

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



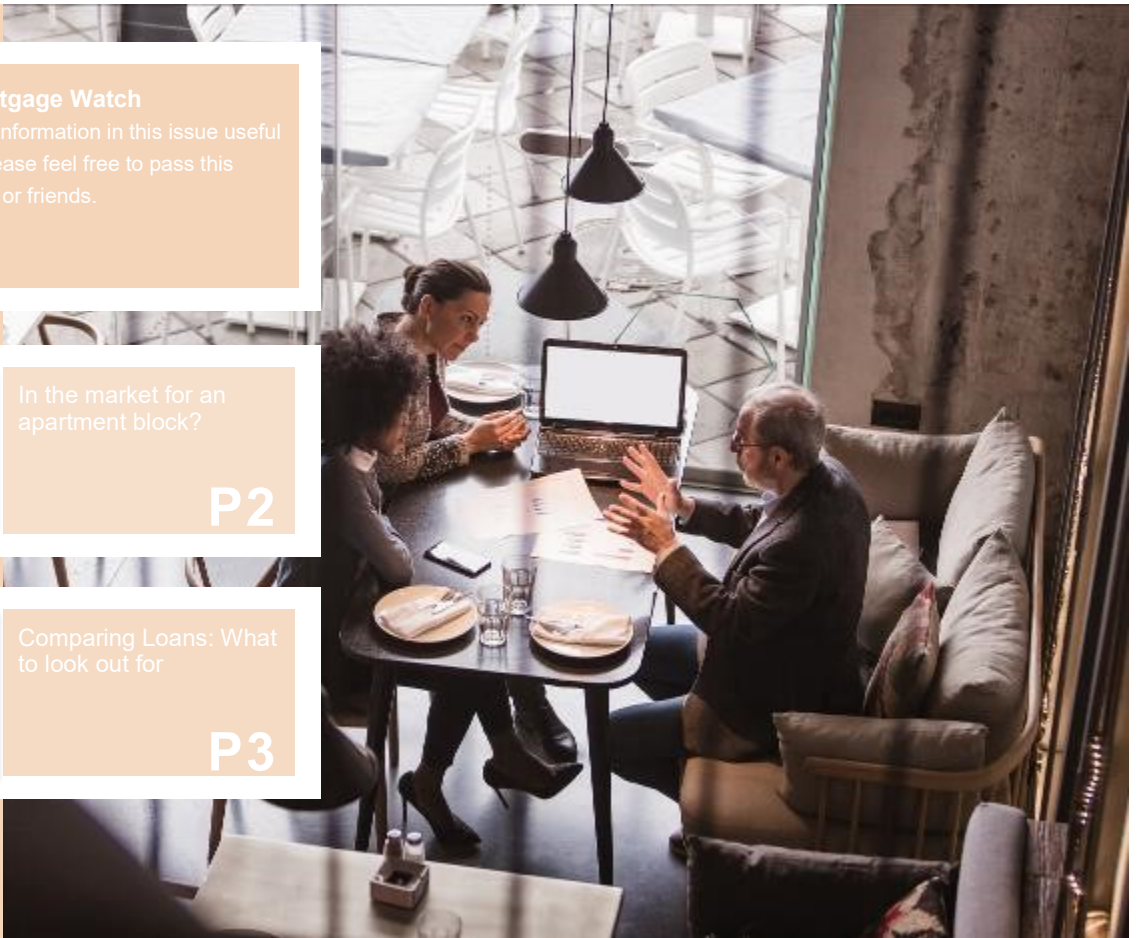
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mortgage watch

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:

“The adjustment in the Sydney and Melbourne housing markets is continuing, after the earlier large run-up in prices. Conditions remain soft in both markets and rent inflation remains low. Credit conditions for some borrowers have tightened a little further over the past year or so. 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 further. 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!



In the market for an apartment block?

If you're looking for an investment unit, an apartment block can be a great option to get a big return. This strategy is becoming more and more popular in Australia, and as such there isn't quite enough supply for the demand yet, according to Commercial Real Estate.

How well your investment property does is 70-80 per cent dependent upon location, as Metropole estimated recently. You're smart to look for an apartment block in expensive areas like city centres.

Here's a look at how apartment block sales are doing in a few states.

How do things look in New South Wales?

While great deals on investment apartment blocks can be hard to come by, a couple of recent properties that went up for sale may keep you motivated to continue looking.

In Forestville, just 10 kilometres from Sydney's central business district, an apartment block is expected to bring in more than \$10 million. This block includes 30 apartments and is thus desirable to big investors.

Another block in the eastern suburbs of Sydney was bought for about \$11.6 million, which includes eight apartments and is right on the Bondi waterfront, as Commercial Real Estate reported.

What about Victoria and Queensland?

Melbourne's market is unique because of all the old apartment buildings from the 1930s to the 1980s and vintage walk-ups that are becoming more popular as investment units, as Domain and Metropole point out. These give investors a lot of room to cash in on character value.

To give you an idea of how things are going in Queensland, take the recent development of the new "super tower", Spirit, which is worth \$1.2 billion. As Domain says, the lowest apartment prices in the 89-level building are \$1,166,000 for a one bedroom. The penthouse is \$41 million. The building is expected to be completed by 2021.

Why go with apartments over an investment house?

A house may seem like a better long-term investment than an apartment. But think about a given piece of land - if there's one house on the same amount of land as 20 apartments, which is going to be more valuable? The apartments. Your land-to-asset ratio is higher, as Your Investment Property Magazine points out.

For more information about investment properties and home loan options, speak to our team today.



Comparing Loans: What to look out for

With so many loan options and an increasingly complex market, it can be hard to pick the right loan for your needs. There are many different factors to consider when it comes to choosing loans. In this article, we outline the features you need to look out for when comparing loan options.

The Loan Type

There are a number of different types of loans, each having distinct features. If you're applying for a home loan, for example, you can choose from the following:

- Basic loan: a loan with affordable rates and minimum features.
- Standard loan: a loan that offers more flexible features than a basic loan at higher rates.
- Home loan package: a combination of standard loan and other financial products, usually a transaction account and/or a credit card.
- Line of credit loan: a loan that provides you access to funds whenever you need a certain amount. Similar to a credit card.
- Low doc loan: loan plans that require minimum documentation on the borrower's part.
- Interest-only loan: a loan that allows you to pay only the interest, rather than both the interest and the principal (borrowed) amount, for a maximum period of five years.

The Interest Rates

When it comes to interest rates, low figures shouldn't be your only consideration. You should also think about a Fixed vs variable rate.

A fixed rate loan provides a stable rate throughout your loan term, while a variable rate loan allows you to have more flexibility in your repayments. You can also try a split home loan, where you can have one part of your loan fixed and the other fluctuate with the market.

The Comparison Rate

The comparison rate is one of the most useful tools borrowers can use to compare different loan products and discover their true costs. It recalculates the listed interest rate to take into account the extra fees and charges. If the comparison rate is close to the interest rate, it means that the loan has minimum upfront and/or ongoing fees. However, beware that some comparison rates might be "polished" not to include variable fees. This brings us to...

The Fees

Regular fees, establishment costs and exit fees can make a big difference to the repayments you're obliged to make and the amount you can save. Don't be afraid to ask your broker about all the charges associated with the loan, including but not limited to:

- Upfront costs: application fees, valuation and legal fees, establishment fees, Lender's Mortgage Insurance, stamp duty.
- Ongoing costs: monthly or annual fees, administration fees, redraw fees, extra repayment charges.
- Exit fees: early exit fees, break fees, discharge fees.

The Features

The more features you have, the more you can customise your repayment plan. These may include:

- Redraw facility
- Repayment holidays
- Offset accounts
- Portability

Keep in mind that these perks come at a cost – in general, a loan with features will be costlier than its no-frills counterparts.

Need help with comparing loans? Call us to discuss your options.



Keeping your household budget in check

Ever gotten to the end of the month and wondered where all the money from your pay check goes? Keeping a budget can help you track where your money is going, stay on top of your bills and debts, and direct your earnings towards your financial goals.

Budgeting might sound restrictive, but it goes beyond scrimping and scraping – more importantly, it's about recognising your spending pattern, sorting out your priorities and managing your expenses to find that sweet spot between spending and saving.

Here are a few things you should know about creating and keeping a household budget.

How do you budget?

A budget is essentially comprised of two components: income and expenses.

Income is the money that you receive from a variety of sources, such as take-home pay from a job, benefits, returns from investments and more.

Expenses could be divided into three categories: fixed expenditures (e.g. rents, fixed rate mortgages), variable expenditures (utility bills, groceries, petrol), and discretionary expenditures (gym memberships, streaming subscriptions, other recreational goods and services).

The first thing to do is to track down and keep records of these three components in your life for around a month. There are many different methods to do this, from the humble paper and pen to spreadsheets and graphs. You can also find many free budgeting templates or apps on the Internet that will pull out your weekly, monthly and annual numbers in an instant.

Once you're done, you will be able to find out your net income by subtracting expenses from your income. If you have a positive net income, or a surplus, you can put the extra income into your savings account or invest it. If you have a negative net income, or a deficit, you can take a look at your budget to see which expenses you could reduce. Generally, discretionary expenses should be the first to go when you're looking to minimise your spending.

After you get your budget in order, you can set your financial goals for both the short and the long term, be it going on a holiday or creating an emergency fund for rainy days. You can periodically review your financial priorities to adjust to changes in your job or lifestyle.

Need help managing your budget with a loan on the way? Contact our team today.



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