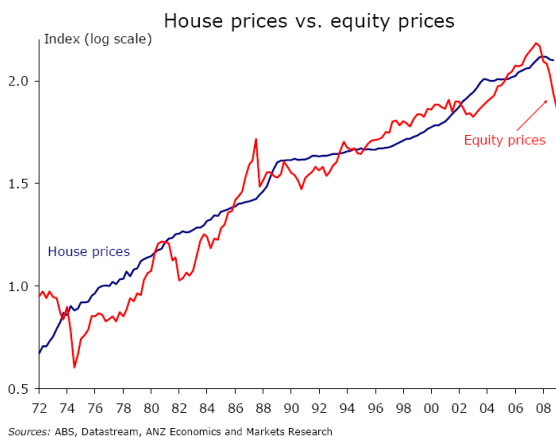




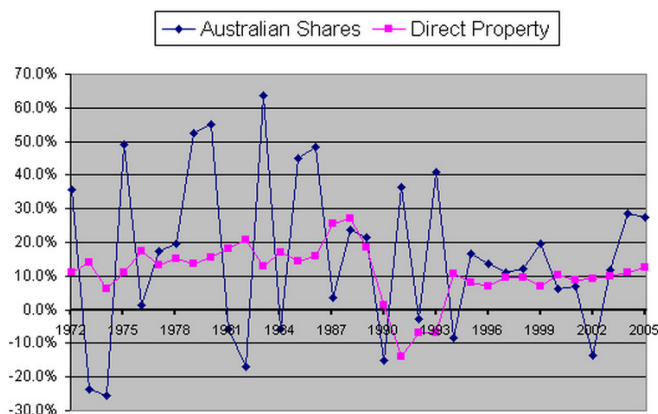
MARKET VOLATILITY – AUSTRALIAN SHARES V'S PROPERTY

Long term historical comparisons of the overall return of shares versus property reveal very similar performance in both of these asset classes. For example, for the 20 year period to the end of financial year 05/06, both asset classes returned approximately 12% per year on average.



However, the chart below shows that the two asset classes differ significantly in relative volatility, ie the range of price movement that is experienced on the road to achieving this similar return. The share market ranged from -25% to +64% in any given year, versus property which ranged from -13% up to +28%. Additionally, the share market experienced 9 negative years in 20 compared to property which experienced 3 negative years in 20. Why is there a difference?

Year-by-year



1. Size of markets. The size of two markets (by market capitalisation) is very different. The residential property market is significantly larger than the share market at over seven times the size. With more size, comes more inertia in price movements, similar to comparing the inertia of a small car with a large truck.
2. The motives of market players. Share market investors and traders have one reason for buying and selling shares, to make a profit. Many property buyers and sellers have the additional consideration of purchasing to accommodate themselves and their family in a physical dwelling. In fact, approximately 70% of the buyers and sellers in the property market are owner occupiers, with the remaining 30% being investor purchases and sales.

This has a direct effect on price fluctuations in each market. In the case of shares, the purchase or sale is purely made with investment performance and price considerations in mind. Owner occupier property buyers will also have investment performance in mind, but it will usually be secondary to the higher requirement of physical accommodation.

The above phenomenon also has a large influence at the point of sale of a share asset versus a property asset. Picture an investor who has been holding a poorly performing share for some time and the decision is made to sell the share. The funds realised from the sale could now be used to purchase another share with a better potential return, or they could be used for a completely different purpose. I.e.



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there can potentially be no compelling reason to invest that money back into shares if the investor has a negative perception of the market at that time.

Compare this to sale of an owner occupier home. Because the basic requirement for physical accommodation still needs to be met, this often means the sale of the home will be made in conjunction with the purchase of another property asset. i.e, regardless of their perceived market outlook for property, the owner still need to meet the basic need for a physical dwelling and so must re-enter the market. This has the effect of stabilising the demand levels in the property market at any given time.

- 3. Liquidity. The sale of shares is a straight forward exercise compared to the sale of a property. Looking at time scale shares can usually be sold in seconds whereas a property sale timeline will usually be in the order of weeks or months. The cost of selling a property as a percentage of price is also higher than shares on average. So the decision to sell a property is usually

worthy of much deliberation and the question of “why am I making the decision to sell?” must be carefully considered.

The size of one property transaction is also very large compared to the average share parcel, which once again will trigger careful consideration and deliberation for any would be seller. This can act to slow or remove the decision to sell.

The above considerations are worth taking into account when examining the personal decision of asset allocation in an investment portfolio. Personal tolerance to the volatility of each market will not be the only factor at play in the investment decision however it certainly needs to be considered. A mismatch in risk tolerance versus market volatility can lead to either a stressed or an under stimulated and bored investor. We do not wish to be either of these!

Written by: Simon Newman –
New Projects Australia.

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: Tue 21 July 2009
Adelaide: Tue 11 August 2009

Melbourne: Wed 12 August 2009
Brisbane: Tue 28 July 2009
Ipswich: Wed 29 July 2009



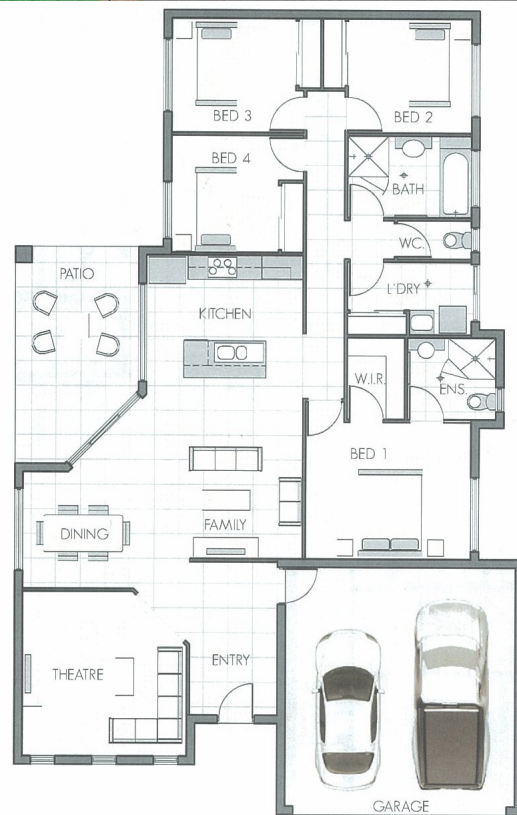
Current Investment Opportunity

Address: Lot 183 Daintree Drive
House Size: 199.18 msq
Land Size: 700 msq
Land Price: \$148,000
House Price: \$251,890
Total Package Price: \$399,890
Indicative Rental: \$380 - \$400 / Week



Full Turnkey Inclusions

4 Bedrooms, 2 Bathrooms, Double Lock up Garage
Fully Landscaped & Irrigated
Air Conditioning Throughout
Tiles Throughout
Carpets to Bedrooms
Masonry Block Rendered
Quality Fixtures & Fittings
Fully fenced with access gates
Security screens to windows
Clothesline
Letterbox
TV Antennae
Maintenance period upon completion
Structural warranties
Termite protection
Dishwasher
Telephone Points
Hot Water System
Hard Wired Smoke Detectors



*This newsletter was brought to you by Simon Newman 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 Mathew Creeper