

PROPERTY NEWS

Ideas to help you when you're Buying or Selling

Family Luxury



Just Listed



In an already hectic market, the Reserve Bank's decision to drop interest rates to an all time record low has further improved affordability levels, allowing more and more people to consider upgrading their lifestyle.

With the typical standard variable mortgage rate down to 5.7% and discounted variable rates to 4.85%, buyers are enjoying the lowest cost of mortgage debt in 47 years.

**Read our full report
on page 3 >>**

In this issue of Property News:

- Understanding The Property Cycle
- Luxury Is Now Affordable For Many
- Tips For First Time Investors

 Castlehaven

Call us on: 9634 5222

MESSAGE FROM CASTLEHAVEN

Dear readers,

The decision by the Reserve Bank to cut the cash rate by 25 basis points should take a typical standard variable mortgage rate down to 5.7% and discounted variable rates to 4.85% - the lowest cost of mortgage debt since July 1968.

This will add fuel to an already strong housing market that has seen dwelling values across Australia's capital cities increase by 19.6% since interest rates started falling in November 2011.

While lower consumer confidence might take some buyers out of the market, the low interest rate environment will see self funded retirees enter the investment side looking for a better return for their money.

It's good news for buyers and sellers alike.

Kind regards,

Deb Newton
General Manager



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How to understand property cycles

'Over the long term property values increase'

Understanding property cycles is one of the biggest challenges in real estate. Many novice investors believe that having read a few articles on the subject, or done some basic research, they know what is involved.

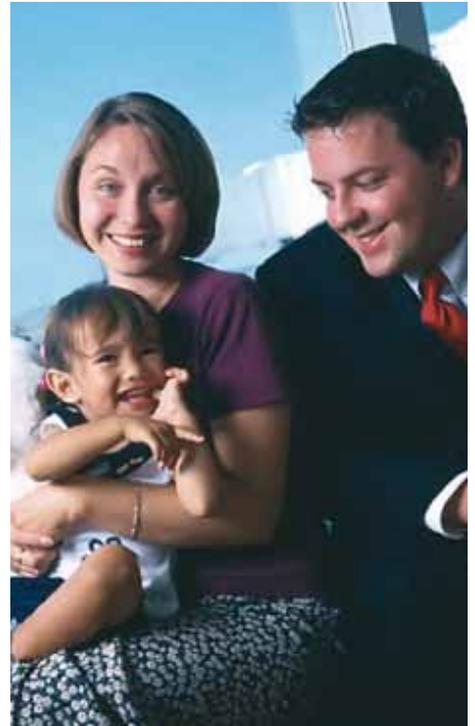
However, property cycles are not as straightforward as some authors would have investors believe. The key to investing in real estate is timing. As any experienced stock market or property investor will tell you, it's all but impossible to pick when a market has peaked or bottomed.

There are always those who will tell you they 'picked the top of the market' or 'got it right when it bottomed'. But, the reality is, it rarely happens. Instead, experienced investors try to pick a trend, whether a market is rising or falling.

For a property investor to accurately pick the trends, they need to know what a property cycle is. Property cycles in Australia generally last between seven to 10 years. They operate within the broader economy and are subject to and influenced by those factors that are impacting on the economy as a whole.

Those factors include interest rates, inflation and employment. And of course that immeasurable factor - market confidence.

It is true that the underlying force driving the property market is a growing population. So, what you see in a rising market is that the demand for housing is on the increase, that there is a shortage



of both rental accommodation and established and new housing.

According to the standard texts on property markets, the rules of supply and demand then come into play and investors and property developers step in to meet the demand by buying and building more homes.

The reality is that other factors such as interest rates are the real arbiters of whether or not that new investment takes place. What we are seeing at the moment is a classic example of a real estate market that is extremely hot on the back of low interest rates.

Providing the interest rates remain low the market should continue to rise. Currently Australians are enjoying record low interest rates and there is no sign of a rise on the horizon.



As with any financial exercise, the decision whether to invest in property or just to upgrade the family home is not one to be taken lightly. You should consult your financial adviser to ensure that you are in the right position to benefit from the market.

Mortgage Debt Is At Lowest Cost In 47 Years

Castlehaven General Manager, Deb Newton, has warned her staff to be prepared for even more hectic market activity under the new low interest rate environment.

“While the actual saving of the 25 points drop on a typical loan may only be about \$700 a year, it is the perception of the financial environment that will prompt more buyers to enter the market,” Deb said.

“Baby boomers who probably bought their first home at about 16%, have no fear now about making a substantial commitment.

“At the same time, we are expecting self funded retirees - a group particularly hurt by the lower earnings they are receiving from their savings - to enter the housing investment market.”

Against this background, Deb believes that lifestyle properties such as this month's cover home at 13 Pellizer Boulevard, Kellyville, will not last long.

Deb said that the four bedroom, two bathroom home is set on a quiet avenue close to the future North West Train Station and transport links.

On a huge, 800 sq.m. block, it has everything - media room, huge open plan kitchen with a scullery pantry, enormous tiled living area and a deck and alfresco area complete with an outdoor kitchen and television.

As well as a double garage there's side access and room for a boat or caravan. At the low cost of finance it won't last.



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Real estate made easy!

Call one of our sales specialists to sell your property



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Top tips for first-time property investors

Planning, research and good management will help you to enjoy your investment

The purchase of your first investment property marks an exciting new financial phase in your life.

It may also cause some butterflies as you venture into this unfamiliar territory.

As with any first-term venture you may well encounter some problems but here are some tips that should help you to avoid, or at least reduce, some of the issues associated with being a landlord.



Screen tenants

Check their details carefully and contact their referees and former property managers. It takes time but it helps to ensure your property is in good hands.



Watch the money

Don't let tenants get behind with payments or you'll set an unfortunate precedent and find yourself out of pocket. If payments are late take immediate action to show you mean business.



Insure yourself

A landlord insurance policy can cover you against potentially expensive payouts and loss of rental income. Among its benefits is the protection it can provide if tenants damage your property.



Do your sums

Rental income yields are below home loan interest rates, so make sure you can cover the interest cost differential. Other expenses could include council, land and water rates, and maintenance.



Plan for a rainy day

As well as planning financially for the expected, you need to anticipate and provide for the unexpected, such as an unplanned vacancy or a sudden interest rate rise.



Put things right

Failure to attend to maintenance issues could prove a legal liability risk for you if tenants are injured. Have repairs done as quickly as possible, and keep an eye on general maintenance.



Keep your distance

Resist any temptation to become your tenant's new best friend; otherwise it could be difficult to take action if issues arise. This is a business relationship and should stay that way.



Inspect regularly

A minor maintenance problem now could become a costly repair job in the future. Regular inspections by you or your property manager can save a lot of time and trouble.



Don't be greedy

If you try to squeeze every last dollar of rental income from your tenants, you might lose them. This could result in a vacancy that can be more expensive than taking less in rent.



Consider delegating

Many people dream of owning investment properties but don't want the work of managing them. In that case, for a small percentage of the rental income it's worth appointing a property manager with time and expertise to look after your investment.

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Real estate made easy!



Beck Stevenson
Senior Portfolio Manager



Tara Faulkner
Property Manager



Rachel Robinson
Property Assistant

Our property management staff are committed to protecting your investment and obtaining the best possible return. For an obligation free appraisal of your rental property contact us and we'll look after you.

**Call us today
on 9634 5222!**

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