Your Wealth Bulletin

March 2008

In This Issue

Join our list

Join our mailing list!

Hi,

We have recently been addressed by a Professor David Rees whom consults for property group Mirvac. We'll summarily share his thoughts this month on his property outlook for 2008.

We'll also examine how interest rates can help the forgotten investors as well as how to take advantage of these higher rates within investment and superannuation portfolios.

Property Outlook 2008

Rising rents

Recently we attended a presentation by Dr David Rees, an Economist that consults to Mirvac Property.

The presentation was quite factual and examined interest rates and their relationship with direct property ownership.

To summarise his views on the residential housing sector, he envisages a housing crunch for 2008.

Interestingly, the home loan affordability indicator continues to show how expensive your own home is, but the graph now shows that over the last 10 years, each state has now converged to be as 'unaffordable' as the other.

10 years ago, NSW, QLD and VIC were the most unaffordable by a fair margin. This has now shrunk drastically with the states exhibiting similar levels of unaffordability.

While ownership affordability is converging, rental affordability is expected to be adversely affected. Vacancy rates are near all-time lows and there is scope for rental growth, especially in Sydney and Melbourne.

Dr Rees predicts that rental markets are likely to tighten which is likely to result in higher rental yields for property.

In terms of direct commercial property, Rees examined the returns historically and expects the growth to slow significantly from 16-17% levels down to around 10.5% levels (yield 7.5%, growth 3%).

In summary, it would appear that while interest rates continue to climb, investors in the property market may receive some relief through a tighter rental market and increased yields.

Retirees and Interest Rates

The forgotten benefactors

Much has been written in the media about the rising of interest rates and the mortgage distress this is having upon families.

While true, the positive side of the equation is that for the first time in many years, cash rates are climbing above inflation rates and that means retirees can capture solid returns with smart Banking options, and all with minimal risk.

As an example, Asgard (part of St.George Bank), have flagged an upcoming Term Deposit feature that will soon be released for their eWrap Super and Pension accounts shortly.

The interest rates are expected to be in the vicinity of 8% per annum for a fixed 6 or 12 month period.

With interest rates going higher, banks are now targetting market share for savings and deposits rather than the debt business of mortgages and credit cards as per the last decade.

This sector may be an attractive component for superannuation and investment portfolios in coming months as new options are provided to investors.

If you have any queries about this month's newsletter or would like to discuss your financial situation in more detail, please feel free to email or call our office on (02) 9525-0777. If you would like to forward this email to a friend, click on the forward email link below.

Email: **enquiries@reedfinancial.com.au**
Phone: (02) 9525-0777
Fax: (02) 8521-7215
Web: **http://www.reedfinancial.com.au**

Forward Email to a Friend