Capital Growth Or Yield? Can I Have Both?

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TRILO3Y news
"the property investor's mortgage broker"

Whilst it is possible to have both strong capital growth and a high rental yield, it's rare.

How do you decide what is best for you? Why not try to get both if you can?

Would you like to know how to buy an investment with a guaranteed 6.5% yield, in a strong capital growth area?

Would such an investment be ideal for your short and long-term goals?

The answer is not straightforward. Everyone's personal circumstances differ, and different investment strategies bring different results. It is possible, and I will outline the details later. You need to understand what will bring profit and what will bring problems. But first, you need to identify what results you are looking to achieve.

Create your plan. Bulletproof your success.

To find the best investment property for your goals, you need to understand "you". This may sound obvious, yet many investors do not look at all their circumstances. This is well worth the effort and time investment.

The plan considers many things. It will look at your risk profile and if it is aligned with your partners. How your age and career impact your plans. Your current family situation and future. Your health, hobbies, location and residency. Your current and anticipated future financial situation and what is affordable.

Changed circumstances can create huge challenges to cash flows, especially when unexpected. The plan you create will incorporate your short and long-term objectives. While we can't predict the future, we can foresee likely outcomes if we identify a roadmap to follow. Start your investment journey with a comprehensive, well-considered plan.

Plan for the unexpected.

Life often throws curve balls. Sometimes they are welcome and sometimes they are not. An ideal plan will incorporate flexibility to cater for change, predicted or unexpected. Build in a financial buffer from the outset to bring stability and peace of mind. Be assured, the time spent to prepare the plan will deliver dividends in the long run.

Many investors fall into the "emotional" trap when buying an investment property. Most people love property and get excited when they see they see possibilities. The trap is when they focus on a specific property and lose sight of its ability to deliver their plan. They deviate from their plan to accommodate their emotional response.

As an example
We can take an average young couple, both working with reasonable equity in their own home. Their plan allowed for a portfolio to build over several years. It allows for their plans of starting a family and the financial commitment that brings.

While they have the capacity to borrow more, the first investment is more modest. This positions them well to go back to the market sooner, despite dropping an income to start a family. If they lost sight of this and spent to their maximum initially, they would limit their outcome.

You are less likely to become emotionally attached to a property if you stay connected to your plan. Place all your emotional energy instead, into creating your plan.

Dream big and refer to it often.

How do you know if you are ready?

Do you have a solid income, cash reserves or available equity in your home? Have you benefited from recent strong capital growth? If so, it's time to leverage the opportunity. Step one is to get your financial capacity established. Seek professional advice and understand the possibilities.

High yield and high capital growth potential.

From time to time, opportunities are available that have the "Magic Mix". That is high yield and strong capital growth in the one property.

Several of our clients have been fortunate to enjoy these over the years. Some have purchased more than one. It does become addictive.

A display home is the builders' opportunity to "show off" to the public what they can deliver. The builder sells the home to an investor and leases the home back for the duration of the land sales period. Most display homes sell at completion rather than off plan. This way, all upgrades and inclusions are in the price. You generally pay top dollar.

The property presents in premium condition inside and out. Landscaping is generally extensive. The builders know how to appeal to the emotions of homeowners looking to build!

The leaseback period varies depending on how much land is available for sale. At the end of the leaseback period, the property returns to the owner ready for a tenant in "as new" condition.

The leaseback rent is generally between 6% – 8%.

Sounds too good to be true? It can be. You must be very careful and know what to look for. This is where you need specialist advice. In our experience, 80% of leaseback properties DO NOT make great investments. Those that do, make excellent ones.

Leaseback Pros and Cons.

The positive advantages are:

- Buying as a split contract for construction enabling stamp duty savings. Stamp duty is calculated on the land only.
- Fixed price contract. Often the builder adds more inclusions and you don't pay for them.
- Strong, guaranteed yield, 6%-8% paid monthly.
- No vacancy or wait for the first tenant.
- Property returned in "as new" condition, post leaseback. Often appliance warranty begins at this point.
- Generally, a higher ongoing rent post leaseback.
- High depreciation due to higher end finishes and inclusions.
- No property management fees.
- Higher level of landscaping than normal investment property.
- Gardens well established by the time property is tenanted.
- Homes in high-quality neighbourhoods.
- Generally, builders build display homes in owner-occupier demand areas. This creates better growth potential.

Cautions when buying a leaseback property:

- Careful examination of the post leaseback rental yield. It will be lower than through the leaseback.
- Sometimes finance harder to achieve.
- Unnecessary inclusions and upgrades.
- Inflated pricing as the yield is high and sometimes built into the pricing.
- Valuations can be an issue.
- Buying completed display with high-level inclusions.

Good leaseback opportunities are rare.

However, when they do become available, they are snapped up very quickly by savvy investors.

When the mix is right – you have "Magic".

Are you interested in knowing when these "Blue Moon" opportunities become available?

Are you interested in chatting about your plan and strategy? Let us know...

Fixed Rate Investment Offers Reduced As The Banks Do Battle For Business

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As the Sydney property slowdown extends across other capital cities and economic forecasts offer a fairly cheerless outlook, lenders have come out swinging, with a raft of enticingly competitive and compelling fixed rate products.

Recently, smaller lenders swept in to secure a greater slice of Australia's lucrative mortgage market, slashing home loan rates by up to 75 basis points in some instances, in the wake of a charge by the big four to lift their retail product offerings.

The banks justified raising rates independent of the Reserve last year, citing regulatory pressure to keep a lid on borrowings, lest the property markets become too overheated with increased activity.

Now though, as the latest property data reveals a slight release of hot air from the residential housing balloon, particularly across Sydney and Melbourne, the tide is once again turning across the banking sector.

Little lenders lead the charge, but the big boys come out swinging

Following the lead of smaller lenders, Westpac recently launched a variable rate for owner occupied (P & I) loans of 3.59% – the lowest offer from the bank since 1956.

"We know many Australians begin thinking about purchasing new homes around the December and January period," said a Westpac spokesperson, "Which is why we're pleased to offer a range of competitive rates for new lending customers at this time."

According to Canstar data for 23 to 29 January, rates for three year fixed residential P&I loans, and investment P&I loans recorded an average decrease of 0.21% and 0.43% respectively since December last year.

Cooler house prices could be the culprit

It's not surprising that this current act of generosity just happens to coincide with the first signs that a more prolonged, and significant cooling of house prices seems inevitable as we head into 2018.

According to CoreLogic, house prices fell in six of our eight capital cities throughout January (an admittedly slower seasonal period for the property markets), declining by 0.3% nationally. Meanwhile, apartment prices dropped by 0.5%.

While some analysts believe this decline is a normal seasonal adjustment, CoreLogic's Tim Lawless said, "In the absence of a catalyst to reinvigorate the market, such as lower mortgage rates or a loosening in credit policies, we expect to see a continuation of softening conditions across these markets."

Although Lawless claims the slowdown isn't particularly sinister, other analysts such as JP Morgan have suggested falling house prices could impact Australia's banking sector earnings in much the same vain as occurred throughout Sweden, when house prices plummeted by 9% and bank stocks closely followed suit.

Far from a market crash however, JP Morgan expects annual house price growth in Australia will fall below 2% over the next two years, in a more prolonged, staggered decline than was witnessed in Sweden.

Predictions of a less bullish downturn haven't stopped some hedge funds from balking at how much fiscal power Aussie banks are currently wielding over the local economy, however.

Data indicates that the total assets spread across the big four lending institutions here amounts to 220% of the nation's GDP, causing alarmists to state the obvious – if the big four topple, they could take the entire Australian economy with them; an unlikely scenario certainly, but one that's making some economic boffins a little edgy.

Great news for investors

While the wheels may not be set to fall off entirely, they're undeniably turning more slowly for the local housing sector, which is actually good news for investors.

Not only does a cooler market provide those looking to make long term returns on a property portfolio with the opportunity to secure more competitively priced residential assets, it's also fuelling an about face from the banks, who are once more reducing their retail product offerings.

Here at Trilogy Funding, we currently have the opportunity to assist clients in securing a fixed rate investment home loan from as little as 3.89% for P&I and 4.09% for interest only.

While this remarkable offer has been ongoing since last December, it does have a limited shelf life and is therefore a time sensitive proposition.

Indeed, with talk of the banks facing increased cost of funding as we head further into 2018, this current, lower rate bonanza could be short lived, particularly if the current property sector slowdown is more of a seasonal fluctuation than a significant long term cooling.

Index results as of January 31, 2018

	Change in dwelling values			Total	Median
	Month	Quarter	Annual	return	value
Sydney	-0.9%	-2.5%	1.3%	4.4%	$884,442
Melbourne	-0.2%	0.1%	8.0%	11.2%	$721,128
Brisbane	0.0%	0.1%	2.1%	6.3%	$491,536
Adelaide	-0.2%	0.1%	2.4%	6.8%	$432,641
Perth	-0.4%	-0.3%	-2.6%	1.3%	$462,646
Hobart	1.0%	3.1%	12.4%	18.0%	$409,160
Darwin	-0.2%	-1.6%	-6.4%	-1.1%	$423,926
Canberra	-0.1%	1.0%	4.5%	9.2%	$590,898
Combined capitals	-0.5%	-1.0%	3.2%	6.7%	$655,236
Combined regional	0.2%	0.7%	3.3%	8.6%	$357,480
National	-0.3%	-0.7%	3.2%	7.0%	$549,838

Source: CoreLogic

What does this mean for you, the investor?

If you've been contemplating a new asset acquisition, or refinancing of your current investment portfolio, there's really no time like the present to consult one of our brokers to find out if you could be getting a better deal.

Not only does this incredibly low fixed rate product offer investors additional security around the short-term future of their repayments, providing a more structured and manageable cashflow scenario for your asset base, it also has the potential to save you thousands of dollars in interest over the life of your loan.

In terms of servicing your property investment debt, the benefits of a low, fixed repayment amount at this current juncture, where market uncertainty prevails, are undeniable…

- Finances are more manageable – less fluctuation and more certainty around monthly mortgage commitments means you can better plan and forecast your cashflow. Knowing what you have to pay each month, for an extended period of time, can provide additional peace of mind.

- Breathing space – structure your finances so that any savings enjoyed from changing to this incredible fixed rate offering now, are invested in an offset account or similar facility that allows you to create a solid cashflow buffer.

- Servicing improvements – reducing your interest repayments and having the certainty of a fixed rate loan can make your overall debt position a lot more manageable, thereby assisting with future servicing requirements going forward.

- Hedge your bets – there are many ways investors can take advantage of a fixed rate loan, without tying yourself into complicated structures that are impossible to exit, including apportioning your repayments across both fixed and variable products.

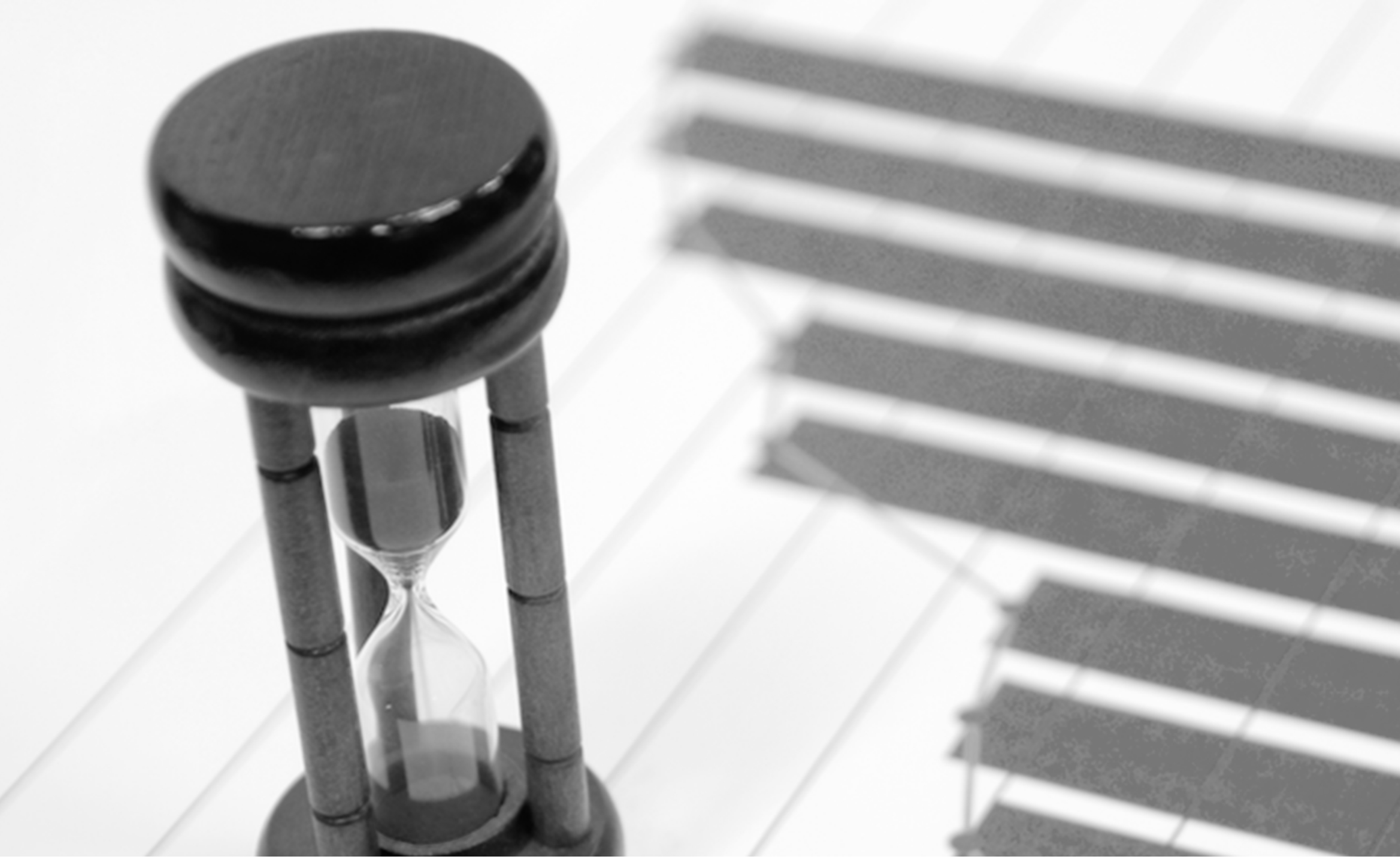
Seek counsel

Importantly, investors would do well to remember that every market moves in cycles; what goes up must come down and vice versa. Although it may not happen in 2018, interest rates will start to move upwards again at some stage. And in the property game, he who plans ahead invariably wins the race.

Make a time to talk with one of the brokers here at Trilogy Funding about, not just fixing your investment loans to potentially save on the interest you're paying, but also to ensure you have the best possible finance structure in place for today's conditions, as well as tomorrow's potential changes.

Home loans and investment loans should never be a "set and forget" proposition. In fact we recommend a review of your current loan portfolio at least every two years.

New offers are hitting the market faster than ever before. Call us on 1300 657 132 to find out more about this special, time sensitive fixed rate deal, and to ensure you don't miss out on a product that could be a far better rate and fit for your needs.



Why Patience Is The Key To Property Investment Success

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In a world where literally everything we could want as consumers is at our fingertips, it's difficult not to expect instant gratification. These days we can immediately access pretty much anything we desire with the stroke of a keyboard or the swipe of a finger, including news, credit, entertainment, and even dinner and a date!

But the problem with all of this 'on demand' availability is that we're fast evolving into a race that acts with expectation, rather than taking the time to nurture ourselves as responsible human beings.

What do I mean by this? Well, it takes time to learn how to be a responsible, thinking adult who contributes meaningfully to the world around them, as opposed to someone who entertains an immediate desire for fulfillment, irrespective of the consequences.

In fact, 'wanting it all' now is essentially what prevents us from 'having it all' at any point in time. Think about it this way, instant satisfaction of 'hunger' can keep us from a state of optimal health and contribute to weight issues.

While instant satisfaction of our material desires means we waste money, often taking on expensive credit and ending up broke, rather than richer for all the work we do every day.

Patience and waiting is…

Our modern day consumer lifestyle causes all sorts of conundrums when it comes to learning the art and virtue of patience, making it difficult for parents to teach the value of waiting to children in particular. But it's a life lesson that can significantly impact our chance to achieve long term and consistent health, happiness and yes, financial freedom.

In his book entitled Emotional Intelligence, Daniel Goleman discusses a study involving a group of 4-year-old children who are told if they wait 15 minutes to eat a biscuit left next to them on a table, they will get two biscuits rather than one.

Tracking the progress of the children involved until they reached the age of 18 revealed that this test was a highly accurate predictor of their future success. Who do you think went on to achieve more in life – the children who waited, or the ones who couldn't resist eating that biscuit immediately?

Why property investors need patience

Learning delayed gratification rather than immediate satisfaction is essential for investors, particularly when it comes to less liquid type assets such as housing.

The powerful combined forces of leverage and compounding, which can greatly assist in growing your property portfolio successfully and with minimal risk, require time to work their magic.

Those chasing a quick cash injection to their financial coffers are more likely to fall victim to the many spruikers of second-rate products that promise instant income in the form of positive cashflow, but deliver little in the way of long-term value gains – the things that matter when building a solid retirement fund.

How do I learn patience?

Well, it takes time to change ingrained habits that you've potentially been taught since childhood. But the good news is it's entirely do-able. Any bad habit can be transformed into a good habit.

Start by acknowledging habits intended to provide immediate gratification, and the thought patterns associated with these, which will often be focused on things like food and material purchases.

Re-program less constructive, "I want it now" thought processes by turning the feeling of satisfaction around with undesirable consequences for impulsive actions. For instance, you might decide that if you eat a half a block of chocolate to satisfy your craving in the moment, you have to walk an hour to burn it off.

Practice making more conscious life choices by pausing and counting to five before you act…Stop yourself in the moment and ask – do I really need this right now?

Additionally, get into the habit of saving up for something you really want, rather than being tempted to use that expensive credit card. And exercise self-control whenever possible.

These are just a few ideas, but I'm sure when you start to think about your own internal dialogue around your expectations of personal fulfillment, you'll come up with many more ways to win out by waiting. Remember, if it comes too quickly, chances are you'll lose it just as readily. All good things take time.