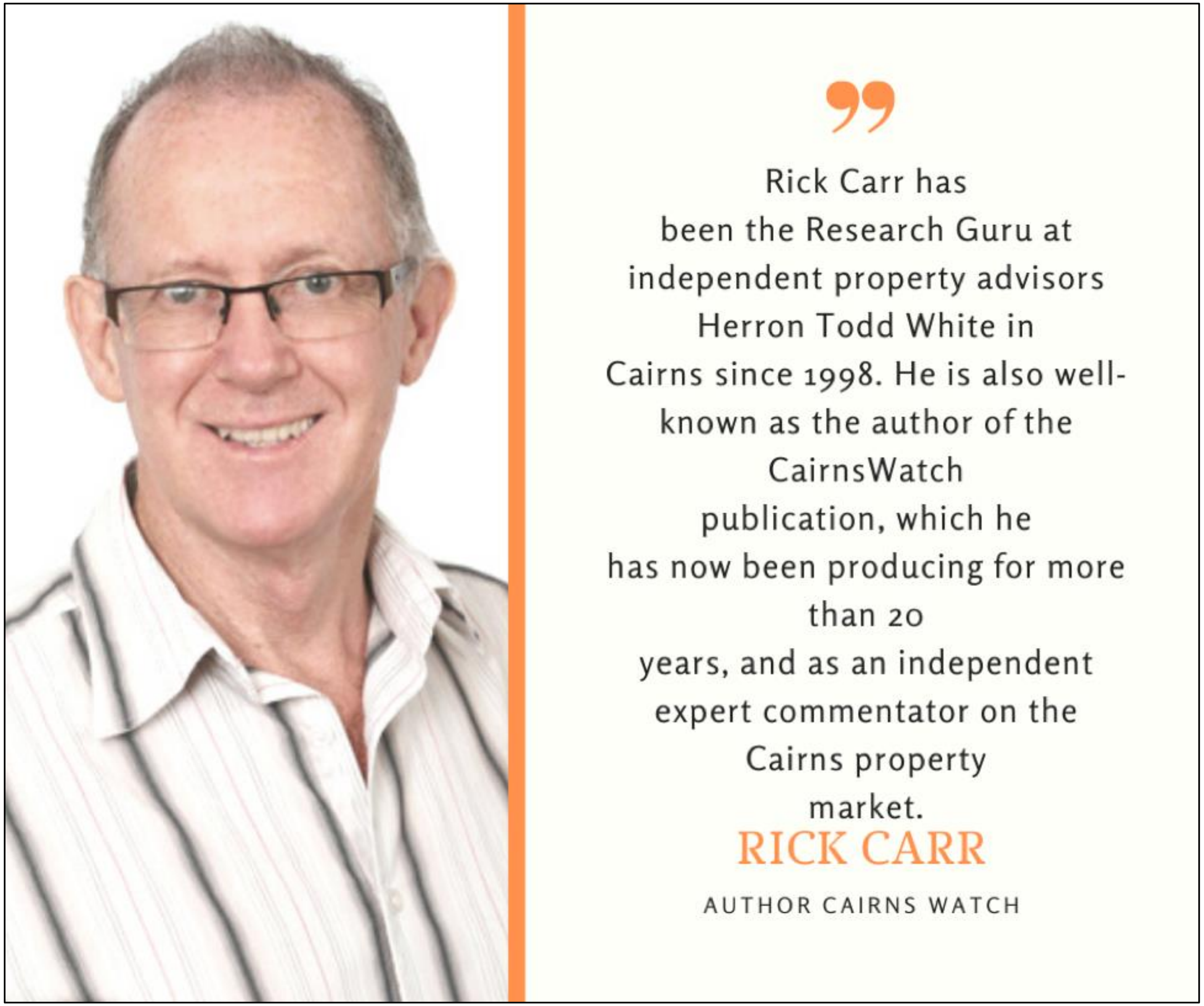

# EVENT OVERVIEW

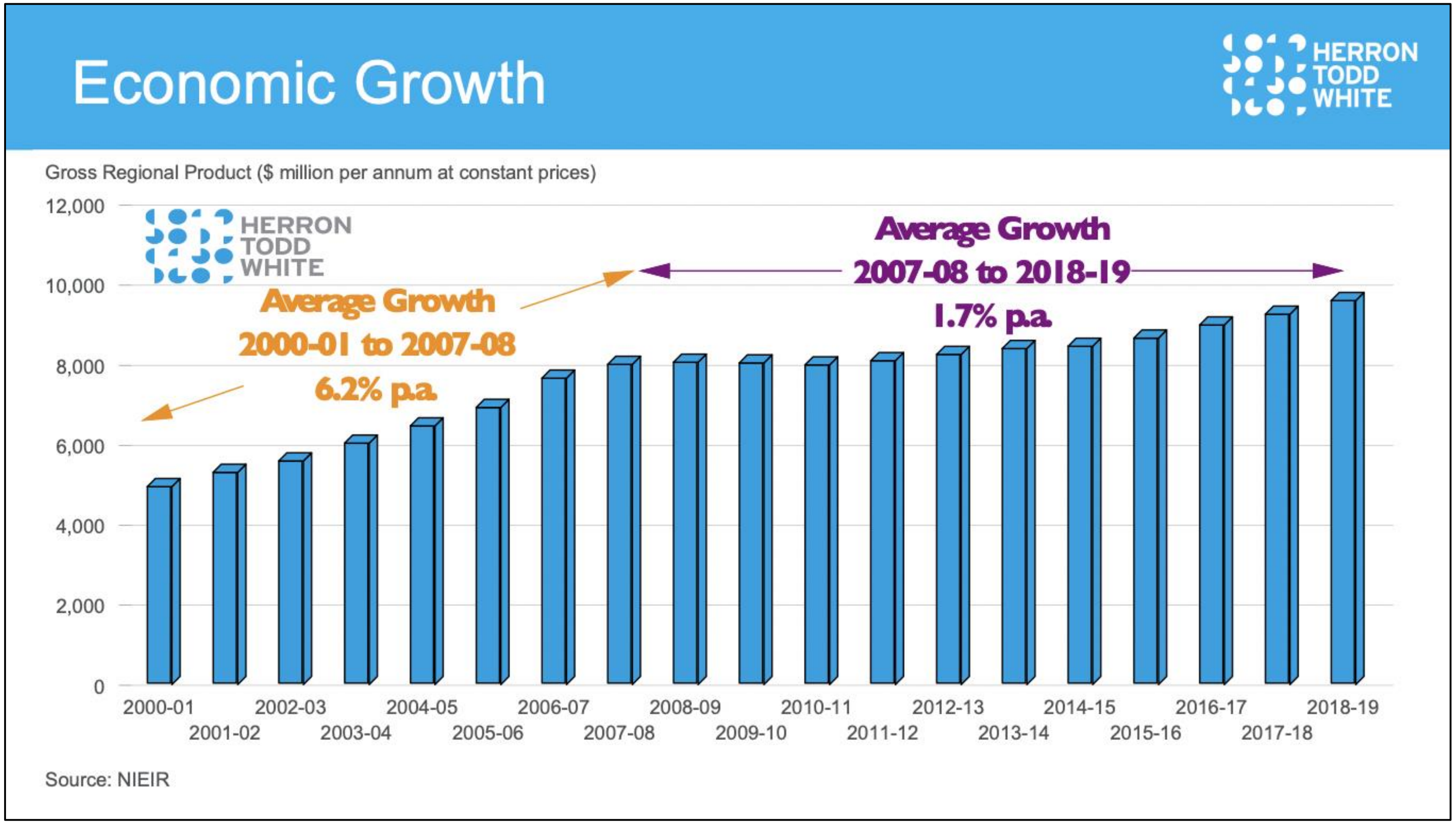
**Linda Cooper** – MC

Councillor Linda Cooper had her own breakfast radio show on HOTFM and in 2002 bought CityLife Magazine. Following on from the success of the Cairns publication, CityLife launched sister publications in Townsville and Mackay/ Whitsundays. The success of the magazines was noticed by media giant APN News and Media who eventually acquired all three publications. Linda lives in Brinsmead with her husband Rick, They are very proud residents of the area and are parochial about the Far North Queensland lifestyle and the beauty of the region.

LINDA COOPER

**<u>Rick Carr</u>** – Research Director of Herron Todd White Property Valuers and Author of the Cairns Watch for over 20 years

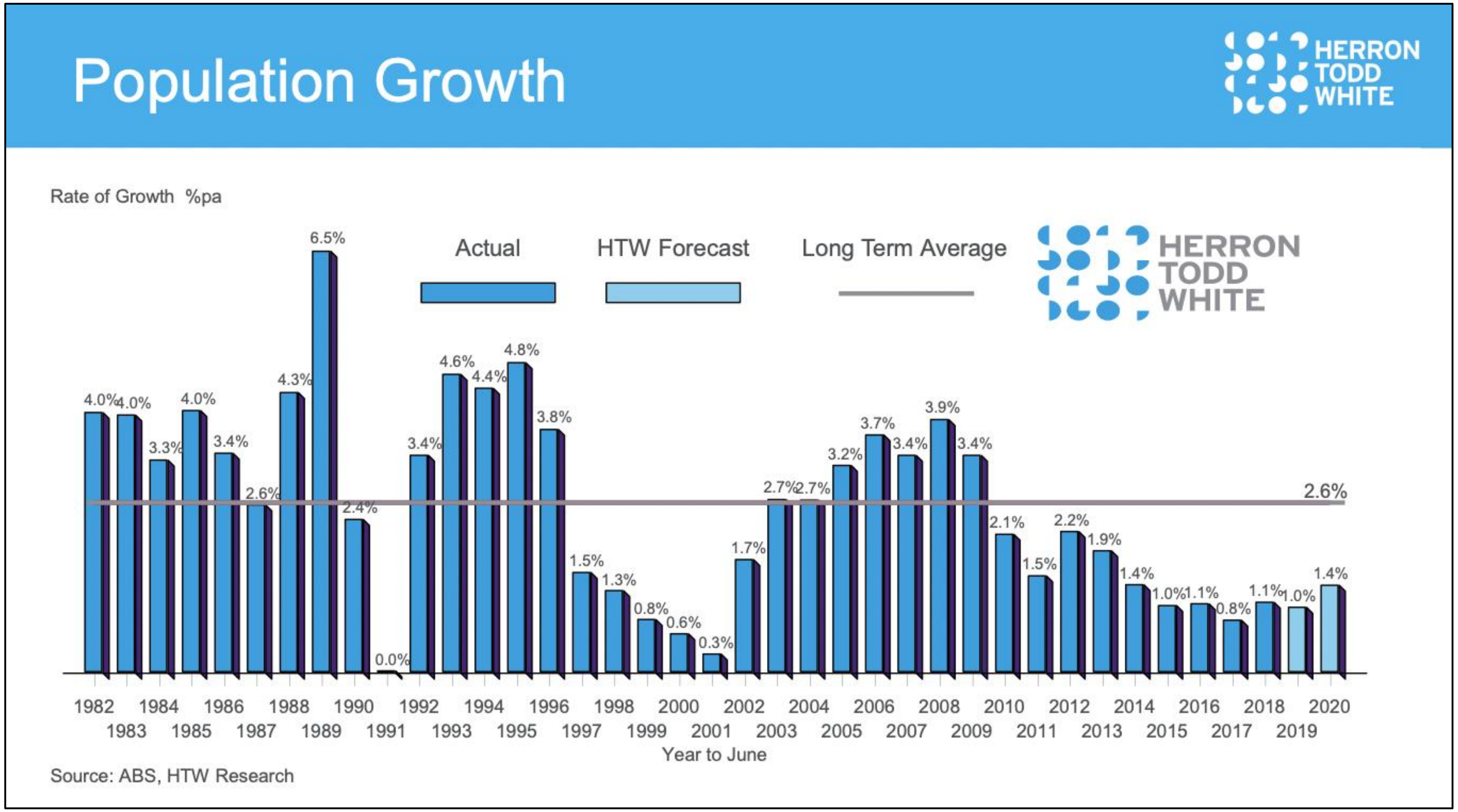





The property market is linked to the state of the economy in general. When we look at economic growth – Cairns Regional Council in particular, you can see there was a big boom period up until 2008, an average of 6.2% growth per annum which is quite impressive by Australian standards.

Since the GFC, growth has slowed right down. The average over the last 11 years has been 1.7% per annum, with the population growth over that period 1-1.5%. It's still running slightly ahead of population growth, which is regarded as a positive, but it certainly hasn't been the strong performer that it had been previously.

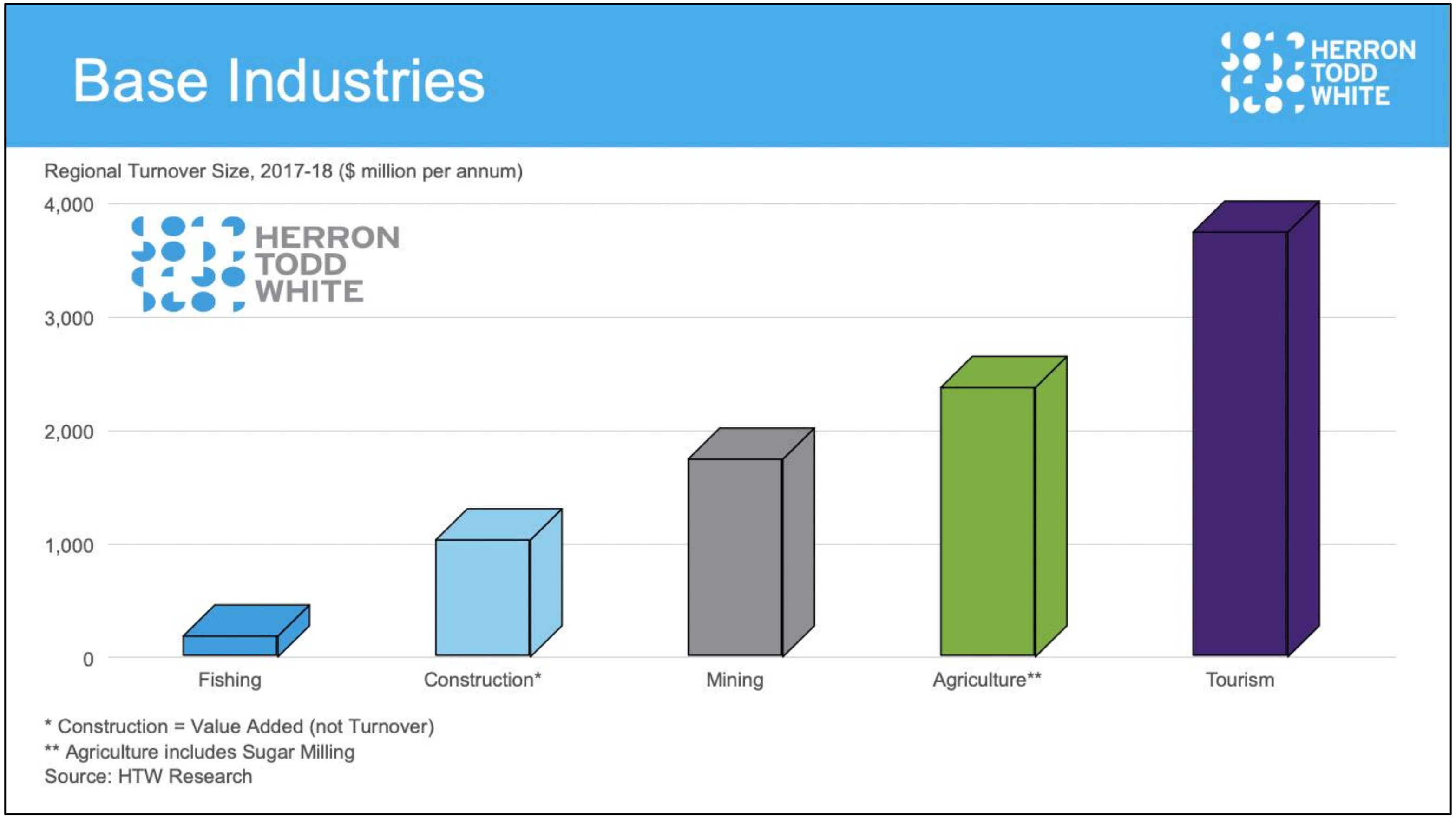
The officially measured growth for the 18-19 FY was 3.7% which is stronger than the national growth rate and is accelerated, in other word the economic growth rate is building higher and higher which is feeding though into a stronger performing economy.




There has been a slow down in population growth rates over the last 5 years.

The growth rates have been around 1-1.5% compared to the late 1980's in the Japanese boom period where growth rates were 4-6%, in the early 2000's they were again quite strong. The population growth rate has been much more subdued during the last 4-5 years.

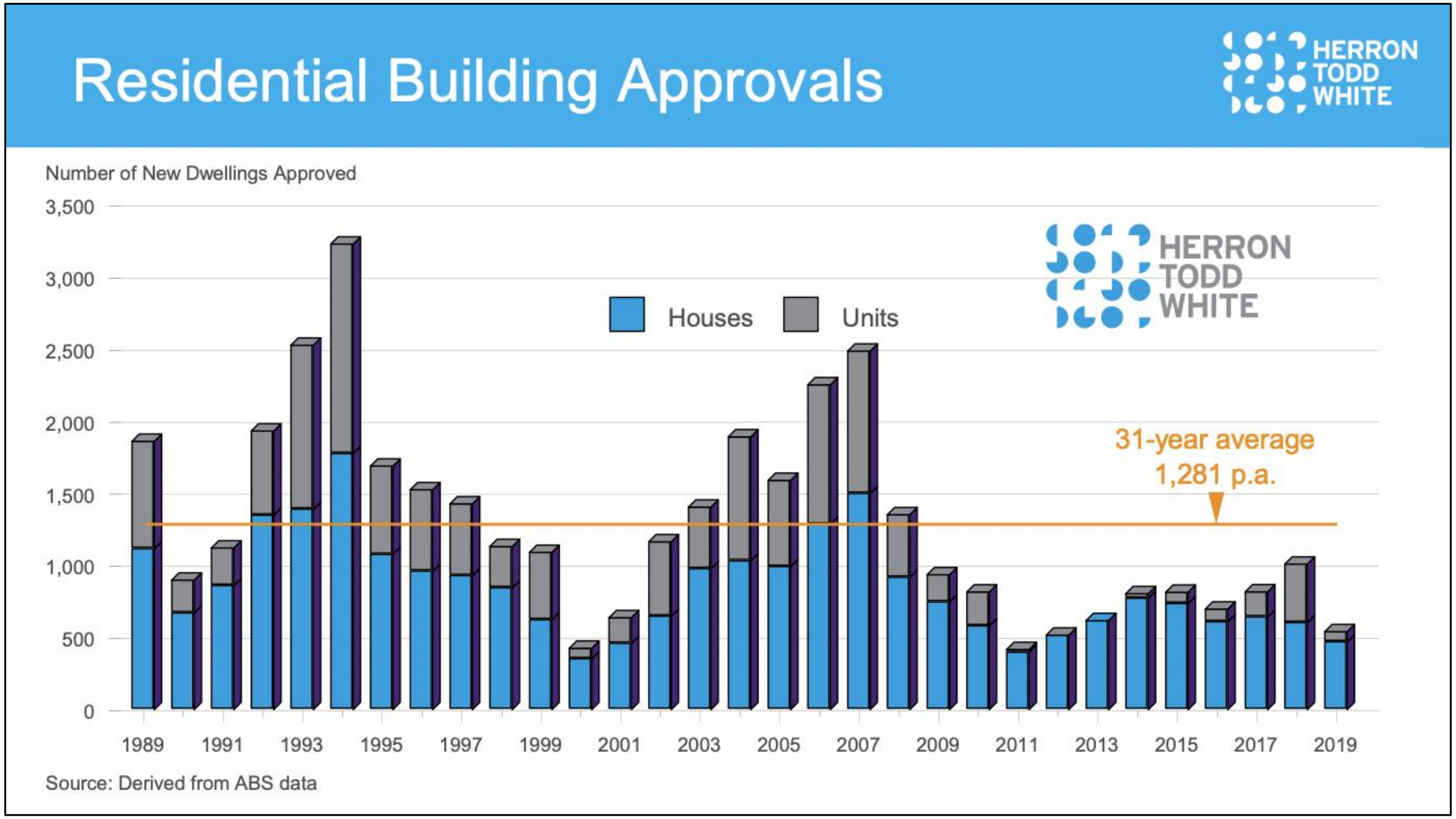
The population now sits around about 160,000-170,000 when you measure it. On top of that, Cairns has around 30,000-40,000 tourists stay in town every night. On the ground there is a couple of hundred thousand people in Cairns every night.




There are different industries that influence Cairns. Cairns is not just a tourism related economy, certainly tourism is the largest industry in our local economy. When we look at Cairns and the wider region economy, the Cairns services - Tourism is worth about 3.5 Billion dollars per year for the local economy in terms of turnover, Agriculture at about 2.5 Billion isn't that far behind.

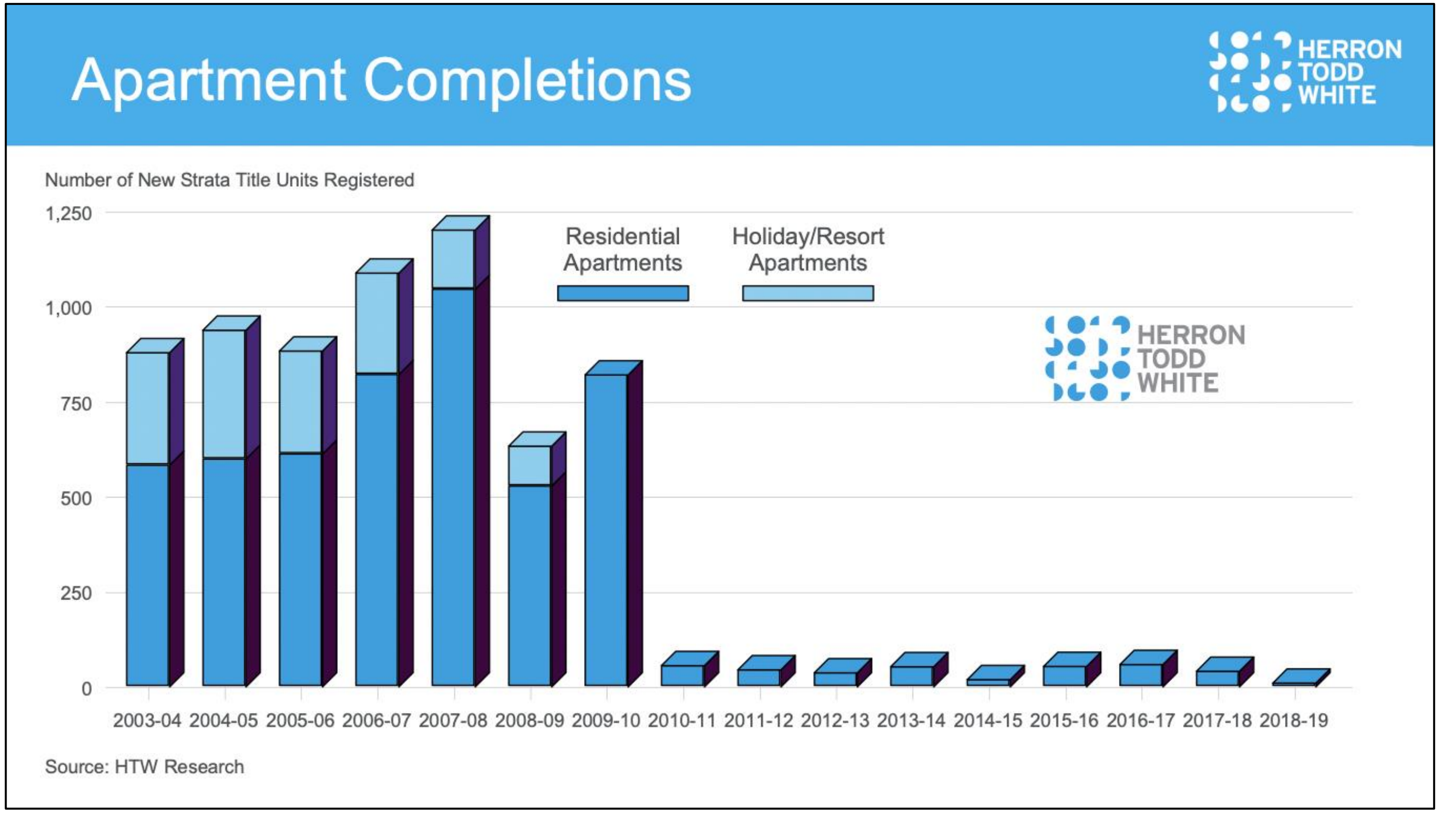
Mining gets up to about 1.5-2 Billion depending on what metal prices are doing during the course of the year. Construction is a Billion dollar a year industry, Fishing activities a couple of hundred to 2-3 Million dollars a year.

We do have a diverse economy, we keep talking about that we need more diversification to help support our tourism industry through its tough times, but to a large extent we already do have that, but it's a matter of capitalising on our strengths to make sure that we capitalise on the economic growth opportunities that are available.




One thing about the slow population growth rate is that it has very much reduced the demand for housing from its normal levels. Over the last 20 years there has been an average requirement for about 1200-1300 houses and or units to be built each year in Cairns to satisfy the demands for population growth. That hasn't been happening over the last 5 years, the average over the last 5 years has probably been at half what we would normally have in that year. So that has meant two things; one of course is that construction as an economic activity is obviously not performing the same as it has been and obviously the size of the construction workforce is nowhere near as large as it used to be. But by that token we certainly aren't out there building houses that people don't need, over supplying property in the market and causing a property crash and a devolution of price. That is certainly a possible risk with the construction activity that takes place. That isn't happening here, so in other words property growth/ construction has reacted to the style of population growth rate and is keeping the market more or less in relative balance which has been good for the property market in general.

Of course, that is not to say when you talk about economic growth that every single industry and every single business in Cairns has been performing at a strong growth rate. There are certainly a lot of businesses in Cairns and a lot of industries doing it tough. Retail in particular is a very tough game to be in at the moment and the size of the retail workforce has shrunk over the last 5-10 years. As I mentioned construction is certainly not a patch on what it used to be. Tourism is experiencing job growth as tourism numbers have ramped up new hotels have opened and certainly the new hotels, the three Crystalbrook hotels plus the extra one on the esplanade have underpinned extra job creation and they have helped the economy in that sense, but they aren't huge job creators on the present environment at the moment. The sector that does seem to be performing is the government sector. All of our taxes are out there generating jobs for extra health workers, extra police, extra teachers and the whole range of government services. To a large extent the economic bonus for that is that they are secure jobs and they underpin a more secure economic output than if we didn't have them at all.



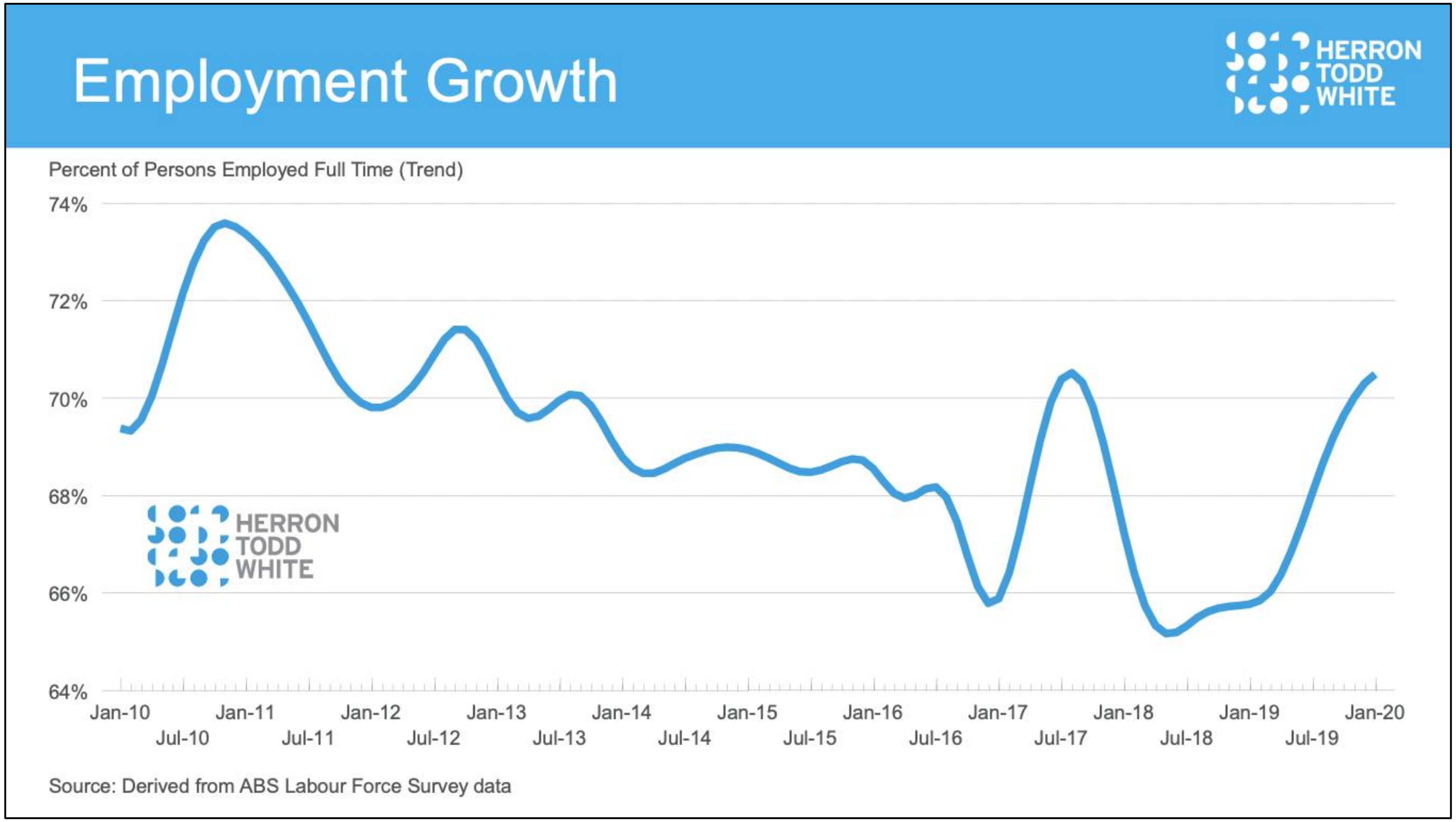

This slide demonstrates how quickly apartments fell off the cliff. Up until the GFC there was an average of 800-900 new apartments being built in Cairns each year to satisfy our requirements for serviced apartments for the tourist industry as well as residential apartments to house the increased population. One factor is that over the last nine years the combined number of apartments built is only about half of what is used to be in a single year.

Apartment property development is off the radar. When I get to the property section, I will discuss why apartment development is not a viable economic activity at the present time.


Part and parcel of the improving economy has been a pickup in employment growth. Employment growth post GFC right until 2016 was relatively flat and it has started to pick during the course of the last couple of years. A strong driver of that has been government sector employees, but there have been a variety of other industries such as tourism that have had reasonable growth, but not necessarily the strong growth rates the government sector has experienced.

One thing about property is banks love people that are working full-time, when you want to go for a loan if you can demonstrate a long track record in fulltime employment - sign here on the dotted line. If you can only get in there with a track record of casual employment, varied hours and lots of job changing, the banks are going to put you through the ringer for the gaining of a loan and since the royal commission events that happened last year that wringer is getting tighter and tighter.

That's an influence on the property market that I will come back to.




The good news is that the full-time employment relative to part-time employment was on a downward trend up to about 2016.

It picked up in 2017 as most of the new jobs that were created were government sector full-time jobs. I don’t really know why it dropped back but the government sector has been a big strong influence in our employment composition base.

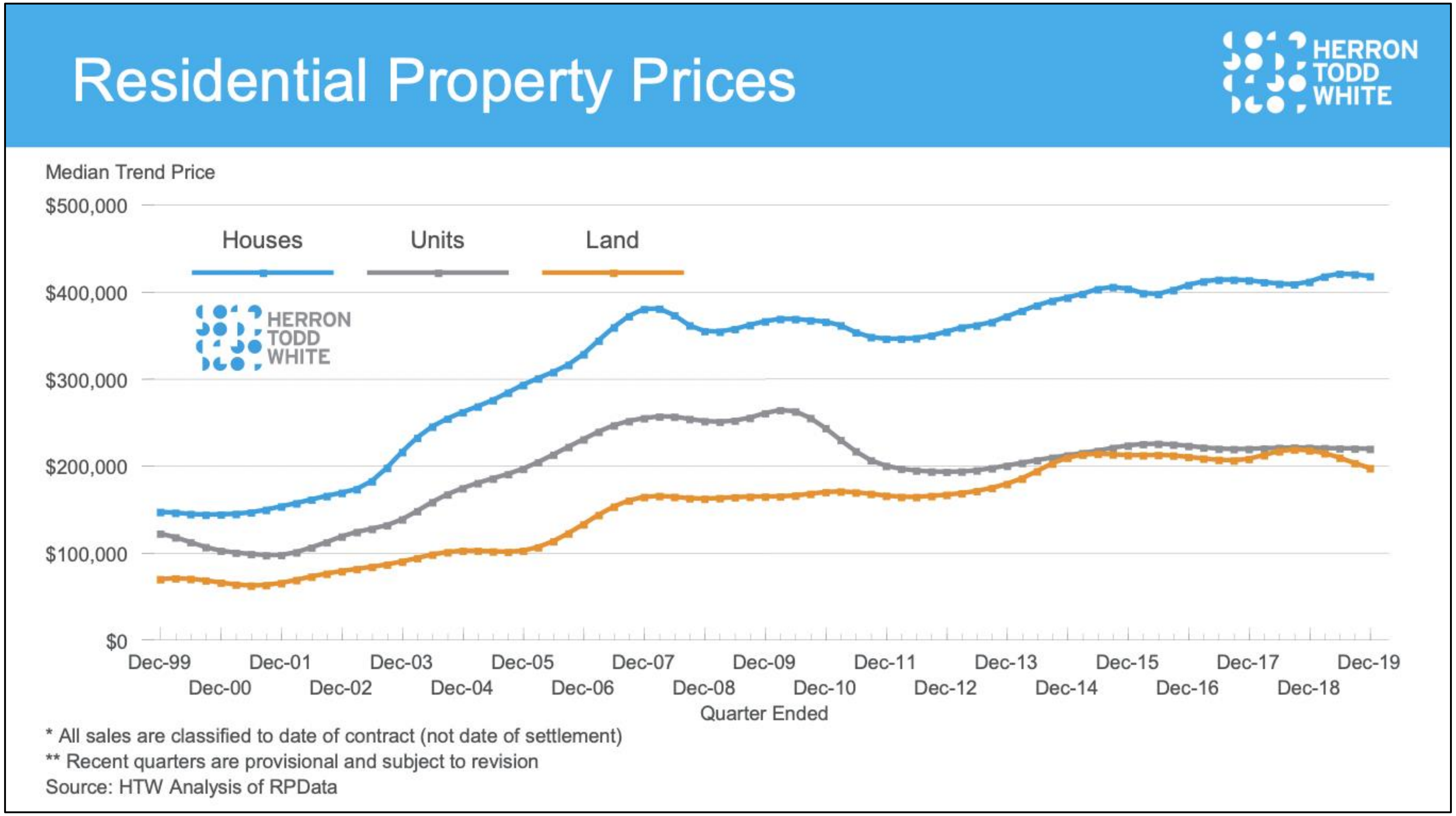
That’s been a positive for the property market and will continue to be if that continues to happen.


There are distinct cycles in the property market, that vary from year to year. The early 2000's were very strong periods for Real Estate sales. The post GFC years saw the amount of turnover in the property market reduced.

2019 was a relatively tough year in terms of sales volume – particularly at the start of the year. This was affected by;

- The banking royal commission
- Reluctance of banks to lend
- Tightness of lending principles
- Lack of confidence amongst buyers
- Uncertainty associated with the future of negative gearing

The first half of 2019 was very lack lustre; the last half of the year has seen a pickup which seems to have carried through to this year. We can see it rebuilding but are not sure to what extent it will get back to, in terms of normality and growth.

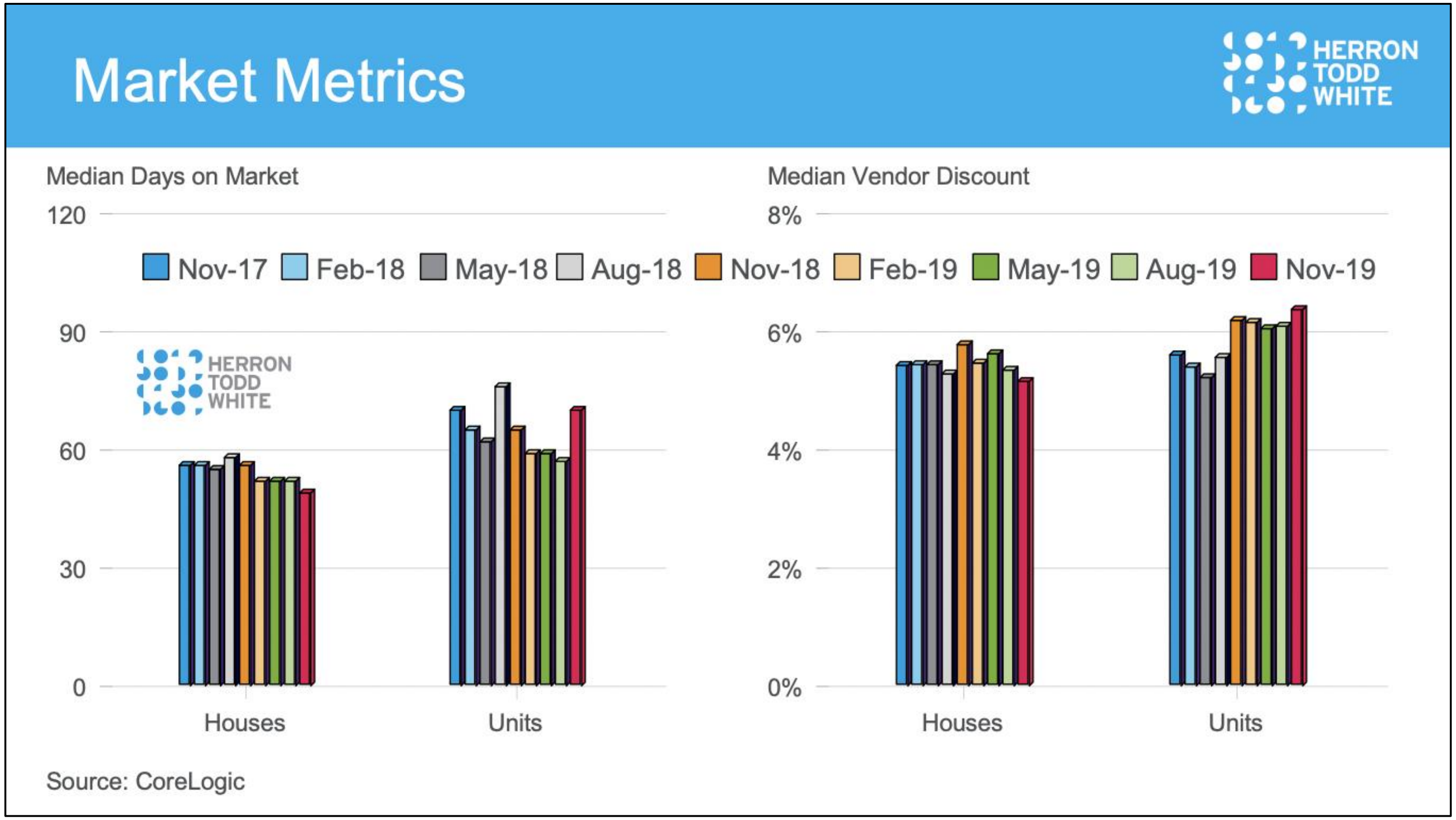



Again, there are distinct phases in terms of the market and prices in the market.

Up until 2008 was distinct boom years for property growth. 2008 – 2011 was bust years. Real estate for housing typically reduced in value over the three years by 10% - 20%. For units (including tourism and residential) values typically fell by 30-40%.

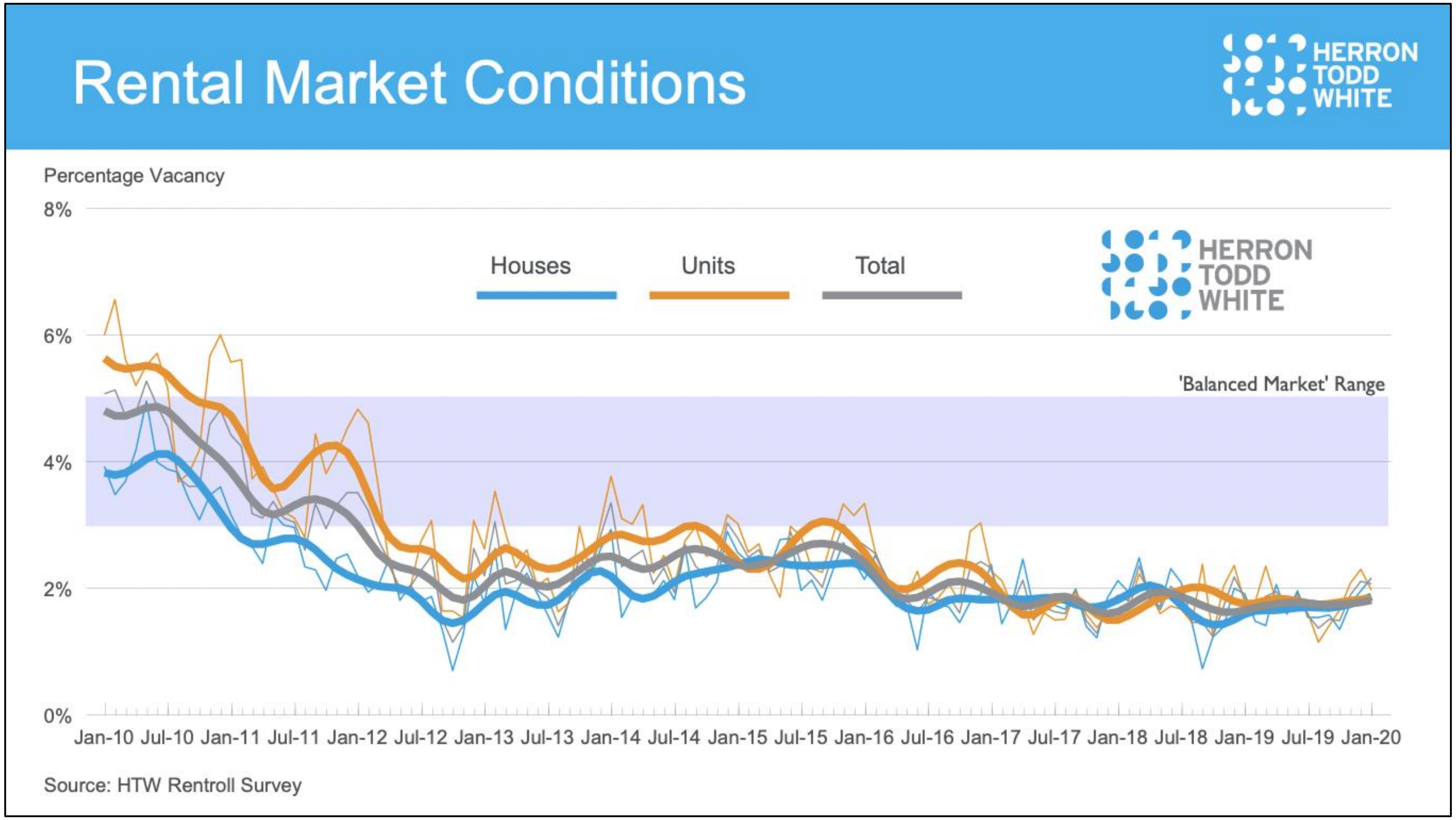
2011-2015 years were recovery years, where we saw modest to reasonable price growth in the market. Houses recovered their typical values that they were experiencing prior to the GFC. Units are still shy of their values that were being achieved prior to the GFC.

The history since 2015 has been flat. Property values haven't collapsed but they certainly aren't performing in terms of strong growth rates.




When we look at indicators in the market at the present moment, one of the things the Real Estate industry monitors is the average time it takes to sell a house - which is from when it is first listed to when it is sold. The time houses have been sitting on the market has been progressively reducing as the demand for housing is starting to creep back up again. We have certainly seen more positives in the housing market, and this has manifested in a quicker turnover of houses that do come onto the market.

The other thing we monitor is the median vendor discount - which is the price that a house actually sells for relative to what is was first listed at. For example - if a house was originally listed at $400,000 then eventually sells for $380,000 to achieve the sale, then that's what we call the vendor discount. In percentage terms that has been shrinking for houses. Units have been tougher to sell in the present market environment as there are more unit owners trying to sell than there are buyers. Although it is not a distressed market and is not collapsing, it is being manifested in that it takes longer to sell a unit and achieve a sale and you may need to be more negotiable than you would need to be to sell a house.




There has been limited construction of units including rental units over the last few years. This has manifested in very tight vacancy rates which have been sub 2% for some time. We would normally regard 3-5% in our assessment as a market that keeps buyers, landlords and tenants happy as it is a normal level of turnover.

2-3% is certainly a tight rental market and potential renters find it more difficult to find accommodation. Below that percentage is what we would regard as a stressed market. In other words, potential tenants miss out and they will need to find other solutions for their accommodation.

What it means for landlords it that the rental market is quite an attractive proposition in Cairns. The key to the rental market in Cairns at the moment is that with values flat the prospect for capital gains aren't there so it's all about rental returns (yield). You can get a strong rental return, particularly on units in Cairns which are much higher than the average and will certainly outperform capital cities. The rental market in Cairns at the moment is return driven yield based not capital gains based.

**Audience Question - What do you see happening in with the sales market in the next 6–12 months?**
It's not a grim outlook, on the presumption that things like the coronavirus are transitory rather than a long-term phenomenon the market will progressively improve during the course of the year in terms of demand. That will start to show in increased sales and all going well towards the end of the year, it will start to show in price growth.

**Audience Question - Wondering about price growth in North Cairns areas in respect to South Cairns? South Cairns seems to have a bit more development going on, is that affecting housing prospects?**
The northern beaches compared to the south of Cairns do cater to a certain extent to different markets and different demographics. The northern beaches perform strongest during periods of high population growth, as it's when we attract migrants who are cashed up from their sale of property in Sydney and Melbourne. They are from the premier suburbs so they assume the beachside suburbs are premium suburbs in Cairns as well. They tend to perform closely allied to population growth. The southern side of Cairns is much more of a local's market and it tends to react to local economic activity in the Cairns Market. Population growth in Cairns has an economic component and it has a lifestyle component. The lifestyle component still wants to move to an area where there is a functional economy because although they tend to be empty nesters and older demographics, they still want to come to a vibrant economy where they can get work, even part-time work if they choose.

**Audience Question - What market conditions would have to change to reduce the stress on tenants and return it back to a balanced rental market?**
At the moment the biggest challenge in Real Estate particularly for apartment developers it is very hard to get the economics to stack up. Building costs have increased, the cost of adhering to building regulation have impacted upon construction costs and basically the bottom line is that for a lot of buyers, unless you want something specific and specialised in the market it is cheaper to buy an existing house than it is to buy a block of land and build on it. Until that fundamentally changes the construction industry is going to remain relatively subdued. And by that token a lot of the demand for housing historically, has been demand for housing for rental purposes and we are not seeing that in the current market environment. Post banking commission days, that is not going to change quickly, it will ultimately change but don't expect that to happen quickly.

To register for the Cairns Watch go to www.cairnswatch.com.au - Next publication is due out at the end of March.

**<u>Patricia O’Neill</u>** – CEO Cairns Chamber of Commerce

My number one priority is to make sure that small and medium enterprise within this town stays afloat. And we keep the lights on, the tills ringing and we keep them in business. We want to be the voice at local, state and federal levels with government as a lot of businesses are busy doing the day to day stuff and they never get the chance to actually say what the issues are and what the major handbrakes are that are stopping them going and from keeping afloat and paying the bills.


We collaborated with Advance Cairns and TTNQ the tourism body to get out and lobby at State level at Parliament. What really mattered to me was what could I take down there that would help businesses here.

One of the biggest things was is (there is no doubt that tourism fuels the economy I think we all understand that) the construction industry is the one that lights the flame in my opinion. The construction industry is full of lots of sub-contractors and small businesses that need to keep their own businesses afloat.

From an economic perspective we need to ensure the population does grow. How do we do that? One of the key priorities that we spoke to state government about was looking at initiatives whereby we get destination marketing funding and we market our destination in Victoria, Western Australia and New South Wales. Let’s bring some professional people or trades people or any people in terms of the jobs that we need up here to bring their families and relocate in Tropical North Queensland.

We went down with ideas and solutions to some of these gaps that we have. One of the solutions that we took down was to address the First Queensland Home Buyers Grant. So, it doesn’t matter if they have been a first home buyer somewhere else, but if they come here and they buy or build a regional home then there is an escalation in the grant they would receive from the Queensland Government. It raised a few eyebrows as its obviously money that they are having to give out but when they are firing our billions of dollars for other things we wanted to make sure we were at the table for the ask and help to stimulate that construction industry. We need to make sure tradespeople are not throwing the kelpie in the back of the Ute and heading down south now that some of the big projects are finished.


The initiative we are looking at with Cairns Regional Council is “Keep it in Cairns”. It hasn’t launched yet and nobody knows about it until tonight. My reasoning behind this when I got together with Cairns Regional Council, everyone is in panic mode and there are reasons behind that such as being afraid of what’s going on at the moment. If nothing changes, nothing changes and if you still have a job, you still have a job. However, if we look at how we actually spend our money here in Cairns, some people won’t have jobs. I’ll give you a personal example of this, I used to work for an organisation and people stopped buying from that organisation, and much as I was in a senior position I lost my job. Because people stopped buying that product. It doesn’t matter that you are in small, medium or large business, if you start to spend your money somewhere else that’s not here in Cairns it affects every single one of our jobs.

This campaign is going to launch next week and you can see that it’s got the infinity sign around it, that’s the logo that you will see everywhere. And what that really means in effect is what goes around comes around. So, if we actually spend a dollar we retain a dollar and we retain a job and that’s really what it’s all about.

97% of businesses in Cairns are small to medium enterprise, so it’s really important that we stop and think about where we are going to spend our money and that we don’t spend it outside of Cairns. Now I’m not going to say don’t go to woollies and don’t go to Coles as they probably have hundreds of staff and there are possibly people here today that work for them. What I am asking you to do when you leave this room tonight is stop, think and what can I do, one thing I can do when I do a shop in Coles. Can I not add fruit and vege to my cart and go to Rusties, can I not add meat to my cart and go to the local butcher? Think a bit about what you are doing, these big organisations need to survive and they need to keep jobs here but start to think about how you can share that around. Because you are still keeping it in Cairns and that’s what it’s all about.

The other side of this is from a business perspective. Stop think, go back to your business tomorrow, look at your expense and P&L and look to see where do you have to actually have to send cheques and local bank transfers, do I do it locally, do I use a local accountant, a lawyer, a local guy to fix my car. Do all those things and stop think and make one change. Can you imagine the cumulative effect if everyone connects with this campaign and stops thinks and does just one thing, particularly in the business sector? If the business community gets on board with us it will be fantastic.


The Cairns Chamber of Commerce works very closely with the Chamber of Commerce and Industry Queensland. We have a product called ecoBiz – ecoBiz does is it comes in as a consultant, free as charge and we look at your water, waste, electricity and gas and look to see where we can help to reduce that expense line. I have worked in organisations and when the pressure is on the first place an organisation looks at whether it's small medium or large is the wages line – how can I get rid of people as that is my biggest cost. I can guarantee that if people start to think differently about their energy costs and waste there may be a lot of jobs that we can save in Cairns.

**Go to the Cairns Chamber of Commerce and they will give you the details to register to do this for your business.** We've been running this for not quite 2 years and we have saved 1.4 million dollars for businesses across the community by having a look how they pay for their electricity – what tariffs they are on, their gas, their water and their waste. That is the equivalent of powering up Suncorp Stadium for 13 years in electricity, the equivalent of 200 Olympic sized swimming pools saved in water. Takes the emissions equivalent to 21,000 cars off the road when we look at what business are using in waste.

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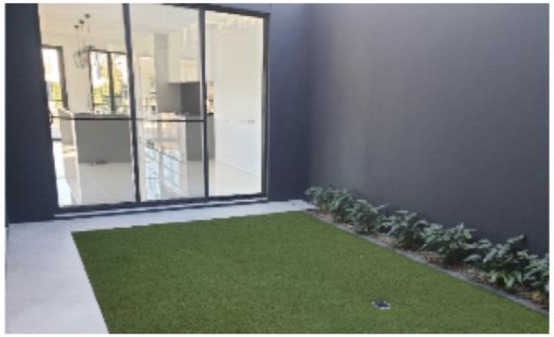
**What are the benefits of staging?**

When it comes to selling property it’s very important that you present it as best as you can. You get one shot at it normally. With photographs, social media now everyone googles, everyone does their homework now before they even go and look at the property. So, if it’s not presented at its best you have already reduced some of the market or people that are interested in your property. Everyone is doing it these days and it doesn’t necessarily mean that you have to remove everything from your property because sometimes that can become very generic. And you don’t want it to look on trend as it does get very boring when you are looking through the newspaper and every property looks the same. It’s really good to get some advice if you are thinking of putting your property on the market, listen to your Real Estate agent as well and then work out what the market is and who will be looking at your property and then look at staging from there.



**What are your Top Styling Tips?**

A big mistake people make is they have to work with what they've got. So, if you have a Queenslander or a modern apartment don't mix those two up. Try and work out the style of the property and work with what you've got, that's the best tip I can say as a lot of people make the mistake of trying to make something look really modern, or they've got an ultra-modern apartment and they start putting Balinese furniture in it.

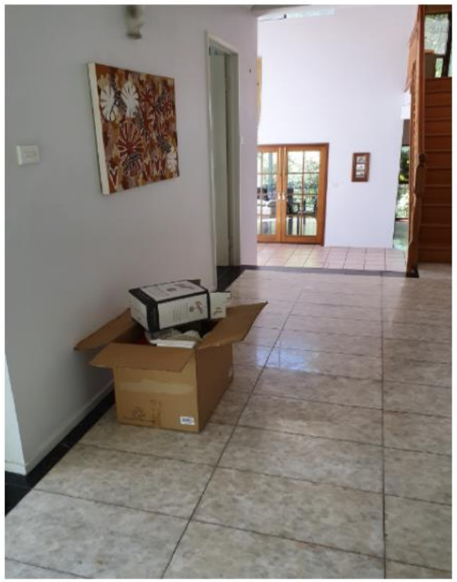
Remove all the clutter, work with what you've got and then assess it from there.

**What should people do if they are undecided on Styling?**

Make the phone call and talk to a few stylists, get them to pop out to the property and have a look and take that advice on board. That is the best way to go. Most stylists provide an obligation free quote and then it's up to you if you want to take that advice on board.

**How do you know if you should style your property or not?**

It's a matter of having a look at other properties that are on the market when you go to list and really listen to your Real Estate agent as it's what they do for a living, they know what you are up against and I do believe that if you really want to get your top dollar for your property it does need to be addressed and look amazing when you go to market. It does make a huge difference. The whole energy in the room may change, it could mean that your lounge suite may be facing in the wrong direction, your side table may need to be moved, The piece of artwork, fabulous piece of artwork buts it's 30cm too far to the left. It's just a matter of changing a few things around in a room that can really make a massive difference.



# Interview with the Agents

DEBBIE NORTH

'Cairns' Most Experienced Real Estate Consultant'

Debbie has been selling residential property in the Cairns region for over 38 years making her Cairns' most experienced sales expert with probably the widest range of contacts. During this time, Debbie has established a strong reputation for achieving premium and record prices for her clients which in turn has made her a multi award winning sales person. Debbie always strives to achieve excellent prices and to look after the best interests of her clients.

**When is the best time to sell your property?**

There are certain times of year where it probably isn't wise, around Christmas New Year period and April can be a bit hit and miss due to the public holidays. You can't second guess the property market any more than you can second guess the share market. Particularly in a regional area it's been pretty flat. So if it is the right time for you with what you want to do for your life and usually it's a pivotal point you are downsizing, upsizing and that's the joy of it for our residential people as it's a big moment in their lives. You do what is right for you as if you are going to upsize you are going to buy and sell on the same market and downsizing is exactly the same.

**How do you work out how to price your property rather than what you want to emotionally sell it for?**

There is some very good RP Data Statistics that show very clearly that the longer the property is on the market the bigger the discount is. This is because if you get buyers that are very excited about a new property and haven't been frightened off by the price they are far more likely to offer you a better price in that initial period as they are in the Fear of missing out stage. The trouble is that the longer a property sits because you may have incorrectly priced it, then it becomes a case of buyers going through fear of a better option. Get your agent to give you lots and lots of research, try to be a little less subjective. If it is possible to go and have a look at the other open houses that are around and we give you lots of information including a comparative market analysis that shows what's on the market and what's sold in the area. I give people everything that's ever sold in their street so they can see where they sit. We give you median prices and we will try and say to you that feedback from the buyers are very important as they will start to tell us which property, they are comparing it to and how it compares. There is a bit of luck sometimes and the skill of your agent negotiating, but the worst you can do is overprice your property as you will end up getting less for it.

**Is it important to have an agent that knows your area and what are the benefits?**

It is really important to think about that, there are a lot of different Real Estate Agents in the area and many have different expertise, not only in sales but in marketing. The longer you are in any business or industry the more experience you have. Being a local expert in Real Estate is essential, it allows you to know historical information about houses, I often sell houses two and three times over. I know how much they sold for I know the other house down the road that I sold, so that when I am negotiating with the buyers in the current market, I am able to give very good feedback. You really need to know what's going on in your area so you can advise people. Many buyers are really interested in what's going on and infrastructure plans, what's coming to the area. These things will add value to the property. Many buyers are looking for capital growth, they want to buy well and they want to buy something that will increase in value. It allows buyers to feel a lot more comfortable when they are looking at a property buyers do ask all these questions and you want your agent to be able to answer them know what's going on and be truthful in their answers.

RENEE
STRAGUSZI-SMITH

Real Estate is in Renee's blood. Growing up, her father was the Principal of Ray White and proudly led and curved the Cairns market during the 90s and early 2000s before establishing a development company.
Renee forges strong connections with clients and knows the local area and industry.
She understands positioning and marketing to ensure strong returns.
Her strong business background and skills in communication mean Renee can listen to, interpret and articulate client messages to deliver outcomes.

**What is your recommendation on marketing your property to achieve the best possible price?**

To get the most out of marketing you really need to be everywhere. You need to be able to offer people very good presentation as it's important how you present your property. It's very important to go around and have a look at everything, change the odd handle, paint, declutter the property. Get excellent photos, they are the window to your property whether you are going to be on the internet, social media or print media. You really need to be on the internet, you need to be showing everyone that has a phone, tablet or laptop your property in that area. It translates to social media as well which is a very big booming industry. I think that print media is something that many people are starting to question, I am a big fan of print media as not everyone is looking for a house in Bungalow for example, if you are looking on the internet and on Facebook and you have an idea of where you want to live you may not find it in the suburb. You may read the Cairns Post up here which is like a bible to many people whether they are looking for property or not. They tell other people, they tell their families, they may not be digitally competent, they may not have reception, so they do rely on the paper. All three will bring you the most buyers and potentially the best price as early offers are often the best offers.

**How important is it to have good communication between the Agent and the Seller?**

It's vitally important, there are two parts to that question. As our commitment to you the seller it is important that we give you accurate and honest feedback from the market. Depending on your availability after every open home we like to give our vendors a call and let you know how the open home has gone and we will give you positive and constructive feedback. In the beginning we speak about how you would like us to communicate with you through the process. Some vendors like to be very involved throughout the process and other like more a distanced approach. For example, some vendors may like a text message as they are busy and do not want calls all the time, we can then speak with them when it's convenient. Some vendors may prefer us to call every day or maybe 3 times a week. We also email you detailed property reports every week. We understand it is an emotional journey and we want to be there with you every step of the way.

ROBYN HAWLEY-
WHITTON

Robyn has 40 years sales and marketing experience, 20 years business management expertise and is passionate about helping her clients with up to date advice regarding the current market, suggestions on how to maximise your price with styling and renovating ideas, project management of works if you live away and proven selling strategies to obtain the best possible results in a timely manner.

<u>**Lynda Van – Home Lending Specialist, CBA**</u>


In my years as a lender I have seen a lot of changes in the home lending space. One of the biggest changes I have seen and a very hot topic is interest rates. When I first started lending interest rates were over 9% and now they are at an all-time low of around the 3% range.

In case you didn't know CBA did announce a couple of days ago that they would be passing on the full rate cut of .25% off our variable rate loans. This will be effective from the 24th of March. So owner occupier loans are coming down to around to the 2-3% rate now which is such a vast difference to what it was when I first started lending.

What else have I noticed, we have seen the GFC and how that tightened credit. How the first home owners grant stimulated the market. How taking away the grant on existing properties, changed the market. The impact of cyclones and how that increased body corporates and how that killed the unit market in Cairns. The Aquis hype and most recently government legislation on reducing investor lending, slowing down interest only lending and restricting foreign purchases as well. That has all affected the local home loan market.

**Some recent changes that have affected home lending**

The first one that springs to mind is monthly living expenses. If you have seen a home lender recently you should recall a good conversation about your monthly living expenses. Now this is to do with how much you spend on things like food and groceries, electricity, rates, fuel, insurances. But it also covers a lot of your discretionary type spending – sporting, gym, holidays, entertainment, dining out, clothes, beauty, alcohol and even gambling now. There has been a real shake up with our need to correctly gauge these costs for you and some financial institutions (not the CBA) go as far as going through your last 3 months statements and averaging your spending from there. If you think about it, in the last 3 months we have had Christmas, The New Year, and I've had holidays, so if they averaged out my last 3 months, I probably would not get approved for a loan.

So why are living expenses so important? The bank doesn't want you to and I'm sure you don't want to be struggling to make home loan repayments after you settle on your new property. You also don't want to be over committing or significantly changing your lifestyle in a way you weren't prepared for to afford your home loan. I really encourage everyone to do up a budget and to write down what you think you spend on your living expenses. Then after you have done that actually go through your bank statement and record how much you really do spend. We did this exercise in branch with the staff and it's a real eye opener the difference between what you think you spend and what you really do spend.

Another change we have had recently is comprehensive credit reporting.

So, what is it? Everyone has heard of having a credit history or credit report and these were typically provided by Vader or Dunn & Bradstreet before. It had negative credit information if you had defaulted on a loan, if you were bankrupt, if you didn't pay your power bill or a phone bill and so on. So now the reporting is more comprehensive, the government made it mandatory last year for all the four big banks to report both positively and negatively on all of your credit. As well as the big banks, most other credit providers now report comprehensively too. So soon enough it will be mandatory for all large deposit taking institutions like credit unions and smaller banks or financial institutions to report on your credit.

**What does positive and negative reporting look like?**

It's not like a report card where it says – Lynda she pays her credit card in full each month, she never goes over the limit, she's very responsible and a credit worthy applicant. It's not like that, what is reported is you have a credit card with X bank, the limit is of the credit card is say $5000 and how it's been conducted over the last 6 months. So, it might say August paid on time, September paid on time and so forth. If the payment was late it will say whether it was paid within 30 days, 60 days or 90 days. So how does this affect you borrowing money? Now we see a lot more of your credit history, the good and the bad and almost everything shows up now.

Before we really didn't know if you had a credit card somewhere else unless you disclosed it to us or we saw a transfer come out of your account. Remember that GE Credit Card you got years ago when you bought furniture, you paid it off and thought I'm pretty sure that's closed now. A lot of times we are finding that the debt has been paid but the card remains active. Now it shows up on your comprehensive credit report. The limit of any cards regardless of the balance can affect your lending capacity because we have to consider if you max out that credit card, what do the repayments have to be on that. Small credit cards might not matter so much but large ones might make the difference between you being able to afford that loan.

**So what else is new?**

We have the First home owner deposit scheme which is different to the grant or the stamp duty concession. This was introduced by the government on the 1st of January this year. It is limited in availability as they only made 10,000 guarantees available for this financial year to all of Australia. The scheme provides a government guarantee on your loan so you do not need to pay lenders mortgage insurance. This is if you have less than a 20% deposit. What this means is that first home buyers can buy a property with as little as a 5% deposit and possibly save up to $20,000 in lenders mortgage insurance.

In Cairns the purchase price is restricted up to $400,000, so you might find a bit more competition for homes up to the $400,000 mark. This is still in its early days as it was only released this year, so Real Estate agents may not have found that it has affected the market so much now. I think watch this space as in Cairns we are very lucky here where the rent you are paying on a property is very similar to the home loan repayments that you are paying on that same property. So why rent when you can buy for a similar repayment amount?

**Why are so many contracts falling over due to finance?**

As bank lenders we don't see too many contracts fall over due to finance and this is generally because we've seen our customers before they have signed a contract and we've done a pre-approval application for them. With the CBA our pre-approval is a true home loan application but it's without a specified address. We have already verified that you have enough income, we've verified that you have enough deposit, we've done a credit check in the application so it's only conditional to the valuation of the property you buy or if you are selling another one, or anything else we may have specified such as a credit card limit being reduced or closed for example. Pre-approval is conditional to your financial position remaining the same, as it does last for 6 months and a lot can change in that time. So, when you are signing a contract there should be no surprises really. If finance does fall over it may have to do with the property itself, it wasn't acceptable, the property you might have been using as equity hasn't valued up or people are signing contracts before they've seen their lender and they haven't properly gauged their lending capacity or done a true pre-approval.

**If you are starting to look for a property what should you consider before applying for a loan?**

1. Have a good idea of your plans and goals, it could be specific to the property that you are buying, like where you want to live, the price range, is it a long-term property, are you buying it for investment?
2. What reasons are you buying it for? Is it for growth and value, tax benefits, or an income stream?
3. Calculate your monthly living expenses, be realistic with how much you need to maintain a lifestyle you want to keep.
4. Watch you discretionary spending, if you have Zippay or Afterpay or like a punt then this is also taken into consideration.
5. Make sure you pay your debts on time; it is something that we are looking at more now that we were before because of comprehensive credit reporting. It doesn't mean that you need to pay your credit card out in full each month, but you do need to pay the minimum and on time and try to keep it within the limit. I recommend that you have an automated payment to cover at least the minimum all the time, so you don't have any conduct issues.
6. Avoid overdrawing your accounts, if it looks like you are struggling to maintain your finances at the moment, then it doesn't look favorable when you are applying for a new debt as we do have responsible lending requirements.
7. Lastly see a home lender, we'll tell you how much deposit you need, if your income capacity is enough, and if you are in a position to do that pre-approval. It doesn't cost you anything and there is no obligation as well. Even if you are not sure you are wanting to buy, I would still get one because good properties will not wait for you. If the right property does come along you want to be able to act quickly.

## Interview with the Rental Manager


**How long does it take to rent a property out?**

The market at the minute is absolutely fantastic. We have seen over the last 12-18 months a definite increase in the returns we are getting for our investors. The returns are coming back from 10-15% increases. I have an experienced team working with me and we are working really long days at the moment because we can't supply enough properties for the demand at the moment. In Cairns, we are processing around 15 applications per house. When we are conducting inspections at properties we are taking approximately 18 people through one property at a time.

**Is there much movement in relation to rental prices?**

Doing my CMA's (Comparative Market Analysis) I am seeing huge increases in prices from 12 months ago. It amazes me. So when we are looking at doing rental renewals for places we have within our agency we are seeing big increases on the prices we are achieving – it is around $400-$500 per property. There are lots of people out there looking so it is not uncommon to show a property to 18 people to rent. So it doesn't take long to rent a property in this market.

**What does an investor need to know regarding compliancy law?**

There is a lot of compliancy and we have a lot of systems to uphold and we need to make sure that when we are bringing a property to the market that you have everything up and ready to go. These laws are firm we have to make sure you are going by the legislation and you have your pool certified, it has to be safe, you have to have the smoke alarms in your property checked, serviced and maintained and we like to supply a certificate to all of our owners to show that the property is compliant by law. So, it is very, very important to let owners know as well to make sure we are putting a tenant into a property that is safe to rent

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