

Property Outlook



The property markets have slowed down and the next couple of months might be choppy as buyers and sellers work out what's ahead. However although the doomsday speculators would like us to believe this is the end of the world as we know it, the truth is that we are not in for a property crash.

There are always peaks and troughs in the property game - it's just the way

the market works. At times of change it's always good to go back to basics, so let's look at the fundamentals that affect our property markets and how they will play out over the next few years.

A strong economy, we're experiencing a resources boom, employment growth, inflation is under control, population growth is amongst the highest in the developed world, there is an ongoing property shortage, Increasing rents Increasing market confidence.

Most experts predict that employment levels will

remain strong. Our economy is expected to remain robust. While there are many mixed messages in the media, more Australians are feeling a sense of financial wellbeing and this looks set to continue into 2012 and beyond. This type of ongoing prosperity will continue to boost market sentiment and encourage people to keep buying property.

As 2011 pans out our key residential property fundamentals, all of which are positive, will start to come to the fore.

Can I afford an Investment Property?

This is the question most asked by people thinking to invest. So as a rule of thumb, use this as a guide. If you own a home or have a current mortgage on your home, you will need to have 30% equity in that property or more to comfortably use it as for another property purchase.

Borrowing up to a max of 80% of the two properties value will avoid mortgage

insurance in most circumstances and reduce costs.

Depending on what you owe to banks, finance companies and credit providers, your borrowing capacity will be assessed using your income, rent to be received from the new investment property and current loan commitments.

You will need to be comfortable in investing around \$60 to \$100 per

week to meet all commitments relating to the purchase of the investment property. All other costs will be met by the tenants rent and tax benefits relating to the property.

If you are renting or simply don't want to use your existing property as security, you will need \$35,000 - \$40,000 in the bank to comfortably purchase a new Investment Property.

Newsletter

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Special points of interest:

- Huge Resource Demand
- Low Unemployment
- Inflation under control
- High Population Growth
- Undersupply of dwellings
- No property crash



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Hunter in top ten investment locations

A list released of the nation's 10 best investment locations included the Hunter Valley coalfields, Glen Innes in the New England district and North Western NSW towns like Moree and Gunnedah. Property researcher Terry Ryder said he chose the top 10 regions based on their low prices, strong rental returns and potential for growth. "There has been so much media attention on affordability issues but it tends to focus almost exclusively on the major cities," he said. "That ignores all the good prospects in some of our regional centres." Property Sauce has four-bedroom homes in Muswellbrook, on the doorstep of the Hunter

Valley's coal mines and horse studs from \$353,500. But real estate experts predict those prices will climb dramatically with the opening of a billion-dollar coal mine and expansion of transport and energy infrastructure. Approved in 2007, the Mangoola coal mine is expected to see more than 1500 miners and their families move to the area, many of whom will need rental accommodation. Muswellbrook real estate agent Phil Lawler said his agency took four deposits on homes in town yesterday. "It's a long, long time since I have seen such urgency in the marketplace," he said. "Rents are starting to increase dramatically,

and that will start to turn investors' heads. "For \$360,000 you can get a really attractive property up here that can return up to \$800 in rent a week if furnished." Real Estate Institute of NSW president Wayne Stewart said the rural lifestyle on offer in the region added to its allure. "Some of those areas are only an hour from the ocean and that is part of it as well," he said. According to the report, Glen Innes made it onto the list for its location at the junction of the New England and Gwydir highways, the quality of homes on offer and plans for new development in and around the town.

Invest in the next sustainable mining boom

Australia's state and federal governments are not alone in the global challenge of creating enough power to support their growing populations. Not only do they need to find ways of producing the power, but they need to do it cleanly as well.

Currently an opportunity exists to invest in an area at a ground floor level that can potentially supply solutions to these problems.

Muswellbrook is not only at the centre of Australia's renewable energy research, but also a major source of energy exports. Currently its planned that over 2,000 jobs will be

created around Muswellbrook in the short term to develop the future of Australia's renewable energy needs.

Consider the following: The government want to build the world's largest solar power generator. The scale model plant is at The Lidell Power Station in Muswellbrook. The Kyoto Energy Park, 20 minutes north of Muswellbrook, will be home to NSW development of renewable energy needs, generating enough power for all homes and industry in the greater Hunter Valley. The facility will comprise of electricity creating eco-generating devices

such as wind turbines, solar-cells, solar-thermal plant, small hydro and others.

Macquarie Generation, located 14 kms south of Muswellbrook is Australia's largest electricity generator, and produces 40% of NSW's power needs. It is currently looking to dramatically expand its operations.

The estimated value of the projects underway in The Hunter Valley is in the range of \$6 to \$10 Billion dollars and would generate more than 1,000 construction jobs alone. Added to that Xstrata are spending over \$1.1 Billion dollars on their Mangoola

coal mine which is expected to produce 400 jobs directly and another 700 indirectly.

With Muswellbrook being at the heart of all of these developments, the population is set to boom in the next few years. Property Sauce have been able to locate the opportunity for our investors to purchase brand new 4 bedroom, 2 bathroom, double garage homes on blocks a minimum of 630mtrs, for as little as \$353,500. With the market value rent of these properties being between \$400 and \$500 per week, these properties will have positive cash flow for many of our investors.