



Seasonal budget tips ■ Home loan application suggestions ■ Troublesome tenants ■ Timing your move ■ Read. Watch. Listen.

WHAT IS OUR NEW PM'S STANCE ON HOUSING AFFORDABILITY?



On 15 September 2015 Malcolm Turnbull was sworn in as Prime Minister, signalling a new era for the Liberal leadership. This may lead to a shift in the way the government addresses economic issues, with the Turnbull government set to be "a thoroughly Liberal government committed to freedom, the individual and the market."¹ At the heart of Turnbull's economic ethos is the concept of a 'free market', encouraging competition wherever possible.

Despite low interest rates, the rate of home ownership for those under 65 is declining, along with wages growth.² With the median house price in Sydney now at \$1 million, housing affordability is an issue felt by many Australians, particularly those in urban areas. While the previous treasurer, Joe Hockey, was in favour of first home owners dipping into their superannuation as a solution to the growing affordability divide, Turnbull clearly stated in March 2015, when he was still a senior cabinet minister, "It's not what the superannuation system is designed to achieve."³ He has expressed his position on the broader issue on a number of occasions, "Housing affordability is a big issue in Australia but, as we have demonstrated over many studies over many years, this is a supply side problem."⁴

This sentiment is echoed by the new Treasurer, Scott Morrison⁵, who has indicated that while low interest rates

and increasing population have kept demand for housing high, he wants to address the issues on the supply side of the equation. With a focus on improving the competitiveness and efficiency of the housing sector, the areas that he has indicated he is set to reform include building development, approval processes and other regulatory constraints in the construction sector. This issue is not new ground for Morrison. As Minister for Social Services he argued for affordable housing to alleviate the growing levels of homelessness and demand for government-assisted housing.

Another area that impacts the demand side is taxation policy and, in particular, negative gearing and capital gains tax. However, both Turnbull and Morrison have remained silent on this issue to date, leaving a question mark over whether these policies will be looked at in their reviews.

Regardless of which areas they prioritise, for all existing home loan customers and those considering buying their first home, this will be an area to watch with interest.

¹ www.reuters.com/article/2015/09/14/uk-australia-politics-election-turnbull-idUKKCNORE1EP20150914

² www.theconversation.com/infographic-australias-housing-affordability-problem-in-12-charts-43171

³ www.abc.net.au/news/2015-03-11/superannuation-turnbull-says-changing-rules-bad-idea/6303708

⁴ www.abc.net.au/news/2015-03-11/superannuation-turnbull-says-changing-rules-bad-idea/6303708

⁵ www.smh.com.au/federal-politics/political-news/first-home-buyers-treasurer-scott-morrison-vows-to-tackle-runaway-house-prices-20150924-gjudk2



REFORMS TO REGULATORY CONSTRAINTS IN CONSTRUCTION SECTOR.

Welcome

With the new Prime Minister and his approach set to dominate the public discourse into summer, we take a look at what the change might mean for housing affordability. Plus, if you're on the verge of applying for a home loan, take a look at our quick tips on things that could potentially stall your application. It's also worth checking out our tips on how to deal with a common problem - the troublesome tenant.

Getting ready for the holiday season? We've got it covered with some budget tips to keep you on track and don't miss this edition's Read. Watch and Listen for tips on what you could be enjoying while you relax over the silly season.

We're interested in helping you and your family. So, if you'd like any advice relating to your home loan arrangements, please don't hesitate to get in touch.

Sincerely,

Daniel O'Brien



Financial Services

Home Loans • Commercial Loans • Business Loans

We can help you

- Get a home loan
- Reassess your current loan
- Refinance your existing loan
- Find a commercial or business loan
- Consolidate debt and free up equity



Budgeting tips for the holiday season

The silly season can be fun, but it could also leave you with a financial hangover. Thankfully, with a little preparation and creativity you can still enjoy it, and keep your home loan on track.

Give wisely

You're probably not the only person feeling the pinch, so why not suggest a Secret Santa. You can spend a little more giving one person what they really want.

If you can't bring everyone on board, make the most of online coupons that can now be used to buy everything from a discounted massage to bonus movie tickets. And if you're feeling creative, a handmade present is both light on the wallet and an extra-special keepsake.

Feast not famine

Putting on Christmas dinner doesn't have to cost the earth. Rather than shopping at your local supermarket, try grabbing a bargain at specialist discount stores that offer deals on bulk purchases for both food and drink. You can also save yourself stress by hosting a potluck meal, where each guest brings their specialty dish.

Reinvent your holiday

You deserve a holiday, so why not plan a 'staycation'? You can save on travel expenses and have the added advantage of seeing your town through the eyes of a tourist.

If you want to travel further afield, house swaps let you see what life is like in a new place while saving on accommodation costs.

When you're booking air tickets, shop around for dates and times, as there can be considerable savings if travelling on particular days such as Christmas Day, and on red-eye flights. And don't forget to check the reward points on your credit card or frequent flyer card – there may be enough to cover your journey.



**SECRET SANTA IS
A GREAT WAY TO
EASE THE STRESS
AND FINANCIAL
PRESSURE**



THINGS THAT COULD TRIP YOU UP WHEN APPLYING FOR A HOME LOAN

Buying your dream home is exciting, so the last thing you want is for your home loan application to be held up. While many factors are considered in assessing an application, showing stability and consistency is key for lenders to determine whether you will be able to repay the loan. But sometimes what's happening in your life can trip you up. Here are some things to be aware of.

- If you're at the other end of your kid-wrangling years and looking at returning to work after an extended break, it may be best to wait until you've been back at work for a few months before applying for a loan. This will give you time to show stability and consistency in your employment record.
- Having a consistent employment record doesn't mean you need to have the same job for years, but if you're planning on applying for a home loan, it might be best to hold off changing jobs. If you do have to, it's worth knowing that with some lenders you'll need to show

at least two pay slips with the same employer.¹ If you can show over 12 months in the same job that's even better.

- If you have a probationary period in your new role, it could also be difficult to have a loan approved until you've completed it and the role is made permanent.
- For the self-employed, demonstrating a stable income can be particularly difficult, which is why it's a good idea to have an accountant. They can help you put together financial statements, which you'll need to include as part of your loan application. Generally you'll need at least one year's history to support your application.
- If overtime or shift allowances are a significant part of your income, your broker will be able to provide advice on which lenders may take these into account for loan repayment ability, as not all do.

¹ www.nab.com.au/content/dam/nab/personal/help-and-guidance/forms-and-documents/documents/home-loan-checklist.pdf



DEALING WITH TROUBLESOME TENANTS

Most tenants are reliable, but if you're a property investor, chances are you'll encounter at least one bad renter. From failing to pay rent through to causing damage or conducting criminal activity, these tenants can harm your return on investment.

It can be stressful when things go wrong, but try to stay calm and professional, get familiar with the relevant legislation and address the problem promptly and proactively.

Don't let rent slip

Late rent payments are common, and it's important to get on top of this issue quickly. You (or your property manager) may wish to call or email the tenant the day after rent was due.

If payment is still not received, you'll need to issue a breach notice after the tenant has been in arrears for the number of days prescribed by the residential tenancy laws in the relevant state or territory.

Taking the next step

Whether it's a late rent payment or another concern such as noise complaints, try to resolve the issue by communicating with the tenant either directly or through your property manager. If this doesn't work, and the tenant has breached the tenancy agreement, you'll need to issue a breach notice.

The last resort: Eviction

Evicting tenants is a situation all landlords dread, but unfortunately it's sometimes necessary. If you've issued a breach notice but the breach isn't fixed in the given time frame, the next step is to issue a notice of termination.

However, you can't just go to the property and kick them out – you'll need to follow the correct process. Note that the legislation (*Residential Tenancies Act* or equivalent) varies by state and territory.

Prevention is better than cure

The best way to handle troublesome tenants is to avoid them in the first place. Here are some tips for ensuring a smooth ride:

- If you're not an experienced investor, consider finding a good property manager.
- Consider landlord insurance. Your mortgage broker can refer you to a specialist to assist with your insurance needs. Also, it's a good idea to follow a rigorous tenant-application process.
- Communicate regularly with tenants to stay on top of maintenance issues and resolve potential problems before they arise.
- Conduct inspections on a regular basis (check local legislation for guidance on how often you can inspect).



Read. Watch. Listen.



With the warmer months upon us and Christmas around the corner, it's time to start looking for those perfect gifts. Feast your eyes on these great reads:

Spaces (volume three): This beautiful interiors book from the team at Frankie magazine features more than 250 pages of unique and creative homes across Australia and New Zealand.

The Handbook: Surviving and Living with Climate Change: We know climate change is only too real, but what can we actually do about it? More than just another book on science, this guide is full of practical tips on how to live with climate change and create a more sustainable future.

Does the mere thought of Christmas make you feel stressed? Fear not: *The Organised Housewife* has you covered with her tips and tricks for a well-functioning home – and family. There's even a Christmas planner for purchase. theorganisedhousewife.com.au



THE BEST WAY TO HANDLE TROUBLESOME TENANTS IS TO AVOID THEM IN THE FIRST PLACE.



Ready for a summer viewing binge? Netflix-produced drama series *Bloodline* impressed the critics in its first season. Starring Australia's Ben Mendelsohn and Jacinda Barrett, it tells the story of a Florida family with a dark past, whose wayward son (Mendelsohn) causes turmoil when he returns home. For something with a little more festive cheer, you can't go past *It's a Wonderful Life* – the 1940s Christmas classic about a despondent man who receives a timely reminder of how many lives he's touched.



Pop makes for the perfect summer soundtrack – and British girl group Little Mix are set to release their third album, *Get Weird*, just in time for the Southern Hemisphere summer. Described by the band as having a "whole new sound", the album's fun, lively tracks will keep you dancing all season.



BUY, SELL OR WAIT: WHEN TO MAKE YOUR MOVE



As we approach the end of the year, the so-called 'property bubble' identified by some commentators¹ remains, though there are signs the property market could be easing. In Sydney and Melbourne, demand remains strong and housing prices continue to rise², but it's a slightly different story in some other states, such as South Australia³, and particularly in the resources-dependent regions of WA and the Northern Territory.

Melbourne currently leads the property pack, overtaking Sydney as the country's best real estate performer since April, according to CoreLogic RP Data⁴.

However, recent figures from the Australian Bureau of Statistics⁵ indicate the housing boom may be slowing – at least for now. Investor interest in recent years is largely what has pushed housing prices so high in Melbourne and Sydney, but the ABS figures suggest the growth of property investors – who now comprise around half the total housing finance market – may have peaked.

This may be partly due to Australian banks recently introducing new interest rates⁶ for

property investors, along with other tougher application requirements. The move is expected to counter their dominance in the residential property market, so conditions could become increasingly favourable for owner-occupiers.

When is the right time to buy and sell?

Australians are more property savvy than ever before, but predicting the ideal time to buy and sell is always tricky. The best time to sell depends on many factors – and since the decision to sell is often based on lifestyle changes, the timing might not coincide with ideal market conditions.

Selling in a market of high property prices may seem smart, but if you intend to buy a new home at a similar time you'll probably also pay more for your new property.

If you're concerned about selling in a buyer's market, before you decide to hold off until the market picks up, check the interest rates. If rates and property prices are low, and you need to buy a new property, this could work in your favour. If you wait until the prices rise, you'll also be buying in a seller's market.

Selling season

Spring has traditionally been considered the best season to sell, but because this is the most popular time, you'll face more competition, which can affect your selling price.

Ultimately, the right time to sell and buy depends on numerous factors, including the area you live in, the property itself, the current market and your circumstances. It can pay to talk to an expert to discuss the timing that best suits you.

¹ www.abc.net.au/news/2015-07-30/australian-housing-bubble-nobel-prize-winning-economist/6659014

² www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyReleaseDate/A50B6B8CF85F0474CA25722900179E3F

³ www.nab.com.au/content/dam/nab/campaigns/personal/australian-housing-market-report/australian-housing-market-report.pdf

⁴ www.news.com.au/finance/real-estate/melbourne-leads-in-real-estate-as-property-market-hits-6-trillion/story-fndban6l-1227467869660

⁵ www.abs.gov.au/ausstats/abs@.nsf/mf/5609.0

⁶ www.smh.com.au/business/banking-and-finance/interest-rate-gap-between-investors-and-owneroccupiers-to-widen-20150803-giqfet.html

Ready to buy, build or renovate?

*You probably know what you want in a home.
We'll help you find what you need in a home loan.*

Call Daniel O'Brien on 0419 144 069 today to talk about finding the right loan for you.



PFS Financial Services
208 / 5 Celebration Drive
Bella Vista NSW 2153

P: 1300 368 917
www.pfsfinancial.net.au
E: daniel@pfsfinancial.net.au

Daniel O'Brien holds an individual Australian Credit Licence.
(Australian Credit Licence Number 444587)

