

VANGARD INVESTOR UPDATE

April 2010

PROPERTY SHORTAGE IS DRIVING HIGHER PRICES: AGENTS

While interest rate increases are putting the squeeze on some home buyers, further increases in rates will not dampen property prices.

According to the President of the NSW Real Estate Institute the market place is driven by supply and demand and not interest rates, describing the current situation as “an absolute social crisis”.

His views are supported by Urban Taskforce Australia which represents developers and financiers. In a strongly-worded statement the organisation said that “each interest rate rise is tantamount to a game of Russian roulette with Australia’s housing supply” and that interest rates should not be used to attack housing demand when the problem was a shortage of housing.

Property investors are for the most part less sensitive to interest rate rises, but the housing shortage offers real opportunities for good rental returns and capital growth in strategically identified areas.

Vanguard Group produces unbiased research on selected areas using nine stringent criteria; these criteria and research reports are available free of charge to all our clients to ensure their investment out-performs the overall market over the medium to longer term.

MOVE AWAY FROM FIXED RATES

More investors are now moving away from fixed rates, preferring discounted variable interest rates.

With fixed rates typically 2% above a variable rate, most property owners are now better off with a variable rate loan.

Fixed home loan rates generally follow money market rates rather than the Reserve Bank’s cash rate which is the benchmark for variable rates. Money market rates, known as the Bank Bill Swap Rate (BBSW) are fixed rates that lenders use to borrow between each other.

Some lenders are now starting to reduce the margin between the BBSW rate and the rate they charge for their fixed rates to try to entice borrowers back into fixed rates. However, moving to a fixed rate can have significant implications for your cost of funds; Vanguard Group can conduct a complementary review for you before you possibly sign away more of your funds to the banks’ profits. Email us at [HYPERLINK “mailto:info@vanguard.com.au”](mailto:info@vanguard.com.au) info@vanguard.com.au for a fixed rate review.

	Australia	Brisbane	Melbourne	Sydney
HOUSES - Median Value	\$429,000	\$461,000	\$562,000	\$641,000
Capital Growth - Annual	9.80%	4.94%	17.71%	13.49%
Rental yield (Mar 10)	4.38%	4.24%	3.43%	3.95%
UNITS - Median Value	\$384,500	\$367,500	\$432,500	\$449,000
Capital Growth - Annual	10.31%	6.18%	16.66%	10.39%
Rental yield (Mar 10)	4.75%	4.97%	4.10%	4.94%

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