

...your shot of property
management news for
November 2010



The rising Aussie dollar: **impact on interest rates!**

It had sway over the country's attention for most of October, and finally reached parity with the US dollar late on the 15th of October - for the first time since July 1982. For consumers, this is good news - more can be bought for the same amount of money and overseas travel has become a lot cheaper. But as a property investor, what does this mean for your mortgage interest rates?

The Reserve Bank of Australia (RBA) held rates at 4.5% in October, which surprised many. They've stated that one of the key reasons for doing so was that the rising strength of the Australian dollar would tighten financial conditions and this has proved to be true. However, this relief from a rate rise is believed to be temporary.

The main reason for this is that the continuing mining boom and input to the economy from mining is putting inflationary pressure on the economy. In the last few weeks the major banks

have also flagged possible increases in variable home loan rates beyond central bank hikes in the cash rate.

Ralph Norris, chief executive of the Commonwealth Bank, indicated in mid October that the big banks were preparing to raise rates beyond those of the central bank: 'I think there's no doubt that when we look at current funding costs, rates are going to increase.'

The OECD (Organisation of Economic Coordination and Development) predicted in May this year that Australian interest rates would reach 5.7% by the same time in 2011. The Australian economy has proven to be extremely resilient and self sufficient compared to other economies like the UK and the US who suffered badly during the global financial crisis and it is because of this resilient trend in Australia that the OECD has predicted the large rate rise.



The recent parity of the Australian dollar with the US dollar is predicted to also continue, with economists forecasting that the dollar could rise to as high as US\$1.20 and stay there for the majority of 2011. This could prevent the RBA from raising rates too much though, as they would be fearful of putting undue pressure on the Australian economy.

The other thing to think about as an investor is whether or not now is the right time to fix your mortgage. There is a tendency in Australia to be anti-fixing, but before you make that decision look around, as there are some good fixed 3 year rates available at the moment. With rates predicted to rise in the next three years, a fixed mortgage could be the right way to go.

Emily says...

FIND A MORTGAGE BROKER WITH INVESTMENT HISTORY



When was the last time you spoke to your mortgage broker? If the answer to this question is "When I bought the property" then it's time to find a new one who is going to work for you.

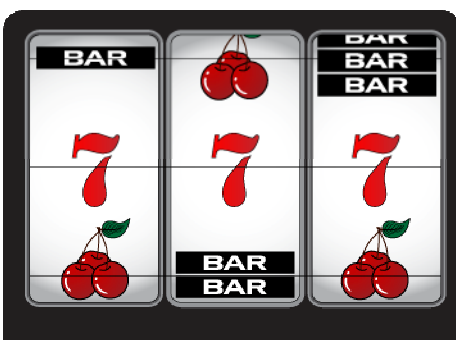
As a property investor, your mortgage broker can share valuable insight into current strategies and mortgage rates for your particular situation.

Your property management business will have a professional relationship with a mortgage broker, so that should be your first call. It may be a good idea though to get a second opinion, and have both review your current mortgage and provide you with information about the latest products in the market.

More importantly, it is likely that by working together with your property management business you will meet a broker who is a lot more knowledgeable about finance for property investment than a broker who has never worked with landlords before.

Combine a mortgage review with a sales appraisal from the same business and you might find out that you are better off than you thought. It has been a long time since property management was the business in the back of a real estate office, and increasingly mortgage brokers are working closely with the property management industry to deliver the best results for landlords.

As a service based industry, this business needs to meet its clients demands and you will find that savvy property investors have a mortgage broker working for them.



Did you know?

When the slot machine area of a Las Vegas casino was infused heavily with a pleasant scent, revenues shot up by 53%.



With another hot Australian summer approaching, it's time to start thinking about the garden and what will best survive in the harsh conditions. Native plants require far less water than their exotic cousins, and tend to also be hardier. Check out your local nursery for advice on what to plant in your area.