of the food revolution in your neighbourhood, see www.communitygarden.org and www.farmersmarkets.org.au. For a mini food revolution in your own backyard, get a copy of Stephanie Alexander's latest book (following her hefty tome, *The Cook's Companion*, which is now revered as the Australian food bible). *The Kitchen Garden Companion* is just as weighty and is a practical, informative and invaluable guide to the resurgence of the backyard vegetable garden. It's available at bookstores and from www.kitchengardenfoundation.org.au. Happy gardening!



www.professionals.com.au

