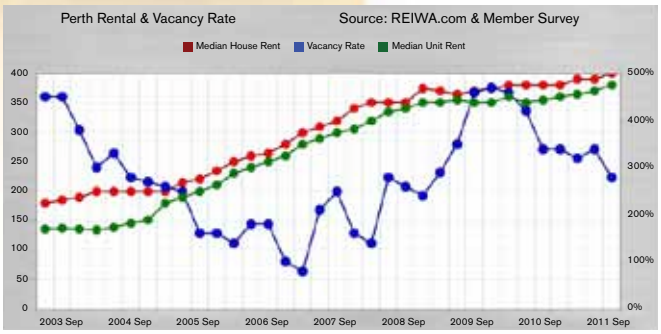
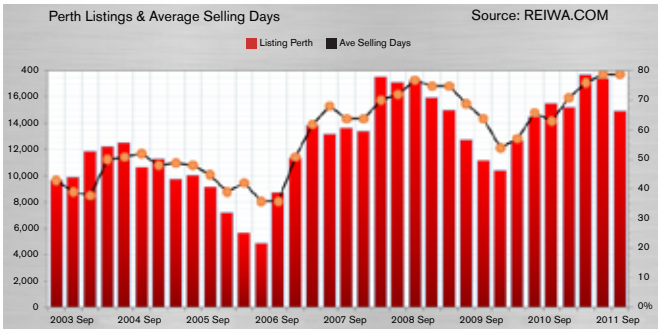
property matters

Summer/Autumn 2012
newsletter

The Market is awakening





Current as on 29 July 2011

After being wedged between the Global Financial Crisis, natural disasters and political catastrophes both globally and nationally, the long awaited rebound of the property market is showing current signs of emerging. After experiencing lack lustre demand, an oversupply of properties listed for sale, financers lending constraints and timid buyer activity, we are now experiencing increased sales activity across the majority of sectors.

The obvious factor is the recent interest rate decrease which has helped to stimulate demand. But by far the greatest flow on effect has been the recent firming up of several major resource and infrastructure contracts, which after years of negotiating have now finally been signed off. This in turn has proven to be a huge catalyst as firms now bring in hundreds of offshore and interstate employees to work on everything from computer systems, engineering, accounting and every conceivable component of their businesses. This in turn is directly stimulating our economy. With approximately 250 billion dollars worth of contracts now signed off and under way, plus many more still to come, our whole state is set to prosper for many years to come.

Australia is indeed a truly lucky country as the majority of the world is still stuck firmly in the hangover of the Global Financial Crisis; we seem to be heading for apparent prosperity as the vast majority of these projects are just beginning to gather momentum. It would appear that despite what may or may not happen in Europe, USA or even China, Western Australia is destined to receive a long and lasting flow on effect from our Resources Boom. The rapidly growing population is in turn driving demand across all industries, with Real Estate being one of the largest sectors feeling the upwards pressure on values and rental returns. More interest rate cuts and softer lending criteria will also help facilitate a recovery in the inner city housing market, but by far the greatest stimulate will be the machinations of supply and demand. The next couple of years should see some lost ground caught up from the recent few years of doldrums.

Other factors assisting to push the market is Western Australia's high rating for education. The increasing influx of overseas students to our universities and higher learning centres continues to grow. Our state's rich and large agricultural base is also seeing a lift as commodity prices across the world have seen sudden peaks.

Despite the effect of the high Australian dollar and Global Financial Crisis, Western Australia is still high on the tourism list. With our unique blend of the South West, laid back city, exquisite beaches and our exciting North West/outback, continues to draw more visitors. Perth city, being one of the most liveable cities in the world also ensures constant growth.

All this activity has seen huge numbers of international and interstate workers arriving in Perth requiring rental accommodation. Higher returns will drive investors back into the market, whilst some home owners will also be forced to purchase to heed off sky rocketing rents.

Further support will be given to the Real Estate sector as more global uncertainty equates to investors leaving the stock market and seeking the safety of property. The new boom in Self Managed Super Funds will also drive this demand further, as more and more investors will seek the more stable safety of property. Indeed, Self Managed Super Funds is the fastest growing sector of the financial markets today.

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markhay

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- Residential & Commercial Sales
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- Portfolio Management
- Development & Project Marketing Specialist

Inner City Boom!

Nowhere else is the surging demand being felt more than in the inner city apartment market. Rentals have rapidly increased 15% plus, in just the last couple of months as the demand for well presented, fully furnished and centrally located apartments surges.

As the projects across the state begin to crank up, this has created a sudden and rapid push on rentals which is set to be increasingly frustrated due to a huge lack of supply in 2012. With only a meagre 200 new apartments set to enter the market next year in the inner city. As rents are pushed upwards by the insatiable resource sector (all these firms have very deep pockets), the average city tenant will find it increasingly difficult to compete with the fat flashing, wallets of the resource associated companies.

These city dwellers will then be pushed to the outer fringes and suburbs or pushed to purchase themselves.

More so, as rents increase, the realisation that it would be cheaper to scrape together a deposit and pay off a home loan than to rent, will certainly kick in. At the same time, this new found prosperity for landlords will see far more activity from the investor market, thus setting up the market for a speedy recovery.

Mark Hay
Principal

Property Myth Buster

Myth: The democrats and greens always talk about abolishing negative gearing so I might lose my tax benefits.

Reality: Yes, there is always talk of abolishing or at the very least trimming some areas of negative gearing. But remember after Keating and Hawke abolished negative gearing in 1985, it only took 18 months until they reintroduced the full benefits again.
The government can't afford to house the whole population of Australia's rental market (i.e. Homes West, Affordable Housing, Defence Housing and NRAS etc). So the trade off is the government gives incentives to the private sector to help accommodate the whole population. Those incentives are by way of negative gearing including depreciation. These incentives help developers and "Mum and Dad" investors become involved in helping stimulate the economy by investing directly in property.

If the government ever does decide to tamper with the negative gearing or any other policies, it is usual practise that they never actually make these rulings retrospective.

You're Invited!

4 POWERFUL SEMINARS

Designed to get you up to speed, motivated and fully informed on how to capitalise on the next property upswing!

Date: Held every 6 weeks!

Landlords Information Session
Valuable tips to maximise your rent returns, reduce your vacancy periods, claim all your rightful deductions and heaps more!

Turbo Charge your Property Investment
Tips, ideas and facts to ensure you maximise your property investment returns and minimise your risk.

The New Boom
Learn firsthand about "Wealth Creation" using your own Super Fund to borrow via warrants, pay zero tax on retirement and retire earlier!!

Commercial Property Investment
Learn what to look for, how to structure purchases and more importantly how to avoid traps.

FACTS

Where: 28/118 Royal Street, East Perth

Cost: FREE but a gold coin donation to Princess Margaret Childrens Hospital encouraged.

Parking: Ample street parking or council car parking available

Bookings Essential

Call the office 9225 7000

or book online
www.markhay.com.au

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The new era for Retirement Funds

Self Managed Super Funds

In this day and age of economic turmoil, hesitancy and uncertainty, there seems to be ever-growing clouds forming around our future and more importantly our ability to look after ourselves in our twilight years. With the erosion of the majority of Super Funds, people have seen their wealth wiped by up to 40% in line with the stock market downturn. This has been further compounded by the recent budget move of the extension to retirement age. There seems to be many fundamentals coming to bear upon our sacred superannuation.

Investment property specialist and long time property investor Mark Hay, Principal of Mark Hay Realty Group sees a silver lining in the current turmoil, "Under current legislation there has been little publicised but huge shift in the way superannuation can be handled. A new superannuation ruling was brought down in September 2007 which allows superannuation funds to borrow funds for the purchase of a residential or commercial investment property via an instrument known as a Super Warrant".

Mark Hay stated that there has been an increased interest shown from the Self Managed Superfund sector as Super Funds now have the ability (subject to certain criteria and conditions) to borrow up to 70% for residential properties and marginally less for commercial properties.

The huge losses being experienced by a majority of Super Funds with clients still paying fees to the managers of their portfolio, whilst they make significant losses are becoming continually unpalatable to many of our "Mum and Dad" investors. A good majority of these investors have long known the rewards of the less glamorous but far more certain returns of Real Estate and are finding the opportunity to be the 'captain of their own destiny' and enjoy the assured security of property being a great draw card.

"I see this change, along with the fact that upon retirement your Superfund returns are tax free, to be the biggest gift handed out to "Mum and Dad" investors in the last 20 years, other than when Prime Ministers Hawke and Keating reintroduced negative gearing in 1989".

For investors with $50,000 or more in Superannuation, this is a perfect way to grow substantial wealth over the medium to long term. Mark believes these significant changes have been deliberately played low key as the Superannuation Funds industry currently holds some $1.3 Trillion in management and this is set to double by 2015. With such a large amount of money churning through various funds and the ongoing collection of fees, the last thing the "powers that be" wish to see is people leaving the Super Funds to invest in the property industry. However, they are powerless to stop the shift and Self Managed Super Funds is the fastest growing sector of the financial markets today. Mark Hay Realty Group regularly holds seminars on how to get started with your Self Managed Super Fund. Contact us to find out how you can get involved.

DIY Super Surge

In the wake of the recent disastrous returns being achieved by the majority of Super Funds across the board, coupled with the uncertain outlook of the stock market, which is predominantly the hunting ground for the majority of all major SuperFunds, Investors are now taking a closer look at their overall situation.

Once upon a time, most investors simply saw their super contribution leave their pay packet and nothing more was thought of.

Disillusioned at having their Super Funds actively make losses, many investors are now voting with their feet and moving to actively administer their own funds. An astonishing rate of 100 investors per day are making the switch to DIY Super.

These newly formed Super Funds are investing their funds directly into residential property, unlisted property trusts and commercial property. Whilst many investors have been operating their own Super Funds in the past, it is now rapidly becoming a real growth industry.

There are a few major points to bear in mind when setting up your own Super Fund:

1. You need to arrange a company and annual tax returns; this will cost approx. $1500 per annum.
2. You cannot access these funds until age 55 or retirement.
3. Super Funds pay income tax at 15 cents in $1 and capital gains tax at 10 cents in $1.
4. You can combine a couple's Super directly into one fund, indeed up to four members for one Fund are permitted.
5. You are responsible entirely for the administration and decisions of the Fund.
6. A suggested minimum amount to commence with, would be approx. $50,000.
7. Salary sacrifice at 15% for Super Funds is preferable to paying up to 48.5% tax.

Heralded as the new growth sector of the property market and the added fact that Self Managed Superfund's can now also borrow, adds a whole new spectrum to Superfund's. Be sure to seek appropriate professional advice before setting one up.

Mark Hay
Principal

Property Gallery

East Perth

4 Bulwer Street

Fantastic starter 1 bedroom apartment is located walking distance to Northbridge and Beaufort Street.

$199,000

Kalgoorlie

404-410 Hay Street

Blue chip investment brand new 2 bedroom home, centre of town, bullet proof leases to mining companies, $400pw rent.

$295,000

Perth

45 Adelaide Terrace

Amazingly refurbished character apartment with glorious river and parkland views.

$309,000

Perth

29 Hill Street

Brilliant character and charm! Timber floor boards and high ceilings throughout. Unbelievable location, small secure complex opposite the river and Langley Park.

$329,000

Perth

811 Hay Street

Located in the very hub of the West End, this city apartment offers a blistering location opposite to the new Raine Square development.

$325,000

East Perth

418 Murray Street

Stylish, fully furnished 2 bedroom apartment in unparalleled location, glorious living space, use of resort facilities: pool, spa, gym and knockout views.

$409,000

Perth

18 Forrest Avenue

Centrally located apartment features 2 big bedrooms, ground floor, great sunfilled courtyard, full security, small complex, stroll to absolutely everything.

$429,000

COMMERCIAL SALES

East Perth

Adelaide Terrace

Super exposure on Adelaide Terrace, new fully self contained 113sqm ground floor premises plus 2 massive car bays. Ideal office, prime frontage, opposite the Hyatt Hotel.

$695,000

PURCHASE OFF PLAN NOW!

FROM ONLY $450,000

Exciting new development on Adelaide Terrace, Perth prices from only $450,000. Capitalize on the rental boom with rents and prices set to increase dramatically. Place 10% down now, receive interest and pay nothing further until settlement in two and a half years.

Imagine what they will be worth then!! Unique quality development of only 78, with parking, security, some with river views and a very unique entry statement through the heritage listed church. Great depreciation allowances and returns or a superb city home! With a magnificent top floor entertainment deck, don't hesitate, act now!

Receive up to 15% plus PA returns, only $25,000 minimum investment!

Ideal for Super Funds and smaller investors.
Participation from only $25,000 and upwards.
Approximately 2 year investment, rock solid no drama investment, sales, development costs and finance are all locked and loaded!
Call now for further details, very limited opportunity!

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