

Interest rates on the move?

There are a lot of mixed views about how the subprime disaster will or won't impact property investors in Australia. For those who don't know, mortgage loans in America are typically classified as either prime or subprime, depending on the risk that a borrower will default on the loan. A subprime mortgage is a mortgage given to a borrower with a less-than-perfect credit history. Interest rates are higher on subprime loans, reflecting their higher credit risk. Much has been said about how America came to strife, with two of the numerous contributing factors being: • borrowers with bad credit histories being sold mortgages with payments that adjusted sharply higher after an opening "teaser" rate expired, and • lending institutions enticing mortgage brokers to sell more subprime mortgages in return for larger commissions.

In Australia, several non-bank lenders have already moved to raise interest rates over the past month. The reason behind it: most non-bank lenders do not have retail deposit customers and as such need to rely on the likes of the 90-day bank bill to raise funds to lend to its customers. It's these cost of funds that have risen recently to as high as 56 points above the official Reserve Bank cash rate. This rise in the cost of funds has put pressure on not only non-bank lenders but also major banks to lift their interest rates. At present, the big 4 have resisted in raising their rates - for how long is anyone guess. Several market commentators are suggesting that as soon as one raises their rates, the others will follow, however no one wants to be the first. One common thread however is that even the major banks are facing the likelihood that if the current cost of funds continues, they too will eventually have to raise rates. **We suggest that before you enter into any loan agreement, you contact us first to determine the best strategy for you.** Nobody knows how long the uncertainty in the interest rates will continue, and it is important to treat everyone as an individual with different individual lending requirements.



Prowealth Money has Record Month

On the good news front, Prowealth Money has experienced its highest lending month to date, with loan approvals topping \$4.7 million for the month of September. Interestingly enough, a significant portion of these loans were restructuring of clients existing loan facilities into a more effective wealth building structure. The importance of structuring your loan right the first time can save you thousands of dollars down the track and we recommend you seek advice prior to entering into a loan agreement. Several Prowealth Money clients who had previously arranged their own finance through a Bank directly have experienced difficulties with the loan structure, product type and interest rate. **Get it right the first time and save!**

Want to change your financial future? Try Wealth Coaching

Our group classes have started and running with good feed back from the students. The course runs for 8 weeks, 3 hours a session and covers 12 modules. It covers topics like understanding your beliefs about money, what type of money personality you are, shows you how not to live pay cheque to pay cheque, understanding finance, setting your own game plan and putting your goals in place to be financially free along with many other topics. The program is very comprehensive and even if the students just adopt the system to eliminate debt they will go a long way to set the habit to build wealth for the future.

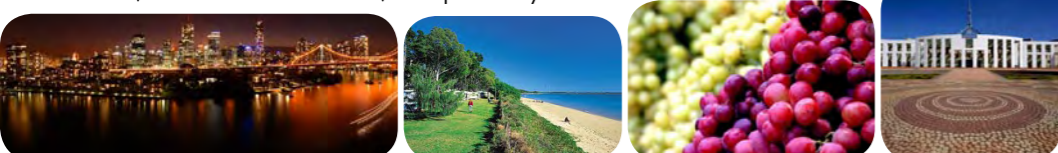
The courses are run by Len Goodwin and Kylie Yarnold who actually do all the things they teach. Unlike many financial planners who want you to risk your money in things they don't have money in, nor have ever addressed the real issues why you are not money savvy. Since introducing the course we have been inundated for a shorter version over a less period than the full course. So we will introduce a 2 day course that will cover the full 12 modules but in a shorten version. The course will include many handouts, books, and some software you will need to use.

The last course this year will be on Sat 17th November and Sunday 18th November. It will start at 8.30 and finish at 5.30 each day. The cost will be \$995.00 per person and a partner can come for \$600.00. The course numbers will be strictly limited so it will be on a first in basis. If you would like to know more about the courses please give us a call.



STOP PRESS - Coming Soon

Developments in Canberra, Harvey Bay, Cessnock, Kurri and Brisbane, keep an eye out!



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Prowealth Property Investors Newsletter Spring 2007



Hot Potato With an imminent federal election, the issue of housing affordability is sure to be a political hot potato.

Almost every available measure of housing affordability shows a worsening problem in Australia. Typically, Australian families now devote more than 30% of their household income to housing costs - past the point of what has traditionally been called 'affordable'. On other international measures, Australia is now among the least affordable places in the world to buy a home. In January this year, The Property Council of Australia published a report entitled 'The Boulevard of Broken Dreams' which tackles the main issues in regard to affordable housing -

- o **As affordability worsens**, the prospects are not healthy for a growing nation which will demand 4.6 million new dwellings between 2001 and 2031. The question of how people will afford to live in these dwellings is one of considerable concern.

- o **Limited land supply**, induced by restrictive land release policies of state and local governments, is a significant driver of rising housing costs. The cost of land is accelerating ahead of the cost of construction and if current land release policies do not change, Australia faces a serious shortfall of land supply relative to demand, commencing 2010 and worsening rapidly from there.

- o **Government related taxes, fees, levies, charges and compliance costs** are also adding enormously to the cost of new housing. Costs have increased by typically between \$50,000 and \$100,000 (even more in NSW) in the last five years alone. These costs now represent around a quarter to a third of the cost of a new house and land package - often more than the cost of the land on which the house sits. Apart from the GST, state and local infrastructure levies applied to new home buyers under a 'user pays' argument are adding significantly to the combined weight of government taxes and compliance. These are now levied at a rate far in excess of the actual cost of essential housing infrastructure generated by new home buyers. In Sydney, total levies now amount to more than \$68,000 when the cost of 'direct' or essential infrastructure (water and sewerage connections) is less than \$2,000 - the difference being used to fund community-wide infrastructure from public parks to public transport to libraries, museums or child care centres: infrastructure which the entire community enjoys. New home buyers are in effect paying the most for community-wide retrofits and upgrades.

- o **Environmental compliance costs**, while politically attractive, have also added to the cost of new housing for little measurable ecological benefit. These costs in NSW now add around \$14,000 to the cost of a new home and can add more than \$25,000 to the cost of a new home unit. New housing accounts for only 2% of the total housing stock, but is bearing close to 100% of the compliance burden. Further, the total stock of housing in Australia contributes only 9% of greenhouse emissions to the total.

If the warning signs are misread or ignored by governments of all persuasions, home ownership will be well beyond the reach of any but the wealthy.

So what does this mean for investors. No matter who you vote for, if you have the ability to get into the market using leverage from your own home, savings or various government grants, you should do so now and capitalise on this hot political issue. You'll be contributing to affordable accommodation for those who do not have the means to enter the market whilst riding the wave of rental and capital growth that stem from the very same issue.

Keep an eye out for the political promises, but remember in the end, if you have the property, you have the options.

Upcoming Events

Seminars

Terrigal
Crowne Plaza Terrigal
Monday 12th Nov 730pm

Newcastle
West's New Lambton
Tuesday 13th Nov 730pm

Cessnock
Crowne Hunter Valley
Wednesday 14th Nov 730pm

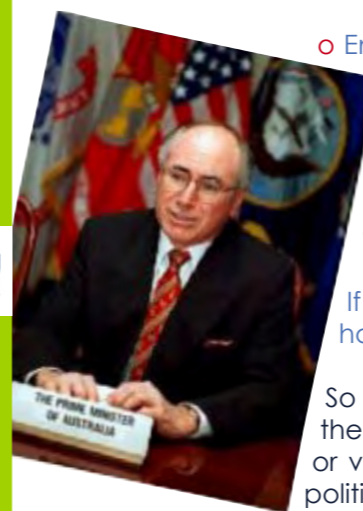
Wealth Coaching

Prowealth Head Office
Sat 17th & Sun 18th Nov 9-4pm

prowealth.com.au
teaching today's property investors

Contact Us
Freecall 1800 13 22 64
Phone (02) 43 530 664
Fax (02) 43 530 774
info@prowealth.com.au
www.prowealth.com.au

Head Office
Tuggerah Business Park
2/9 Reliance Drive
Tuggerah NSW 2259
All correspondence to
PO Box 3733, Tuggerah



Residex August figures

Area	Median Value	10 Years % pa Growth	Last Year Growth	August 2007 Qtr Growth
Brisbane	\$403,500	11.32%	14.60%	5.57%
QLD Country	\$354,000	10.09%	11.31%	2.93%
Sydney	\$559,000	8.11%	4.11%	0.21%
NSW Country	\$314,500	9.56%	3.51%	0.63%



What's driving the Hunter Valley Triangle?

The Upper and Lower Hunter Valley has been a top performer all year, and there is no sign of it stopping yet. So what is behind the strong rental and capital growth of the area? Prowealth has identified a number of key drivers in the region which we believe will continue to drive demand in the Hunter for many years to come.

Upper Hunter - Scone and Muswellbrook



Scone and the Upper Hunter is a vibrant rural community, which is centered on agriculture. In particular, the **thoroughbred horse industry** is very well developed and second only to Kentucky USA. With its many famous horse studs, state of the art racecourse at Scone, TAFE college specializing in equine studies, and Equine Research Centre, the thoroughbred horse is an icon in the area. The Upper Hunter Shire is a major cattle, crop, goat, pig, poultry and sheep producer, has an increasing number of vineyards, an abattoir which supplies the Australian and overseas markets, and one of the friendliest rural communities within easy traveling distance from Sydney and Newcastle.

Prowealth has a limited number of properties left in **Eveleigh Manor** (pictured above), right in the middle of the Scone. Priced from \$255,000 with rent for a 2 bedroom villa estimated to be \$260 per week.

Key Driver - Anvil Hill Coal Mine
Key Points -
 Less than 20 minutes to Scone / Muswellbrook
 10.5 million tones of coal over 21 years (10% of NSW supply)
 Capital Investment of \$240 million
 200 direct jobs, 240 operational jobs, 1000+ indirect jobs,
 Annual direct wages of \$25 million.
 Adds to 21+ Coal mines already operating in the region
 Centennial Coal to contribute 4.5 million towards infrastructure and environment management in the Muswellbrook Shire.

The recent approval of the **Anvil Hill coal mine**, a short distance to Scone and Muswellbrook will result in further increased demand for property in the area. **Muswellbrook** continues to be a strong performer with stages 7, 8, and 9 of Eastbrook Links Estate all sold and almost totally built out. What a difference 8 months makes - the picture below left top was taken in late January this year looking towards stages 7, 8 and 9, and the picture to the below right bottom was taken in late September and shows the speed at which investors and owner occupiers have jumped into the estate. AV Jennings has also over a dozen homes under construction with their prices starting from \$359,000. As usual, Prowealth's clients have come out ahead, by paying between \$330,000 and \$340,000 for house and land packages in the same stages. By using a split contract, Prowealth clients have also saved around \$9000 in stamp duty - something you can't do with AV Jennings! The growth is set to continue with Prowealth about to release stage 10 late this year. Priced from \$352,000 with rental estimates of \$350 to \$360 per week it is easy to see how current and future investors in this estate will continue to profit from the resources boom in the Hunter.

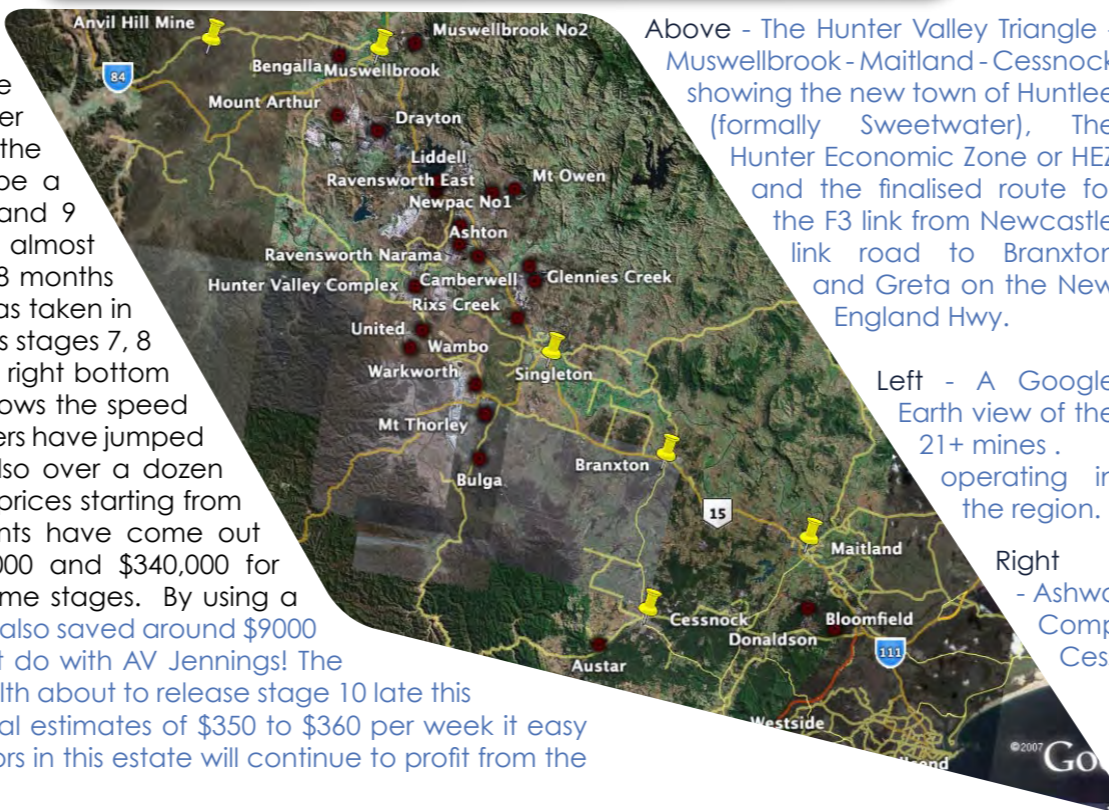
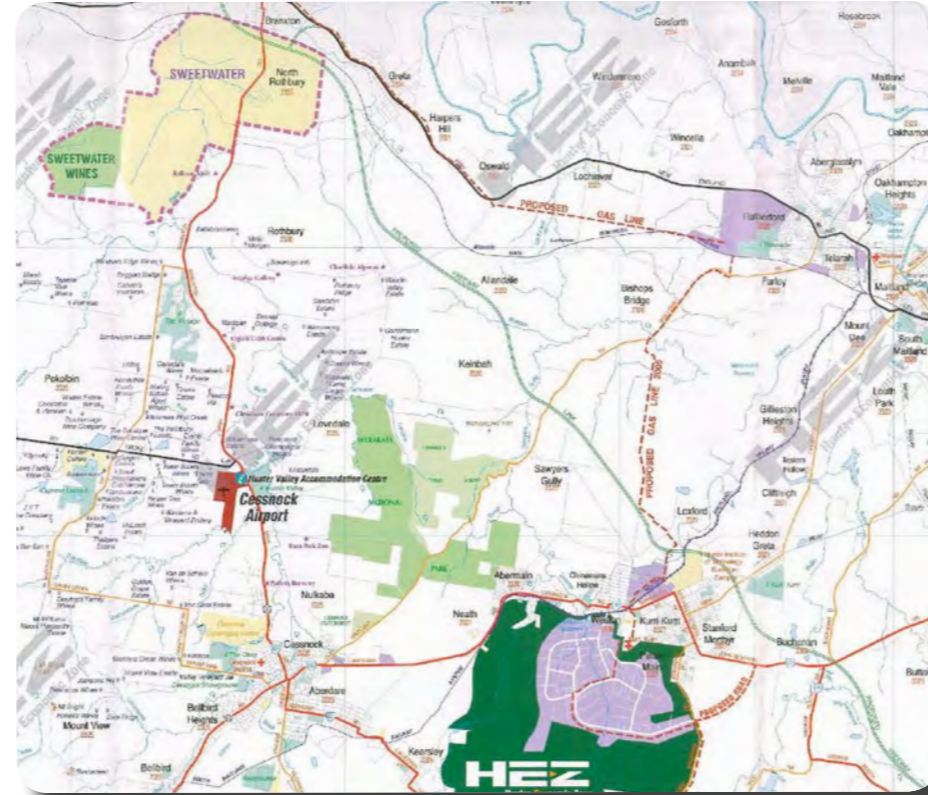


Muswellbrook Stage 7,8,9 in January 07 (above), and in September 07 (below)



Lower Hunter - Branxton, Greta, Rutherford, Maitland

The Lower Hunter region is the 6th largest urban area in Australia with a population of around 600,000, expected to reach 730,000 by 2026. The Maitland area experiences a population growth rate higher than the state average, which can be attributed to improved infrastructure and the resource boom. Major local industries include coal mining and support activities, metal production and distribution, food processing and general manufacturing and of course the wine industry which attracts 1.5 million visitors per year and in excess of \$270 million in wine sales from over 80 vineyards. Coles, Woolworths and Aldi are currently constructing new premises in the Rutherford shopping centre, while the addition of Bunnings, Harvey Norman and other bulky retail stores demonstrates the faith major national traders have in the future growth of the Rutherford area. Another key driver is the recently approved **Anambah Business Park** which is opposite the new Harvey Norman complex. It's less than 1km from Rutherford and is a \$300 million business park set on 90 hectares of land (50 developable hectares). It will generate over 1,000 new permanent jobs and hundreds more during construction. Prowealth has a limited number of properties remaining in 3 projects in this area - Highgrove (pictured right), a complex of 36 villas next to McDonalds, starting from \$309,000 for a 2 bedroom, 2 bath, double garage villa, and Diamond Hill Estate East Maitland and Walka Grange Estate Aberglasslyn being 4 bedroom house and land packages from \$389,000 and \$373,000 respectively.



Above - The Hunter Valley Triangle - Muswellbrook - Maitland - Cessnock showing the new town of Huntlee (formally Sweetwater), The Hunter Economic Zone or HEZ and the finalised route for the F3 link from Newcastle link road to Branxton and Greta on the New England Hwy.

Left - A Google Earth view of the 21+ mines operating in the region.

Right - Ashwood Complex in Cessnock

Lower Hunter - Cessnock, Kurri

Cessnock has long been famous for the wineries, but that's about to change. **The HEZ (Hunter Economic Zone)** to the east of Cessnock will be a major contributor to price and rental growth in the Cessnock and Kurri areas. It's located less than 20 minutes to the Cessnock town centre which boasts major retailers like Big W, Aldi, Target, Woolworths, Coles as well as a very healthy shopping strip in the main street. HEZ is a 10 to 15 year development with a finished value estimated at around \$3.5 billion which should generate around \$1.1 billion annually in wages and salaries on completion. Before this occurs, its estimated it will generate up to 26,000 jobs directly and indirectly. The Hunter Region generates 32% of NSW exports and the site is one of the largest in the Asia Pacific at 3,200 Hectares with 900 developable Hectares or about the size of 53 Westfield Tuggerahs! Stage 1 is on sale now and 50% has already sold. HEZ will also benefit from the F3 link extension, being within 2kms of a planned access point. The second major driver the Cessnock, Kurri and the Hunter as a whole will be the new town **Huntlee (formally Sweetwater)**. It's a joint venture between Hardie Holdings and Perth developer LWP. Less than 5 minutes from Cessnock, just past Rothbury (where the Greg Norman Golf course 'The Vintage' is placed) and adjacent to Branxton and Greta, an estimated **\$1.3 billion will be spent** on the first new town in the Hunter in 50 years. Comprised of 864 developable hectares, with 160 of those being commercial, Huntlee will be the future home of 20,000 people and over time will have approx 7,200 lots. In the broader planning context Huntlee, will be recognized as an emerging growth centre for the Hunter region, playing a key role in delivering land supply to meet the State Government's predicted population growth. It will be the Regions only master-planned community development, with a comprehensive plan for the delivery of community facilities and services and offering a diversity of land and housing options. At a time when Australians are experiencing increased challenges with sustainable home ownership and housing affordability, Huntlee will fulfill the Australian's dreams of comfortably owning their own home. The proposed F3 freeway will connect with the northern portion of the site through the Branxton Interchange providing improved access to Sydney and Newcastle.

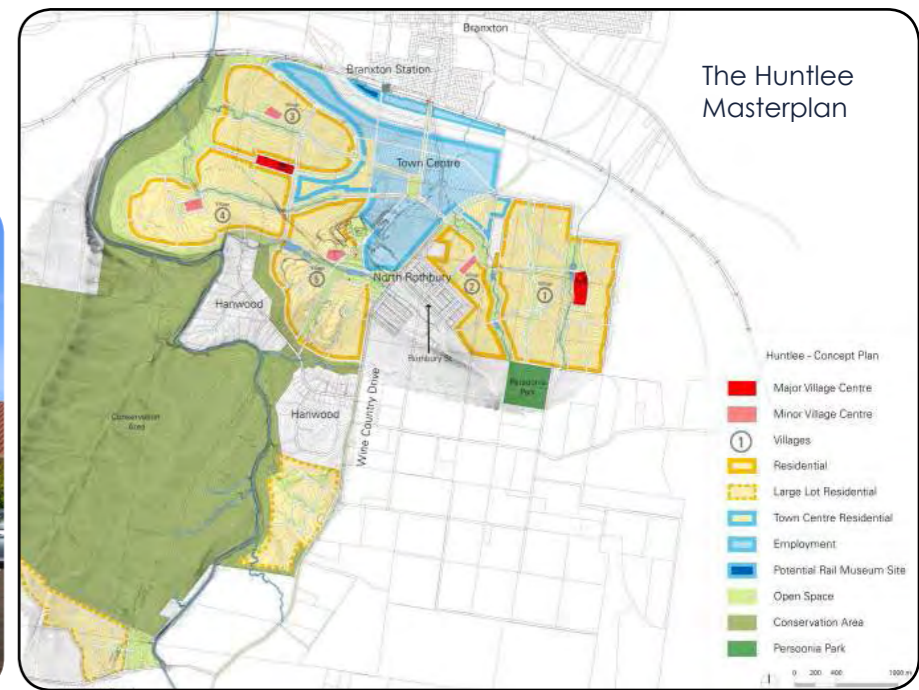


Right - Ashwood Complex in Cessnock

bedroom villas still remaining in Cessnock starting from \$249,000. Prowealth will also release 2 major projects in the area over the coming months, one being in Cessnock and the second in Kurri, and at extremely competitive pricing, these projects are sure to sell out fast, so be sure to register your interest and look out for the release nights.



Huntlee makes headlines



The Huntlee Masterplan