



## Cash Flow Positive, Negative Gearing.

Following on from the February newsletter on affordability, the astute investor is now watching the property market with excitement. As Warren Buffett was quoted saying **“Be fearful when others are greedy, and be greedy when others are fearful”**.

Not suggesting it is for every investor, however with the current state of the financial market, now more than ever the timing is perfect for the property investor.

Interest rates are currently at the lowest levels that we have seen in 40 years and with many economists believing that there is a further drop in rates of 1% to 2% still to come in the next six months.

Coupling this with the increasing population and migrant intake into Australia and low levels of building approvals, supply and demand levels also come into play.

Even with rates so low, many Australian still are not able to enter into the property market as Banks tighten their lending criteria. So the rental market is seen to be still pushing rental prices up.

So from an investor's point of view, with all of these positive points in mind, is it fair to say that selection of the right property type, in the right location is crucial when looking to build equity in your portfolio.

We are strong advocates that you should be looking at better than average capital growth within the first 2 to 3 years of your investment purchase. This then gives you more options when planning your next move as you build a portfolio. To achieve this, a strategic selection in the correct region is

paramount, you need to be studying the whole country not just your own back yard.

Having a cash flow positive property is fantastic and definitely achievable but it is only one issue. Selecting the right property type in the right location can have massive benefits not only in building equity in your portfolio but also maximizing your negative gearing through tax credits. This is commonly known as *“The Holy Grail of Investing”*.

Close your eyes and picture this; you now have 1, 2 or 3 properties in your portfolio that, not only are the rents covering the interest payment, but the properties are providing you with maximum tax credits. Equity and tax credits are now being achieved with no cash out lay.

Now to further my point, as the interest rates continue to drop, these properties are beginning to not only cover costs but actually place money back into your pocket as an extra weekly income.

This window of opportunity will only be available for a short time. As no one has a crystal ball, selecting the right time to lock in interest rates or to hold off takes some careful consideration.

Call your nearest consultant today and discuss looking at the maths and logic of investing in these exciting times!

**Game on for the smart investor.**

**Written by Steve Mclean  
NPA Melbourne/Mackay**



# New Projects Australia Investor Monthly March 2009



## A Reminder about our Free Monthly Investor Seminars

Learn the Steps to Successful Property Investment

- Which properties to invest in
- Should I buy new or old?
- How to maximise capital growth
- Pay off your mortgage years earlier
- Debt reduction strategies
- Best finance options
- Where to invest
- Why location is so important
- Where NOT to invest
- How to maximise negative gearing
- How to receive tax benefits in your pay
- Whose name to put on the contract



Townsville: Mon 09 March 2009  
Adelaide: Wed 11 March 2009  
Melbourne: Thur 12 March 2009  
Gold Coast: Mon 23 March 2009

Brisbane: Tue 24 March 2009  
Ipswich: Wed 25 March 2009  
Toowoomba: Thur 26 March 2009  
Mackay: Wed 22 April 2009

For any information on the seminar dates and times please call Sarah on 1300 429 040, or e-mail any questions you have to [info@newprojectsaustralia.com.au](mailto:info@newprojectsaustralia.com.au)

## NPA Case Study

There still are markets that are rising. It is crucial to do the research on location

I recently had a discussion with a new client who purchased a Melbourne property. When they first came to the seminar they had 4 properties and were just looking to expand their current knowledge. After the seminar we sat down for a chat and looked at their structure. After a few small adjustments and a refinance manoeuvre, they were able to add an extra property with no cash outlay.

They committed to their investment in July 2008. Due to their property selection, they were able to hold off on construction and it is due to start in March 2009.

The initial package was a fixed price contract at \$355,000 with a projected rental return of \$340 to \$350 per week. This client was pleased to find out that similar investment are now being priced at \$375,000 to \$380,000 and a projected rental return of \$380 per week.

Our client has seen a capital gain of 5.6% over the 8 month period without any capital outlay, so they asked me to rework some current figures. Initially the cost in July came in at \$138/week. Now as the property is constructed and a tenant moves in, it will be cash flow positive and putting \$12/week back into their pocket.

*(Note. This example has been published with the permission of our New Projects investor client. This example has been provided in good faith to outline the previous success of the New Projects analysis/investment techniques. Whilst New Projects conducts*

As further interest rate cuts come into play, the money return back to our client will obviously increase. This has enabled them to move forward and now look at possibly 1 or 2 new investments into their portfolio. They have now needed to rework their 10 year plan. The extra 2 properties into their portfolio now will return them, capital gains, times 3. Compounding is a fantastic tool in developing your portfolio.

Now this has not just been luck and good fortune, lowering interest rates definitely has a part to play but had they been sitting idle and waiting to read the good news in the paper, is it fair to say they would have missed this opportunity.

Some people believe it is good luck, others believe it is just being fortunate. I believe it is developing the right knowledge, having the right people assisting you, having a good plan in place and then believing in the maths and logic of your decision then following it through.

To find out where you could apply a similar strategy in today's market, contact NPA or visit [www.newprojectsaustralia.com.au](http://www.newprojectsaustralia.com.au).

*thorough analysis and research into all its property recommendations, it cannot and does not guarantee future performance).*



## Article of the Month

Melbourne Age

February 4<sup>th</sup> 2009

**2 THE AGE**  
WEDNESDAY, FEBRUARY 4, 2009

**NEWS**

# Rates at lowest level in 40 years

By **PETER MARTIN**  
ECONOMICS CORRESPONDENT

FINANCIAL markets are this morning factoring in more aggressive Reserve Bank interest rate cuts after its cash rate was slashed by a further 1 percentage point to a historic low of 3.25 per cent yesterday, its lowest level in four decades.

Westpac passed on the cut in full within minutes to its variable mortgage and credit card customers, taking a further \$186 off the monthly cost of servicing a \$300,000 loan and bringing the total saving since mortgage rates peaked last August to more than \$700 a month.

The ANZ bank followed Westpac in cutting its standard variable mortgage rate to 5.91 per cent, the first time any Australian bank has had a variable mortgage rate below 6 per cent since 1970.

Treasurer Wayne Swan called on all the banks to pass on the cut "in a timely way".

He said that because of the global financial crisis and the global recession that it had caused, "we need fiscal policy

LIVING IN THE SEVENTIES: The tear back, this time focusing on the h  
MICHAEL IDATO

### WHAT YOU WILL SAVE

MORTGAGE	REPAYMENT	LATEST SAVING	MONTHLY SAVING SINCE SEP '08
\$100,000	\$635	<b>\$62</b>	<b>\$246</b>
\$150,000	\$953	<b>\$93</b>	<b>\$368</b>
\$200,000	\$1270	<b>\$124</b>	<b>\$491</b>
\$250,000	\$1588	<b>\$155</b>	<b>\$613</b>
\$300,000	\$1906	<b>\$186</b>	<b>\$736</b>
\$350,000	\$2223	<b>\$217</b>	<b>\$859</b>
\$400,000	\$2541	<b>\$248</b>	<b>\$982</b>
\$450,000	\$2858	<b>\$279</b>	<b>\$1105</b>
\$500,000	\$3176	<b>\$310</b>	<b>\$1227</b>

and monetary policy working strongly together".

The Reserve Bank board made its decision while aware of the details of the Government's \$42 billion stimulus package — which were unveiled as its meeting took place — but said it nevertheless believed that a further "sizeable reduction" in the cash rate was needed to "cushion" Australia from the worst global outlook in decades.

The Reserve's statement contained no indication that the board would slow the pace of future cuts, and financial markets were instantly pricing in a further cut of 0.75 points next month to take the cash rate to an all-time low of 2.50 per cent and then further cuts to take it to 2 per cent.

Such cuts would push the standard variable mortgage rate below 5 per cent for the first time since the mid-1950s.

Westpac chief economist Bill Evaris said the eventual floor to which rates fell would depend on global conditions, but he saw "little reason to anticipate any evidence of stability".

"It also seems unlikely that a surprising rebound in domestic data would deter the bank's intention to cut rates further in the expected environment of a deteriorating world," he said.

Macquarie group interest rate strategist Rory Robertson urged caution, saying it was possible the Reserve Bank would not cut rates at its next meeting in March. "After having delivered an appropriately aggressive response to the post-Lehmans collapse in global growth prospects, the Reserve Bank now can make a respectable case to wait and watch for a while," he said.

Commonwealth Securities economist Craig James said he believed home buyers had begun to embrace the super-low interest rates in December. "While worries about the job market may dull the response, I expect a marked lift in home buying and construction over 2009," he said.

Many mortgage holders will not immediately be granted the cut in their repayments due to a practice by some banks of not automatically passing it on.

### HOW YOUR BANK PERFORMED

	CUT PASSED ON YESTERDAY	TOTAL CUT SINCE SEP '08	RATE NOW
	1%	3.71%	<b>5.91%</b>
	nil	2.84%	<b>6.74%</b>
	nil	2.87%	<b>6.74%</b>
	1%	3.70%	<b>5.91%</b>

Since the printing of this article all major banks have passed the rate cut on.



## NPA Current Investment Opportunity

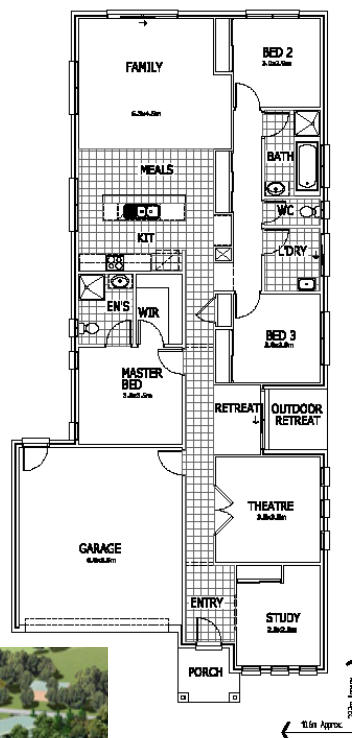
Melbourne is seen to be a definite Hotspot

Investing in Melbourne has the advantage of diversification. There are markets within the market. Melbourne has a population of 3.8 million people and is currently enjoying a population growth of around 70,000 people per year, with this comes capital gains. Infrastructure projects are the normal behaviour as it becomes a requirement to continually update and upgrade.

Melbourne is seen to be a steady player in a portfolio. Were some markets may see massive highs and lows, consistency is the name of the game with Melbourne. The main growth corridor is currently within a 20km radius, within this radius there are many possible investments to achieve average to above average capital growth in the first few years as this area develops.

Packages are available from the low \$330,000 however, there are a few major developments that will commence soon. Our market analysis and research has led us to believe that investing at \$370,000 to \$380,000 in these strategic locations will secure good growth in your portfolio.

**Address:** Melbourne, Australia  
**House Size:** 204 m<sup>2</sup>  
**Land Size:** 428 m<sup>2</sup>  
**Land Price:** \$175,000  
**House Price:** \$195,000  
**Total Package Price:** \$370,000  
**Indicative Rental:** \$370-380 / Week



This newsletter was brought to you by Steve Mclean 0418 535777 at **New Projects Australia**. We do our best to keep all investor clients up to date and well informed. If you have any questions, we will be happy to help, feel free to give us a call.

**Next month** Craig Whaley.