

from the Principal



Glen O'Brien

We've come a long way in a short time.

As we close the accounts on our second full year of trading, we can look back and proudly recall a number of achievements

and milestones recorded during this financial period.

It's been an exciting time for us.

Our commercial property management, sales and leasing activities over the last 12 months have led to the appointment of a dedicated Commercial Property Manager. We are now looking to expand the team further by creating a number of new opportunities in our sales department.

My personal career highlight of the 2004/05 year was achieving the quarter's Top Selling Principal award from AUSNET, WA's Network of Independent Real Estate Agents. October to December is renowned as a tough quarter in the industry and to take away the top prize is indicative of the successful repeat business that drives sales when business is slower.

As a company, we can boast a generous market share of property transactions. In 2004/05 we gained membership to REIWA and launched our new look website at www.glenobrien.net. In only our second year of trading, we sold a massive \$25 million worth of property and gained almost one new property management for every week of the year.

What does all this mean to you? Much of the enthusiasm and encouragement to succeed has come from our client base, industry peers and the local community who have supported us from the very beginning. This means you get dedication, service and local experience when you come to Glen O'Brien Real Estate for your property needs.

A big thanks to all our clients and our supporters and we wish everyone a healthy and prosperous new financial year.

Perth leads Australian housing market



Many people are under the misconception that winter is not a favourable time to sell property, but findings from the Real Estate Institute of WA show that demand for residential property is currently very strong.

The Perth real estate market is continuing to record strong growth compared with other capital cities in Australia where the market is flat or in decline.

Glen O'Brien, Principal of Glen O'Brien Real Estate, says, "The State's economy is currently booming and we are seeing many people from interstate and overseas being drawn to the west as a result of the promising job market."

Whilst the influx of migrants has led to an increase in demand for real estate, other factors are also attributing to the upsurge in demand in the metropolitan market.

The thriving economy has a direct effect on the investment sector which is seeing property investors still acquiring and holding onto property adding to the pressure on housing stock levels.

In addition, the result of stamp duty concessions for first homebuyers is seeing many within this group enter the market keen to make a purchase.

"The heartening aspect of the Perth real estate market is that the strong growth in property values is not excessive and therefore is likely to be more sustainable, whereas some of the Eastern state capitals are experiencing a roller coaster market," said Glen O'Brien.

While demand in the housing market still remains strong, housing stock is approximately 35% below average making now the ideal time to market your property.

FUNNY FACTS: Mosquito repellents don't repel. They hide you. The spray blocks the mosquito's sensors so they don't know you're there.

How is your suburb performing?

Source: REIWA as at June 2005

Suburb	% Change in last 12 Months	5 yr Avg. Growth (p.a)	Median House Price
APPLECROSS	10.70%	10.60%	\$825,000
ARDROSS	9.30%	11.60%	\$503,000
BOORAGOON	4.30%	8.90%	\$409,000
MOUNT PLEASANT	0.90%	9.60%	\$545,000
MELVILLE	12.70%	12.30%	\$400,000

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END OF FINANCIAL YEAR money special...

Negative Gearing How can I use it to buy property?

If you are considering buying an investment property at the start of the financial year you may want to consider negative gearing.

With correct financial information and the selection of the right property, negative gearing can provide significant tax advantages to people considering buying an investment property.

How do you negatively gear a property?

A property is negatively geared when the costs of owning it – interest on the loan, bank charges, maintenance, repairs and capital depreciation exceed the income that it produces.

In simple terms, your investment must make a loss before you can claim a tax benefit.

This example following shows how an investment asset may be negatively geared. The net loss of \$600 per month (\$7,200 per annum) may be claimed as a tax deduction.

Example

\$2,000	per month	Rental income on investment property
- \$2,500	per month	Expenses (interest, maintenance etc)
- \$100	per month	Council rates and other expenses
= \$600	per month	Shortfall

The amount of tax you will be able to claim will also depend on your taxable income with higher tax payers being able to achieve the greatest financial benefits through negative gearing.

A negative gearing strategy is very effective if the investor ensures that they purchase an investment property in a high capital growth area. This ensures that they not only receive tax benefits, but also that the value of their asset is increasing.

You should speak to your accountant or financial advisor on how you can effectively use a negative gearing strategy before buying an investment property.



Add value with smart interior design

You may not know that some interior designers have long-standing successful relationships with suppliers, enabling them to negotiate discounted prices.

Using an interior designer is a great way to maximise the benefits of the financial investment you're making by decorating and renovating. They help you to make cost effective choices and they have access to unique and quality products that help give your home the

'wow' factor, usually at reduced prices.

Sue Bullock-Machin from Lifestyle Interiors says "We source a full range of products including artwork, accessories, curtains, pelmets and bed linen from several suppliers throughout Perth, at sometimes up to 30% less than retail prices, due to our buying power. These savings help to offset our very reasonable consulting rates, so you can achieve a very professional and beautiful result, and increase the value of your home."

Whether your property is a much loved home in need of an update, or a recently purchased home, that you wish to bring your own taste and style into, always consider the following five factors:

Colour one of the biggest factors when decorating a home. Different colours evoke different feelings. Whether you want to portray a feeling of tranquillity or a bright and cheerful atmosphere, you can create any feel you wish with colour. For example, a well placed feature wall creates a highlight in a room.

Accessorise especially if you are intending to sell your home. Adding a few well placed accessories gives a burst of colour and life – and you can take them with you to your new home

Lighting Never underestimate lighting. The way you arrange or distribute light in a room should work in harmony with colours and textures.

Window treatments and soft furnishings Using good quality (and not necessarily expensive) materials really adds style and value. If the colours and textures work well together the effect can be stunning, whilst still on a budget.

Work with a theme when decorating, this will keep you on track and create a flow throughout the entire home.

If the design and/or materials are of poor quality, you could actually decrease the value of your home. Working together with a professional interior designer helps you achieve the best result and the full potential out of your home.

SPECIAL OFFER

Mention this newsletter and get a **1 1/2 hour in-home consultation** with a qualified Interior Decorator for **\$140 (incl GST)**.



Don't know where to start? Can't get tradespeople to call you back let alone do the work? Don't have time??
Your Lifestyle Interiors consultation includes ideas on maximising the value of your home through interior design and creating a complete colour scheme for you, together with a report and colour samples.

Please contact Sue Bullock-Machin at Lifestyle Interiors to make an appointment
Office Hours: 9295 0469 Mobile: 0417 182 030



Your tax return

Owners of investment properties and their taxation rights

It has been publicised that the Australian Taxation Office intends to audit owners of rental properties who are lodging tax returns for the last financial year.

If you own an investment property you should make sure that you have records of all your income and expenses in the event you are audited.

To assist property investors in ensuring that they comply with the taxation guidelines, the ATO has produced a special publication covering rental properties.

The publication entitled 'Rental Properties' details a significant number of taxation issues related to owning an investment property.

It also outlines expenses that an investor can and cannot legitimately claim.

An example of some expenses which an investor may be entitled to claim a deduction for are listed below (these expenses need to have occurred in the year that the deduction is claimed for):

- Advertising for tenants
- Bank charges
- Body corporate fees
- Cleaning
- Council rates
- Electricity and gas
- Gardening and lawn mowing
- In-house audio/video service charges
- Insurance
 - building
 - contents
 - public liability
- Interest on loans
- Land tax
- Legal expenses

- Lease costs
 - preparation
 - registration
 - stamp duty
- Mortgage discharge expenses
- Pest control
- Property agent's fees and commission
- Quantity surveyor's fees
- Repairs and maintenance
- Secretarial and bookkeeping fees
- Security patrol fees
- Servicing costs – for example, servicing a water heater
- Stationery and postage
- Telephone calls and rental
- Tax-related expenses
- Travel and car expenses - Rent collection

The ATO publication on rental properties is available by telephoning 13 28 61.



PROPERTY OWNERS: are you maximising your tax deductions?

How can I benefit from tax depreciation?

If you own an investment property it is highly likely that you are able to take advantage of tax depreciation. Whether you own the property outright, are negatively geared or are somewhere in between, the legislation applies to you.

The benefits of claiming depreciation are clear:

- It is a deduction from your assessable income and the amount of tax you are liable to pay is decreased.
- It will have a significant impact on the after tax yield of your investment.

It is estimated that only 2 out of every 10 property investors are claiming the depreciation benefits available to them.

How does it work?

Tax depreciation is a deduction against assessable income. If you earn \$75,000 a year from your job and \$15,000 a year from your rental property and you have depreciation of \$4,000 in a year you will pay tax on $(\$75,000 + \$15,000) - \$4,000 = \$86,000$

There are two types of depreciation available:

1. Capital allowances for plant
2. Capital works deductions for buildings and structures

Interesting tax depreciation facts

- Approximately 8 out of 10 property investors are not claiming the full tax depreciation deductions
- The one-off fee for a depreciation schedule is tax deductible
- Schedules can be back dated 4 years to claim lost depreciation
- Only licensed Quantity Surveyors can create depreciation schedules.

Building Type	Purchase Price	Yr 1 Depreciation	Yr 5 Cumulative Depreciation
1 Bedroom Unit	\$300,000	\$8,000	\$38,000
2 Bedroom Unit	\$400,000	\$10,000	\$45,000
3 Bedroom Unit	\$450,000	\$12,000	\$55,000
Townhouse	\$300,000	\$6,000	\$25,000
House Residential	\$250,000	\$5,500	\$24,000

Calculations are based on the diminishing value method of depreciation and assume property is less than 5 years old. This table is an approximate guide.

CAST - Capital Allowance Schedule Technology can assist you with depreciation schedules. Phone Scott Watters on 9489 9420 for more information or to book your depreciation schedule today!

world wide web



Glen O'Brien Real Estate is constantly working to improve their marketing strategy to achieve the best outcome for clients, and a recent upgrade to its website is already achieving excellent results.

The new site offers information on all types of commercial and residential properties whether browsers are looking to buy or rent.

Glen O'Brien has worked in the real estate industry for the past 16 years and during this time has seen a number of changes, but he claims the advent of the web has been the most significant.

"Technology plays an important role in marketing a property and the majority of our clients view a property on the web before seeing it first hand, in fact we have some clients who buy or rent a property on a sight unseen basis.

"Only recently we sold a block of land in Mount Pleasant valued at \$485,000 to a couple who are moving to Perth from the United Kingdom, and prior to the sale, they had not stepped foot on the land."

The updated site is easier to use and allows interested buyers the opportunity to gather extensive information on a property, conduct a virtual tour and submit their interest online.

"Not only are all of our properties featured on our own website at www.glenobrien.net, but also Australia's largest real estate search portal www.realestate.com and the Real Estate Institute of Western Australia www.reiwa.com.au", said Glen.

Community Spirit

In keeping with the philosophy of Glen O'Brien Real Estate, the agency is currently sponsoring and supporting a number of local groups in an effort to strengthen the area's community spirit.

The Melville Bowling Club, Melville Cricket Club, Applecross Cricket Club, Melville Mustangs, Mount Pleasant Primary School and the children's ward at the Fremantle Hospital are just some of the beneficiaries.

Glen and his team welcome other community groups to contact their office on 9316 3911.



Call your local expert 9316 3911

770 Canning Highway, APPLECROSS WA 6153

f: 9316 3922 • e: go@glenobrien.net

www.glenobrien.net

REAL ESTATE NEWS winter 05

is it time to get a mortgage health check?



By Colin Lamb
Mortgage Solutions Australia



According to Colin Lamb of Mortgage Solutions Australia, many homeowners overlook the importance of reviewing their finances each year.

Mr Lamb said, "Everyone is encouraged to have a medical check-up at least once a year in today's health conscious society.

As we enter a new financial year, you may consider taking the same approach to your home loans by having a Home Loan Health Check."

With interest rates constantly changing and new home loan finance packages constantly coming onto the market, a home loan package which appeared very attractive a few years ago may now be superseded by more competitive or flexible products.

It may surprise readers of our newsletter to learn that there are now several hundred home loan packages to choose from, and many of these are geared towards investors.

Interest savings of more than \$10,000, over the life of a standard home loan, are now being achieved by homeowners who have undertaken a review of their home loans with Mortgage Solutions Australia.

Choosing the right home loan package can now be just as important as choosing the right location for your investment property.

In the past, most investors took out an investment loan and took on a "set and forget" approach. However, because of intense competition amongst home loan lenders, there is now the opportunity to review your home loan with a view to secure an even better home loan package.

Given the impending changes to Mortgage Stamp Duty with the new budget, the main barrier of refinancing should be removed thus giving clients more flexibility to switch lenders for a better deal.

The good news is that Mortgage Solutions Australia can advise you on the best investment home loan options for free. We will even come to your home to give you a comprehensive presentation of the best investment home loans suited to your financial situation.

You could save thousands

on a complete range of property finance solutions
Just call Colin Lamb on 0419 944 497

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