

AMT Economic and Property News – Issue 10.08

Economic Outlook

- Global financial crisis deepened
- Rudd Government released a \$10.4 billion rescue package including first homebuyer grants rise to a maximum of \$21,000.
- Share market remains volatile due to affected US and European markets in conjunction with Australian Government's rescue plan.
- RBA slashed interest rates by 1% after 0.25% cut.



The Market expects further rate cuts down the track.

In this deteriorating environment it is a good bet that the 1% rate cut is not the end of the RBA's policy response. We expect the central bank will seek to cut interest rates to a neutral level

by mid 2009 or even earlier. Previously, economists had considered a cash rate of around 5.5% to be a neutral level. Given elevated wholesale funding costs however, a cash rate of around 5.0% now looks to be the neutral rate for this environment. At 6.0% cash rate now, we are still some way from this level.

17 October 2008 The Australian newspaper reported that the RBA plans drastic rate cuts by as much as 2.5% before Easter 2009 in an effort to reduce the impact on the Australian economy. The article quotes ANZ's head of Australian economics Warren Hogan 'Markets expect the RBA to cut interest rates aggressively to less than 4 per cent within six months.' A cut of those dimensions would reduce the monthly payments on a standard \$300,000 mortgage by about \$470 per month.

Source: ANZ.com.au; The Australian

If you find this issue helpful, or if you want to know more about any other topics, please let us know by emailing to andrew@assetmanagement.net.au

Sydney Property Update – October

In October, Suburbs within Sydney's inner geographical area have continued to remain fairly resilient with market conditions generally being described as steady. There has certainly been a drop in the number of sales occurring but for the most part values are holding. The following is an example of steady values with two sales in Sydney's inner-south suburb of Kingsford. Two identical 1920's, single storey, freestanding residences located side by side sold within a year. Both were in similar condition with identical allotments. The first sold in June 2007 for \$1.176M with the neighbouring property selling in March of this year for \$1.231M. Although this is not an example of the same address being re-sold, it does show that over the past year values have continued to remain strong and have not shown the decreased values evident in the outer Sydney markets.

Sydney's western suburbs continue to struggle due to various factors within the market. Some recent re-sales in the suburb of Liverpool have shown hard evidence of this trend.



Another area showing weakening market conditions in the unit sector is Homebush Bay. With an over supply of units and a weak market, re-sale evidence shows declining values. Because

owners are being forced to sell due to high interest rates and decreasing affordability they are not able to choose to wait and sell in a more positive market.

The majority of suburbs in the Sydney region have experienced increased rentals and very low vacancy rates. It was written in the news recently that Sydney leasing agents are complaining of what is called 'rental rage'. A number of agents have been attacked after having denied giving out applications to prospective tenants due to the property renting immediately to somebody else. This goes to show how tight the rental market has become. This is evident across all Sydney suburbs and is displayed in the graph below:

Sydney		Median rent/week	Change over quarter %	Change over year %
Sydner Inner	2 bed	510	8.8	15.1
	3 bed	638	6.3	18.1
Sydner Middle	2 bed	350	2.9	16.7
	3 bed	410	2.5	13.9
Sydney Outer	2 bed	250	4.2	13.6
	3 bed	300	3.4	13.2

SYDNEY MEDIAN RENTAL PRICES

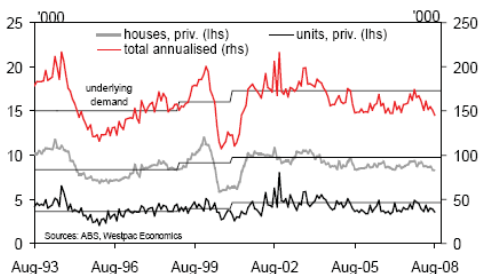
Source Data: REIA Mortgage Choice, Real estate market facts

Sydney's western suburbs have been hit extra hard with property values decreasing and rentals increasing. Investors are making the most of the tight rental market by being able to purchase reduced value property and then

increasing rents for a very strong yield. We look forward to seeing the effect of current economic market conditions and a number of factors, such as first home buyer grants, saving allowance, etc, will have on both rentals and property values in the weeks ahead.

Source: Herron Todd White

Dwelling approvals



	Seasonally adjusted		% chg mth		% chg yr	
	Aug level	Jul	Aug	Jul	Aug	Jul
Private houses no.	8,303	-3.3	-0.8	-5.1	-7.4	
Private units no.	3,550	-3.1	-7.8	-0.5	-8.0	
Total dwellings no.	12,095	-2.4	-3.7	-4.6	-8.6	
Renovations trend \$bn	0.52	0.6	0.7	4.4	3.2	
Non-res. trend \$bn	2.63	2.6	xx	16.1	xx	

Sources: ABS, Westpac

August Building Approvals More Weakness -3.7% month, -8.6% year

- Dwelling approvals fell 3.7% in August, below marketing expectation of a 0.5% decline.
- Private sector house approvals were down 0.8%; private sector unit approvals were down 7.8%.
- Conditions remain very mixed across the states: NSW -8.5%, VIC -4.2%, SA -1.9%. However, QLD up 6.2% and WA rose 2.3%

Source: westpac.com.au

Property of the Month

WAITARA, 36-40 ROMSEY STREET

North Shore living, ideal for First Home Buyers, starting from \$393K

These near new, spectacular designer finished apartments have a lot to offer:

- 2 large bedrooms with built-ins and En-Suite to main
- Granite bench tops and stainless steel appliances
- Marble bathrooms with stainless steel fittings
- Ceiling to floor glazing to enhance views
- Security building with 1 underground security car space
- Minutes to Waitara Railway Station, Hornsby Girls High and Westfield

Inspect: Every Saturday and Sunday in October, 12pm – 2pm

Contact: Lance Liang – 0411 743 303, 9286 3288 for a viewing time

Email: lance@assetmanagement.net.au



You are welcome to share this issue or future issues with your friends by forwarding their email addresses to andrew@assetmanagement.net.au. Supply 5 email addresses for your chance to win \$100 David Jones gift card.

Register now for upcoming workshops!

Market turmoil, continuing rate cuts, increased first home grant and more...

In the current market environment conflicting indicators make it difficult to decide on a clear course of action. To provide you with further market insight and update you with the latest investment knowledge, we will hold **2 free workshops, presented in Chinese**. Please see **below for details of times and venues**. We welcome the attendance of you and your friends.

Hot topics include:

- The reasons behind the global financial crisis
- As investors, how to adjust your strategies
- The impact on the property market of \$21k first home grant
- The reaction of the first home buyer to this bonus

*Register now for your chance to win a **\$100 David Jones gift voucher** or *Australian Property Investor Magazines (issue 6-10/2008)**

Call 9286 3288 or email to andrew@assetmanagement.net.au with your contact details.

Chatswood: Chatswood Club Limited, 11 Help St, Chatswood, **Sunday 2/11/2008, 3-5pm**

Epping: Boronia Grove Conference Centre, 49 Rawson St, Epping, **Wednesday 12/11/2008, 7-9pm**