

PROPERTY NEWS

Ideas to help you when you're Buying or Selling

Mudgee affordability a boon to wealth creation

You can grow a property portfolio



Read our
full report
on page 3

In this issue of Property News:

- Raising funds for prostate cancer
- Insight into the Mudgee property market
- Understanding property cycles



www.thepropertyshop.com.au **6372 2222**

Letter from the Editor

Dear Readers

Following our recent survey of "What do you like about Mudgee?", one of the highest rating comments was the sense of community in the town. I must agree and note that over many years that we have been involved in charity and fundraising in the town, the commitment and support shown by the community has been first rate.

I recall the sad orphaning of two children in the district as a result of an accident some years ago. On that occasion the community (and wider afield) donated in excess of \$350,000.

Our recent fundraiser and awareness night at our Tradies' Evening for Prostate Cancer was no exception. Once again our local businesses came to the fore eagerly donating items and once again our locals bid up to raise thousands of dollars for the group.

I really believe Mudgee is one of the most community minded charitable towns in NSW. The survey shows that and the fundraising that is achieved by the community every year proves that.

Mudgee... a great place to live!

In the meantime... love where you live.

Hugh Bateman
Principal



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2nd Tradies' Night Raises Thousands

Thousands of dollars were raised for the Mudgee Prostate Cancer Support Group at the Property Shop's second annual Tradies' Night.

The Property Shop team put together a fun and informative night with speakers and a fund raising auction.

Dr Phillip Katelaris, Director of the Prostate Cancer Foundation of Australia and Director of the Prostate Cancer Rehabilitation Centre, spoke informatively on prostate cancer, the preventative measures, cures and coping with the disease.

Following the talk The Property Shop team offered for auction some 20 items kindly donated by Channel 9 and a number of fantastic local businesses.

Several thousand dollars was raised for the Mudgee Prostate Cancer Support Group as a result of the night.



Hugh with John & Elizabeth Allen. John is a survivor of prostate cancer and both he and his wife Elizabeth are ambassadors of the Prostate Cancer Foundation.

Photo: Don Mahoney courtesy The Mudgee Guardian.

If you would like to join the local support group you can contact Mike Brydon on 6372 3675.

Head property wealth achievable

Is it possible to grow a property portfolio? Is it affordable? What is the theory and the practice? We spoke to The Property Shop for an insight into Mudgee property.

One of the advantages of living in a town like Mudgee is that the cost of a good home is relatively low compared to metropolitan areas and in a low interest rate environment that puts wealth creators on a particularly good footing.

With comparatively low interest rates, a stock of affordable housing and First Home Buyer initiatives the timing is right to enter the housing market.

Because even the dearer homes in Mudgee are far cheaper than comparable properties in Sydney, residents here are in a far better position to buy a home to live in, grow their equity in the home quickly and, when they are financially ready, invest in property.

Too many people think that they have to almost own their first home before they can invest in a second. That's not the case. All you need is a substantial amount of equity which can be achieved by a reasonable deposit and relatively inexpensive renovations and improvements that increase the value of the property.

As a simple example: If you buy a \$300,000 property on 20% (\$60,000) deposit you have \$60,000 equity in the home. But if you spend \$10,000 on renovations such that the home's value increases to \$360,000 that additional \$60,000 value is also counted towards

your equity as it is not part of your debt to the financier. Thus you suddenly have \$120,000 equity.

By this time you are in the region where a financier will look favourably on you if you want to purchase another property.

Owning your own home gets you capital gain. Conversely buying investment property gets you both capital gain, a rent return and tax deductions for most of your expenditure. So it makes sense to increase the asset class that brings you the greatest total return.

Increasingly, the combined monthly payments on an investment property (even paying off the home you are living in) are very achievable.

The interest on the investment loan is tax deductible and after tax refunds and depreciation benefits available on the investment property, together with the rental income, there is not a lot extra you would have to top into the kitty to repay the loan.

To make it even more affordable in the first instance you could look at an interest only loan.

The theory of property accumulation on interest only loans is a relatively simple formula. All of the rent from your investment property is used to quickly pay off (or at least increase equity in) your first property.

Using this system some people quickly accumulate a number of investment properties in a short time.

The property market has increased



dramatically in Mudgee in the last 7 to 10 years. Remember it does that on a cyclical basis. It is sound practice that you have some of your hard earned cash invested in the property sector.

If its simply lifestyle then maybe renting is for those that want a quality of life as opposed to wealth accumulation.

Of course this is general information. Your own decision should be based on the advice of professionals including your accountant, financial adviser and lender.

When you are ready to buy or even move up in the rental market, The Property Shop team knows Mudgee very well. Ring them on 02 6372 2222.

View properties for sale at www.thepropertyshop.com.au



2010 Winner:



Hugh Bateman
Principal



Lucas Sheppard
Property Consultant



Damian Kearns
Property Consultant



Peter Vanags
Property Consultant

If you would like to sell your property please call our sales team on 6372 2222 and rest easy in the knowledge that our team of experts will look after you!

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Property cycle looking good

**All property booms pave the way for the next downturn just as every property bust sets the scene for the next boom.
So what factors could cause a property cycle to end?**

Property booms occur because demand outstrips supply and the telling factor is always the published rental vacancy rate that indicates the amount of available properties as a percentage. The lower the percentage the fewer properties are available for rent.

Invariably one of four factors tends to bring a boom to a halt. These are:-

- **A recession** – nobody thinks this is a likely scenario in Australia in the coming years, particularly given the way in which we weathered the Global Financial Crisis and the buoyant nature of our resources sector.
- **High unemployment** – where homeowners can't afford to keep up their mortgage repayments because of being out of work. In Mudgee, Council is predicting that if all projects proposed here come to fruition the population could increase by a maximum of 20% over the next 2 to 3 years!!
- **An oversupply of properties** – with the shortage of properties we have both in Mudgee and more widely in Australia, it is unlikely to be a catalyst for the next property downturn.
- **High interest rates** – this is the most likely factor that could end a property cycle but even with a rise predicted before Xmas our interest rates are still historically low.

The simple answer is that interest rates of about 9% would most likely stop a property cycle. The good news is that forecasters are predicting unemployment in Australia to drop from 5.3% to below 4% by early to mid 2013. This in turn will lead to a higher CPI.

Higher inflationary pressures do provide property investors and homeowners with good news however. That is if the economy flourishes wages rise and inflation increases, the value of properties will surge.



*Our award winning
Property Management team*

Want to rent your property?

**Call us today
on 6372 2222!**



June Lewis
Commercial/Strata
Manager



Graeme Kurtz
Residential Property
Management



Bernice Offner
Residential Property
Management



Ray Peters
Commercial Property
Management

The Property Shop Property Management staff are committed to protecting your investment and obtaining the best possible return. For an obligation free appraisal of your rental property contact us and we'll look after you.