

# Australians are **USING HOME EQUITY WISELY**



**O**ver the last four years the number of investment property loans in Australia has grown by 37% compared to an increase of only 4% in the number of owner occupied loans. These are the latest findings from the Roy Morgan Research Consumer Single Source survey of approximately 45,000 people per annum.

## Investors

The survey reported that the 35 to 64 age group accounted for 78% of the increase in the growth of investment property loans over the last four years.

## Home owners

The study also showed that while the proportion of over 50s with an owner-occupied home loan increased, the proportion of under 35s with owner-occupied home loans decreased<sup>1</sup>.

For the 2011/2012 tax year it was reported that 19.3% of Australian tax payers owned an investment property<sup>2</sup>. That's nearly one in five compared to just 12.9% about 20 years earlier (1993/1994).

## And very few invest more than once

According to the ATO data (2011), 72.8% of individuals who owned an investment property owned just one. Meanwhile, 18.9% of those individuals owned two properties and just 0.9% of the same owned six or more.

## The gap is closing

Due to the historically low interest rate environment, we are seeing a large number of our clients using the equity in their current property to purchase an investment property. With rates so low, the gap between investment loan repayments and the rent received has reduced compared to a few years ago. Sometimes the gap is very minimal - particularly after a refinance.

## Attitudes are changing

We are starting to see a very different attitude from people purchasing property. A few years ago, property purchase was all about owning your own home. Most clients also thought that investing in property would be at the expense of owning their family home. These days, with low interest rates and first home owners being priced out of buying their family home, we are seeing more clients take on investment properties as a solution to getting a 'foot in the door'.

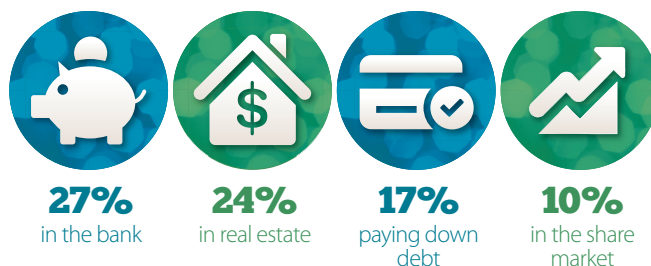
## Confidence is increasing

Our older home owners have seen the benefit of some good capital growth over the last few years. They are now feeling more confident to use some of this recent equity, coupled with low interest rates, as an opportunity to start investing in their financial future.

As we look at the prospect of pension cuts and increasing the work life expectancy to the age of 70, this seems to be a step in the right direction for many of our clients.

**19.3% of Australians have taken advantage of property investment opportunities leaving the vast majority of individuals missing the chance of wealth creation.**

Craig James (Chief economist at CommSec) mentioned on morning television last month that Australians are holding their savings in the following places:



He stated that consumer confidence has been low since the GFC and that "time cures all ills". He would like to see consumers take on more investments.

As your finance specialist, it is important for us to help you make the right decisions for your personal situation. We understand that most people struggle with the concept of purchasing an investment property while still trying to pay off their home mortgage. Guess what - you're not alone! Only 19.3% of Australians appear to be comfortable with this.

We welcome your call to discuss your concerns and help you make the right decision for you. Feel free to call the office at any time. We look forward to hearing from you.

**Please call us for a copy of our article 'The challenges of home ownership in Australia'. Perhaps you know someone in your family who would like a copy, feel free to pass it on to them.**

<sup>1</sup> Roy Morgan research 19 May 2014 article No. 5595  
<sup>2</sup> ATO