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Issue 8, Volume 6 - November 2007

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11:35am, Thursday 29th November 2007

Are you interested in the future of Australian real estate? If so then keep reading to find out whether you'll be a winner or a loser in this new government and interest rate climate.

BUT FIRST... EXCITING NEWS!

Scroll to the bottom to find out how to pre-register and **save up to an unprecedented 66%**! If you can't wait then visit <http://www.propertyinvesting.com/go/219> now!

Labor Party Wins Federal Election

Do you feel the winds of change blowing? You should. Last Saturday's runaway election victory for the Labor party firmly cements a new political and economic trend.

After 11 years in power, the Liberal Party has been decimated. The mood for change isn't restricted to marginal electorates. Previous Liberal and National Party strongholds have been impacted too.

Consider the Queensland seat of Dawson (Mackay region) for instance. Previously a safe seat for the National Party, Labor won it for the first time in 32 years.

**We are now experiencing generational change.
Nothing is scared or immune from its effects!**

No doubt the Liberal party will be scratching its head trying to understand what went wrong. Aside from some popularity issues and some confusion about how long Howard would remain as PM, the economy was strong, employment at record highs and there was the juicy carrot of \$11b of tax cuts.

A Timely Lesson: Beware Human Behaviour!

There's no precedent for a political party being voted out while times were so prosperous. However, this only proves the point that reality is incidental when new behavioural trends emerge.

Emerging social trends are like freight trains – once they build up speed they pack tremendous power and cannot be quickly stopped.

Put in another context, history scholars will tell you that booms and busts aren't caused by economic fundamentals. Instead, they are caused by manic-like human behaviour – speculators looking for profits on the way up, and those looking to cash in before destruction on the way down.

This explains why what *should* happen is rarely what *does* happen.

The lesson here is that if you're relying on predictable market forces (for example, continuing rising property prices), remember that if human behaviour suddenly changes the rulebook flies the window.

The Immediate Future For Interest Rates

The new Labor government has inherited an interest rate time bomb. Our interest rates are locked in to an upwards trend because consumers are spending too much money, and although the RBA is trying to discourage them...

...our only hope of avoiding higher interest rates will be an economic correction.

Of course, you wouldn't wish a recession on your worst enemy because there'll be higher unemployment, lower wages and flatter share and property prices.

Is an economic correction on the cards? Not as yet. A softening may occur as domestic interest rates rise, but a recession or serious decline is unlikely unless the US economy experiences a meltdown.

Speaking of the US, many market commentators are predicting hard times ahead. While the RBA is raising interest rates here to stifle demand, the US Federal Reserve is dropping their interest rates in an attempt to kick start their economy.

We're trying to steer away from inflation (economic problems caused by rising prices), whereas the US is manoeuvring to avoid deflation (falling prices causing economic havoc).

You may have heard it said that China will be our economic saviour. The truth is that with iron ore prices so high, many Chinese steel producers are struggling to stay in business.

If US consumers stop buying, then China will stop ordering from us!

I was told recently that for every two container loads of goods arriving in the US, one is full of Chinese made product. There's no doubt that US consumers represent the biggest household spenders on the planet, so if they stop spending, then China will stop producing, and that means Chinese manufactures won't need as much raw material from Australia.

What shall we say then? Clearly the volatility on stock markets around the world reflects the

uncertain and shifting global trends. However, until a clear direction is set from the US, or until new Labor government policies have an effect, the Australian economy is likely to chug along with interest rates drifting up.

Will Property Prices Crash?

If your plan for making real estate millions involves waiting for property prices to crash a la what's been reported in the US then, I'm sorry, there's little to no chance of that happening here.

Unlike the US where there is excess housing stock, here in Australia we're suffering a severe housing shortage. In their latest report on housing affordability, Paul Braddick, head of finance at the ANZ Bank, has forecast a national shortage of 200,000 homes by 2010. Braddick attributes a simple cause – we're simply not building enough houses.

The conditions aren't right for an Australian housing correction.

That's not to say that property values will remain unaffected by interest rates increases – higher rates will further reduce affordability and shrink the pool of available buyers. Sooner rather than later, homebuyers will downsize their housing expectations rather than borrowing more to get their dream home.

A good precedent is what happened when interest rates reached 18% in the early 1990's. Homeowners knuckled down and worked hard to pay off their mortgage which meant house prices stabilised and drifted rather than crashed.

It was a different story in commercial property though. Values in that market fell sharply, resulting in banks calling in commercial loans so that mortgages and debt facilities remained at preset loan-to-valuation ratios. For instance, if the LVR was 70%, then banks wanted clients to repay \$70,000 for each \$100,000 drop in value. With no buyers around, values plummeted and those forced to sell often lost their financial shirts.

Winners & Losers

As you can now hopefully see, we are in a period of immense change. While this will be the start of difficult times for those who are set in their ways, it also marks the beginning of massive opportunity for those who can adapt.

Will You Thrive Or Just Survive?

Here's a list of the losers and winners from the current political and financial landscape:

Losers

1. The Liberal and National Parties, and those organisations that support their power bases. All will need to reconsider their positions and start anew. This will take years.
2. Battling homeowners who will take a hit in the hip pocket every time interest rates rise.

You can't eat houses and those with big mortgages will have to think creatively as the financial burden increases.

3. Investors who are negatively geared. The new lower tax rates will make negative gearing less attractive since less tax is levied, and so less tax can be 'saved'. Also, increased interest costs will only add to the cashflow shortfall.
4. Speculators relying on general market growth. Rising interest rates will stifle demand which will result in flatter growth.
5. Homeowners and investors who need to sell quickly and are forced to take a much reduced 'fire sale' price. The available pool of buyers will shrink as affordability worsens. If you can hold out then you may get your price, but those who need to sell fast will suffer.
6. Consumers who bought using expensive debt products such as credit cards, personal loans, '24 months interest free' etc., and who are unable to repay the debt in full.
7. Those who bunker down and hang on to loss making or poor performing assets believing that a loss isn't made unless the asset is sold. An inability to act or lack of access to cash will severely limit your opportunities to bag a bargain.

Winners

1. The Labor Party and new members of parliament who now enjoy the power to change the country.
2. Trade unions and those traditionally aligned with the Labor movement. Union participation is currently at around 22% of the workforce. This will be the low point, with a revival starting from here.
3. Service providers who have aligned themselves with the Labor party and will be awarded lucrative government contracts. While the tender process is somewhat transparent, party favourites will be rewarded for their loyalty.
4. As interest rates drift higher, those who have fixed rate mortgages. Such borrowers will have secure finance and a historically low rate.
5. Cashed up investors who have the funds to be able to snap up great deals, particularly in the commercial property arena, as a result of vendors who need a quick sales price.
6. Developers with guaranteed pre-sales. The certainty of a pre-sale will provide comfort in an otherwise unpredictable market. Pre-sales will also help with gaining finance approval.
7. Self-funded retirees, pensioners, and others who rely on interest income, since cash deposit accounts will attract higher returns.
8. Property investors who can provide low cost housing, since the Labor party has promised tax credits and incentives for those who build in this market.
9. Those who can capitalise on emerging trends and new opportunities.

**It's your choice –
will you be a winner or a loser?**

Looking back over the list, are you poised to be a winner or a loser? There's still time to be victorious, but urgent action is needed.

The PropertyInvesting.com 3-Day Mega Conference

The biggest danger going forward is what you don't know or can't see. Now more than ever,

education means power, as those with the most knowledge will drastically outperform investors with redundant or outdated strategies.

How will the investing strategies you're using stack up in the months and years ahead? Are you positioned to be a winner or a loser?

News of an exciting opportunity is about to be released, and I'd like you to have first opportunity to capitalise upon it.

On April 11, 12 and 13 next year (2008), PropertyInvesting.com will be running the first EVER 3-Day Mega conference. I'm gathering together industry experts and heavyweights with the goal making sure you're positioned to make maximum profits in the new political and economic environment.

Over 3 massive days, mega industry experts will provide tips and insights across multiple property disciplines. Hear gurus outline their latest investing techniques revealing how to make mega profits. Sit in on power sessions and be the first to know the latest trends and hot spots. Gain free advice from property savvy advisers (lawyers, accountants, financiers). Network with gun investors.

**The first 100 people will snag a bargain
by attending all three days for just \$495!**

I need to warn you that demand is going to be huge, especially when you see the price. For the first 100 people who order, the investment will be just \$495 for the ENTIRE three days!

Once those seats are booked, the price MUST rise.

While you will have the opportunity to buy educational materials, it is NOT a thinly veiled sales fest! You know my reputation for quality and excellence, and I guarantee this to be a legitimate education seminar full of practical and powerful information that will transform your investing.

Next week I'll be providing you with the full details, but in the meantime, I'm inviting you to pre-register your interest online now at: <http://www.propertyinvesting.com/go/219>.

While it's free and without obligation, you will gain the following benefits:

- SAVE UP TO 66%. Be in the running to secure seat(s) at just \$495.
- FAST PASS! Jump the queue and receive 24 hours advance booking notice.

Remember, pre-registration is FREE and WITHOUT OBLIGATION. It will take you about 3 minutes, so you have nothing to lose other than the chance to access A-Grade education at a bargain price.

DON'T MISS OUT. Pre-registration will only remain open until the full seminar details are released.

Final Thoughts

Thank you to those who have written in to say how much you've enjoyed my recent newsletters. It's a pleasure to be able to offer you educated and independent thoughts on the current property market.

**We're Entering Tricky Financial Times
Remain Pro-Active And Invest In Your Education**

I want you to be an investing winner, so I urge you to seriously consider how you'll be impacted by the emerging political and economic trends. We are entering very tricky times, world markets are less certain and more volatile.

While this will result in disaster for those who can't adapt, it also represents amazing opportunity for those who can position themselves to profit. It's your choice - will you be a dinosaur, or will you build a lasting dynasty?

Until next time remember, success comes from doing things differently.

Warm regards,

- Steve McKnight

P.S. Have you pre-registered yet? Don't miss out on gaining a FAST PASS and the chance to attend entire the 3 day mega conference for just \$495. Jump online and register at:
<http://www.propertyinvesting.com/go/219>

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