

# TIFFEN & CO

*the mortgage detective*

Summer Edition | 2011

## SUMMER EDITION

### Welcome to the summer edition of our newsletter!

This newsletter not only celebrates the beginning of the summer season but also Christmas. It is the perfect time to make sure you spend quality time with your friends, family and loved ones - enjoying the beautiful Canberra weather and festivities!

At its November board meeting on Melbourne Cup Day, the RBA cut the official cash rate by 0.25 per cent to 4.50 per cent. Since this announcement, most of Australia's lenders have passed on a reduction to their borrowers ranging from 0.20 per cent to the full 0.25 per cent. Whilst the banks were happy to pass on some, if not all of the rate cut, it will be interesting to see what they choose to do if the RBA decides to cut rates again!

Christmas is just around the corner and what better time than now to look at ways of paying off your home loan sooner and saving on your interest repayments. There are a number of great strategies available and it is never too late to begin.

For investors out there in the market, Christmas may also be the ideal time to negotiate a potential bargain. Please read our article on the benefits of purchasing over the Christmas period.

We would like to take this opportunity to wish you all a wonderful Christmas and a prosperous 2012!!

We hope you find our newsletter content informative. If you have any questions or would like us to research a topic of interest for you, please call us on **02 6260 7880**.

**Alison Whittle**  
**Gerard Tiffen**



## HOW DID YOUR PREDICTIONS STACK UP?

### Canberra's property market; How did we go?

- Swing to a Buyer's Market
- Supply Increase in Gungahlin
- Supply Increase in Belconnen
- Limited Growth in Outer Areas
- Longer Selling Periods
- Lower Vendor Expectations

Compared to previous years there has been a major swing towards a buyers market.

Sales listing figures have significantly increased from last year with Gungahlin, Belconnen, North and South Canberra providing the key areas of increased supply. Gungahlin, the newest region under development continues to provide the first home-buyer market with a mix of affordable and mid-range property.

The median price in Canberra remains steady at \$520,000 for standard residential housing compared to \$510,000 at the same time last year. Medium density property on the other hand has increased by 7% to \$415,000 on the back of major new developments in the Inner South. Vendors throughout Canberra have been forced to lower their price expectations given increased supply and softer consumer sentiment, a reflection of world financial markets and local political uncertainty.

As predicted, the rental market in 2011 has seen an increase in supply, due mainly to the completion of larger unit developments, in particular, 'Oracle' in Belconnen, 'Verve' in Bruce and 'Kingston Place' Kingston. However, reported population growth of 1.8% has resulted in a continued tight vacancy rate and steady rents, providing investors with gross returns of 5-6%.

Source: Herron Todd White Research.



## FAREWELL

**We would also like to take this opportunity in our last newsletter of 2011 to farewell our very good friend and Manager of Operations, Alison Whittle.**

Alison has dedicated the last 15 years to the mortgage broking industry as an owner of The Mortgage Detective and more recently as a director and shareholder of Tiffen & Co.

Alison has been actively involved in the financial services sector for 30 years. She represented mortgage brokers in the ACT region for 7 years on the industry's peak professional body - the Mortgage and Finance Association of Australia (MFAA). In 2009/2010 she was president of the association's ACT/ NSW Council and represented these states on the national board. Alison thrived on being involved with both of these associations & needless to say when Alison is involved with an association, it flourishes.

Alison has been a great leader and director at Tiffen & Co where she has ensured the smooth running & operation of the company. She has been instrumental in the success of Tiffen & Co which is shown in the many Industry awards we have received.

We will all miss her sincerely & wish her every success in her future endeavours.

# PURCHASING ESTABLISHED VERSUS NEW PROPERTY

If there's one topic property investors rarely agree on, it's what makes a better investment: *established or new?*

Proponents of buying 'established' argue that established dwellings are typically more affordable and can be renovated to create equity, whereas those buying 'new' argue that this is outperformed by the tax incentives that new properties deliver.

Confused? Here are the arguments for both sides of the debate, but remember there's no 'right or wrong' answer, regardless of which corner you stand in! Established and new properties both have distinct, unique advantages and what counts as an investor is that your decision matches your individual strategy and goals.

## DID YOU KNOW?

The world's richest retailer and founder of furniture store IKEA, was just a young boy when he started his first business selling matches to his neighbours from his bicycle.

Ingvar Kamprad found that he could buy matches in bulk cheaply from Stockholm, sell them individually at a low price and still make a good profit.

From matches he expanded to selling fish, Christmas tree decorations and ball-point pens. When Kamprad was 17, his father gave him a reward for succeeding in his studies and he used the money to establish what has become a multi billion dollar retail brand!

### Reasons to buy 'New'

- 1. Tax depreciation:**  
If you're an investor, one of the big advantages of buying a newly constructed property is that you can claim depreciation as a tax-deductible expense.  
  
This includes the depreciation of assets in the building and the cost of the building itself, as well as for wear and tear on fixtures and fittings in the property. The newer the property, the higher the level of depreciation.
- 2. Better Quality Tenant:**  
Brand new properties tend to attract a better quality tenant, which means a higher rental income and fewer headaches for the landlord!
- 3. Less Maintenance:**  
Unlike new homes that require little maintenance, owners of second-hand properties are often faced with immediate maintenance issues. The costs of repair in older homes can significantly inflate ongoing expenses.
- 4. Warranty:**  
As a purchaser of a new property you are protected for a number of years against major building defects by home warranty insurance, which all builders of new homes in Australia are required to carry.

### Reasons to buy 'Established'

- 1. Equity:**  
There is little opportunity to add value to a new home, whereas the investment made in an established home can grow in the future should you choose to renovate or extend.
- 2. Affordable:**  
It's often said that you get more house for less dollars buying a second-hand home than when buying a new one. For entry-level investors, old properties can have the advantage of an affordable price tag.
- 3. Unique Appeal:**  
Older homes often have great features that can't be replicated in new homes. A well-maintained period style home, for example, will reap rewards in capital growth down the track.
- 4. Established Sales History:**  
There's less guesswork in buying an established property because you'll be able to trace back the property's appreciation and find out how the suburb has performed.

This can help give you the assurance you need that you're buying a good property.

## CHRISTMAS BARGAINS FOR INVESTORS?

Investors who aim to purchase a property under list price should consider buying in December when demand is low, according to finance industry stakeholders.

The Christmas season has historically been slow compared to other months, with December recording the lowest sales volume of any month.

The primary reason for the slowdown is that buyers and vendors are generally looking for 'a resolution' before the holidays. Demand tends to drop off about mid-December and people have different priorities at this time of year.

They are gearing up for annual holidays, attending Christmas parties and finishing work projects. Because property searching is so time intensive, it can get put on the back-burner.

Consequently, Christmas is the perfect time for investors to negotiate a good deal and take advantage of motivated vendors. It could give you greater bargaining power, and the ability to test the flexibility of vendors

## HOW TO PAY OFF YOUR HOME LOAN SOONER

You don't need to win the lottery to pay off your home loan. There are a number of great strategies for reducing your loan balance and potentially saving thousands in interest payments.

It's never too late to begin, so pick and choose which of the following would work for you:

1. Switch to weekly or fortnightly repayments
2. Make extra repayments
3. Open an 'offset' account
4. Pay your salary into your loan
5. Review your expenses and try to find a few that you can reduce or remove altogether
6. Maintain your loan repayment if interest rates fall

## WE'RE WITH YOU HAPPY HOLIDAYS



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