

# VANGARD INVESTOR UPDATE

March 2010

## RBA WARNS ON GLOBAL RECOVERY

The Assistant Government of the Reserve Bank, Guy Debelle, has warned that a second wave of big write-downs by banks in the US, Europe and Britain could deliver a setback to global recovery. He believes lenders in the northern hemisphere faced big loan losses as the recession continues to drive residential and commercial property values down.

The situation in Australia is much more positive with economists now predicting that economic growth, buoyed by commodity prices and export demand, could bring the Federal budget into surplus during 2012, some three years earlier than expected.

Australia was the only OECD country that didn't go into recession during the height of the global financial crisis.

## MELBOURNE PROPERTY PRICES TIPPED TO RISE 10% IN 2010

Greville Pabst, CEO of national property valuer WBP Property Group predicts that Melbourne property prices will rise by a further 10% during 2010, taking the median house price to between \$550,000 and \$600,000.

He claims that strong economic conditions, falling levels of unemployment, historical low interest rates and high demand for residential property, and a booming population will drive this growth.

## STEEP RISE IN RENT INCREASES PREDICTED

According to BIS Shrapnel, the national average yearly rental growth is forecast to reach 5.8%, resulting in an extra \$1.9 billion in landlords' pockets each year.

BIS Shrapnel expects the average rental rate in Sydney to grow by 7.1% on average annually between 2010 and 2012. They expect Melbourne rents to increase by 5% over 2010 to maintain acceptable yields with rising property prices.

## HOME LENDING DECLINES

Lending for residential property fell further during December 2009. The Australian Bureau of Statistics has reported that, on a seasonally adjusted basis, the total number of owner occupier loans fell in every state and territory with the exception of the ACT. Loans in NSW fell by 6.7%, Queensland by 5.6% and Victoria by 4.9%.

The HIA said this fall in lending approvals reflected the unwinding of the first home buyers stimulus package and the third consecutive interest rate rise.

The fall in owner occupier loans is positive news for residential property investors as this strengthens demand for rental properties with lower vacancy rates and potentially higher yields, even with above average increases in property values.

	Australia	Brisbane	Melbourne	Sydney
<b>HOUSES - Median Value</b>	\$425,000	\$469,000	\$547,500	\$634,000
Capital Growth - Annual	9.21%	6.52%	16.32%	13.28%
Capital Growth - Over 10 years p/a	9.96%	11.81%	10.16%	6.62%
Rental yield (Feb 10)	4.36%	4.17%	3.48%	3.95%
<b>UNITS - Median Value</b>	\$378,000	\$357,500	\$422,000	\$444,500
Capital Growth - Annual	8.58%	3.10%	16.39%	10.41%
Capital Growth - Over 10 years p/a	8.24%	10.36%	9.85%	6.00%
Rental yield (Jan 10)	4.83%	5.11%	4.20%	4.93%

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