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NEWS FROM RICHARD BAILEY



Market Wrap

We are almost three quarters of the way through 2016 and are starting to see some signs of life in Launceston's real estate market. Local and interstate investors are about in force with some buying multiple properties which brings back memories of the 2002-2003 era. Most are starting at the bottom end and have almost exhausted the properties in the \$180,000 to \$210,000 range in most suburbs. This is meaning that they have to look into the next price bracket of \$210,000 to \$240,000 which they are just starting to do. There is also investor interest in the higher price brackets in the East and West Launceston areas plus Trevallyn and Newstead. With vacancy rates so low (we at Bushby Property Group manage about 1900 properties and have a vacancy rate of around 1%, and this has been the case through most of 2016) rents are definitely edging up and so from an investment point of view the returns are still looking very good. Anywhere from 6 to 7% is achievable in much of the market which means that the rent pays the interest and repayments. In more general terms, there have been some outstanding sales over \$1 million and if priced correctly there has been solid competition across all price ranges.



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Indicative Home Loan Repayments



AMOUNT	AT 3.90%	AT 3.99%	AT 4.25%	AT 4.54%	AT 4.74%
\$150,000	\$163	\$165	\$170	\$176	\$180
\$200,000	\$218	\$220	\$227	\$235	\$240
\$250,000	\$272	\$275	\$284	\$294	\$301
\$300,000	\$327	\$330	\$341	\$352	\$361
\$400,000	\$435	\$440	\$454	\$470	\$481
\$500,000	\$544	\$550	\$568	\$587	\$601
\$750,000	\$816	\$825	\$851	\$881	\$902
\$1,000,000	\$1088	\$1100	\$1135	\$1175	\$1202

NOTE: Weekly repayments based on principal and interest over a 30 year loan repayments are an indication only and are subject to lender's acceptance and conditions. Please visit www.uploans.com.au for further information



A Favourite Recipe

Red wine, balsamic & rosemary braised lamb shanks

PREPARATION TIME: 25 minutes

COOKING TIME: 2 hours 30 minutes

INGREDIENTS / serves 4

- 4 lamb shanks, trimmed
- 8 eschallots, peeled
- 1 cup red wine
- 2 cups chicken stock
- ¼ cup balsamic vinegar
- 2 long sprigs rosemary
- olive oil mash and broccolini to serve

METHOD

Preheat the oven to 170°C. Place a heavy based casserole over a moderately high heat. Rub some olive oil over the lamb and season with salt and pepper. Sear for 8 minutes or until browned all over. Remove the shanks and set aside.

Place the shallots in the pan and cook for 4 minutes or until coloured. Add the wine, stock, vinegar and rosemary along with the lamb. Bring up to the boil, cover and place in the oven for 2 hours or until very tender. Remove the lid and cook for a further 30 minutes. Turn them over once or twice if they are colouring too much. Use a spoon to skim off any fat that has risen to the surface and reduce the sauce over a high heat if necessary. Serve with olive oil mash and steamed broccolini.

ESSENTIAL TIPS

Leftovers: Try shredding the lamb and warming it through with leftover sauce. Stir through hot pasta and top with grated Pecorino cheese and parsley.

Tips:

1. The lamb shanks can be cooked the day before and gently heated to serve.
2. You can substitute the mashed potato with some soft polenta.



Our feelings (anger, shame, delight) appear almost instantly, and, left alone, they don't last very long. But if we invent a narrative around an event or a person, we can keep the feeling going for a very long time. Pavlov (ring a bell?) helped us see that a dog could learn to associate one thing with another. Humans are way better than dogs. If you're not happy with the feeling, try dropping the narrative. After all, it's your narrative, the story you have to keep telling yourself again and again, that's causing the feeling to return. -Seth Godin

How important is rental yield?

When it comes to buying investment property, is **rental yield** the iron-clad indicator you can take to the bank? Or is it another statistic that can mislead or misrepresent the potential of a property? If you're looking for an investment property, consider rental yield as one tool in your kit, albeit an important tool. It indicates the possible annual return on investment, over time, in comparison to the purchase price.

Rental yield is calculated thus:

$$\text{Rental yield} = \frac{\text{Weekly rent} \times 52}{\text{Purchase price of property}}$$

Typically, weekly rent is around .1% of the purchase property, so the yield on a typical investment property is calculated thus:

$$\text{Typical rental yield} = \frac{\$300 \times 52}{\$250,000} = 6\%$$

Because it doesn't include a host of other variables, such as cost of depreciation, insurance, property management, repairs and rates, investors should not look to yield to determine whether a property will be either positively or negatively geared. This can only be achieved through developing a cash flow projection. Neither does the yield figure indicate or factor in possible capital growth. In fact, on many occasions, a property with high yield will be likely to offer low capital growth overtime and vica-versa (although there are exceptions).

For example, many investment properties in Australian mining areas are currently offering yields of over 8%, however the prospect of long-term capital gain – which is ultimately what investors are seeking – is slim.

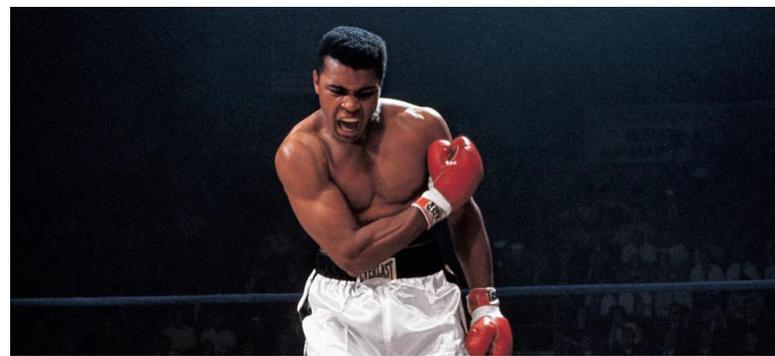
On the way to choosing an investment property, a high yield is important, but is not to be used in isolation when making the decision. The Holy Grail, when it comes to investment property, is a high yield dwelling in an area that promises capital gains. Throw in low maintenance costs and a great Bushby Property Group Property Manager and you have the full package!

If you prefer not to receive future editions of this newsletter please let me know. No offence taken!



Christmas Travel

For those who have children flying home for Christmas, now is an excellent time to book airfares. There are some very good ones about at the moment! The same can be said for those lucky enough to be travelling overseas around the Christmas School holiday times.



"Don't count the days, make the days count!"
-Muhammad Ali (1974 - 2016)

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