

Welcome to Mortgage Watch

I hope you find the information in this issue useful and informative. Please feel free to pass this newsletter to family or friends.

Regards,
Jeremy Zabat



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mortgage watch

Cash rate remains at 1.50%

The Reserve Bank of Australia (RBA) has elected to leave the cash rate unchanged at 1.50% for another month.

Governor Philip Lowe had this to say in his official statement:

“Financial conditions in the advanced economies tightened in late 2018, but remain accommodative. Equity prices declined and credit spreads increased, but these moves have since been partly reversed.”

“The housing markets in Sydney and Melbourne are going through a period of adjustment, after an earlier large run-up in prices. Conditions have weakened further in both markets and rent inflation remains low. Credit conditions for some borrowers are tighter than they have been. At the same time, the demand for credit by investors in the housing market has slowed noticeably as the dynamics of the housing market have changed. Growth in credit extended to owner-occupiers has eased to an annualised pace of 5½ per cent. Mortgage rates remain low and there is strong competition for borrowers of high credit quality.”

“The low level of interest rates is continuing to support the Australian economy.”

What does this mean for you? Despite the cash rate staying at 1.50%, lenders have elected to move rates independently.

If you have any questions around the latest RBA announcement, or about home loans in general, please get in touch!



Your guide to property investments

Investing in property is a smart choice for many Aussies looking for long-term profit potential. But before you dive in, there are a few things you should know.

Consider if you're ready to buy, what kind of property is best and how to get a home loan.

Here's a deeper look at each of these steps.

Preparing to buy

Purchasing and managing an investment property is no easy task. Not only can these investments be risky, due to rising interest rates or market volatility, but you'll be responsible for maintenance and upkeep for years to come. You'll also have tenants to manage and taxes to pay. Insurance costs will add up quick, not to mention legal and inspection costs.

Before you make the leap, make sure you understand the risks, and have a financial cushion should you need it. Have a disaster plan in place in case the worst happens and you can't rent out the unit for a few months. Research the industry to make sure you know what rent you can charge for your area.

Preparing a plan that addresses each of these points is your first step to successful investing.

Researching properties

There are pros and cons to investing in houses and units. For instance, houses can bring in more rent, but upkeep may be more costly than apartments.

Location and features of the property should be your points of focus. Have housing prices been stable in the neighbourhood? Is it up-and-coming? An attractive location for renters?

Do your research on who your target audience is in each area and what features they care about most in a rental property. You want your investment property to be as attractive as possible in both location and amenities.

While fixer uppers can be profitable projects, when you're just starting out with investment units, it may be wiser to take the less-riskier road and go for properties that already have appeal.

Financing your investment

When you've done your research and are ready to invest, it's time to talk with our mortgage brokers about a home loan. When you find a property, we'll help you calculate expenses and figure out what your profit could be. We'll then figure out how much you can borrow and what your loan repayment plan will look like.

A term to know: negative gearing. This is when the profit from your investment property is less than all the expenses. Some investors accept this loss at first because they see potential for gains in the future, as the investment increases in value.

If this is a reality for you, be sure you're investing elsewhere or have enough to cover costs while you're not earning money on the property.

Investing in your first property is exciting, but it's never easy. We can take the stress away. Talk to our team about your loan options.



How to get rid of holiday credit card debt

You may still be recovering from Christmas festivities, whether eating and drinking less or getting to the gym. But how is your credit card balance?

Finder.com.au analysed data from the Reserve Bank of Australia (RBA) and found that Australians have an average of \$1,863 in holiday credit card debt. And a year from now, 27 per cent of Aussies will still be paying off debt from Christmas 2018. Across the country, almost \$30 billion was put on credit cards this holiday season.

Before you start running for the hills, let's take a look at some saving strategies that will help you pay off your holiday financial hangover.

1. Set up a budget

Easier said than done, right? But if you've never attempted to set up a strict budget for yourself, it's time to start. First, take a look at your spending habits. Review your bank statements from the past month, and analyse your cash flow.

Think about things you can cut out or at least reduce. Once you understand where most of your spending is happening, you can start to reorganise what you're buying. You may rethink purchasing every item that catches your eye.

2. Get food costs under control

Eating at restaurants is a big expense that's easy to turn around. Make a plan to grocery shop every week so you won't be tempted to go out for dinner. Bring your lunch to work. Make coffee at home instead of stopping at the cafe on your commute.

If one of your biggest joys in life is going to cafes and restaurants, give yourself a day or two each month when you can still enjoy these outlets. Just don't do it all the time, and you can save hundreds of dollars a month.

3. Cut back on luxuries

Hard workers like to play hard, too. But if you have hundreds of dollars left to pay off on your credit card, it's time to cut back on luxuries for a while.

Instead of getting bi-weekly manicures, treat yourself to one every couple of months. Don't pay for the most expensive yoga class. Buy the cheaper bottle of wine.

Also take a look at all the subscriptions you're paying for. Whether audio or video streaming services or online newspapers, make sure you're actually using those services. Ten bucks a month may seem small, but over a year you could put that \$120 toward your debt.

Once you start to cut back, you'll be on the road to debt freedom in no time.

Get in touch with our team for more budgeting tips and tricks.



What will the 2019 economy look like?

As 2019 heats up, many predictions for the Australian economy are focused on recent lending announcements and the housing market.

Here's a look at some of the latest.

Housing market

There was a lot of negative talk about the housing market in 2018 as prices fell across the nation, especially in the big cities. At the start of 2019, the Guardian reported that prices dropped 11.1 per cent in Sydney and 7.2 per cent in Melbourne since their peaks in 2017. Nationally, prices fell the most in one quarter in late 2018 since 2008.

But, data from the International Monetary Fund helps put these housing price falls into perspective: in the last 10 years, national home prices rose 70 per cent. So, the falls over the last year don't seem so bad, and the market could see a fine recovery.

The ongoing fall could lead to a big housing price correction in 2019, though prices could also continue to fall in the first quarter.

Lending restrictions loosening

Some say that the housing market drop could be due to tightening lending restrictions. However, 2019 may see more loosening of these.

In December 2018, Australian Prudential Regulation Authority (APRA) made a big announcement: it was removing the interest-only benchmark for residential mortgage lending. The limit, put into place in 2017, had been 30 per cent for interest-only loans. What's more, APRA also removed the 10 per cent annual cap on investor credit growth.

Intended to moderate high-risk lending, APRA said the limits had served their purpose. These could be signs that lending restrictions could continue to loosen.

Things will get political

There are some big elections coming up in 2019, including one in New South Wales in March and the federal election in May.

While there is a stronger jobs market that's helping to keep Treasury thriving - with a surplus of billions expected in fiscal year 2018/19 - it's unclear what government spending will look like come election time.

Other political concerns on a global level are the effects of a Brexit deal and the possibility of a US/China trade war. Whatever 2019 brings, most are predicting volatility in several areas of the overall economy.

For more information about the Australian market and where home buyers fit in, contact our team today.



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