

SLOWDOWN OFFERS BUYING OPPORTUNITY

WHILE THE RETURNS on residential property have no doubt slowed, with price growth expected to dip below 10% next year, property remains a good bet for those prepared to sit out the current market dip. In fact, now is probably a good time to buy, with sellers becoming increasingly negotiable on asking prices.

Simon Stockley, CEO of newly launched mortgage lender Integer, says although the days of house price growth of 20% to 30%/year are long gone there's still steady demand from investors taking a longer-term view.

He says Integer's seeing a strong surge in refinancing activity, with people switching their existing mortgage debt from one lender to another, the key driver being that it allows homeowners to tap into the additional equity that's been building up in their homes over the past few years on the back of rapidly escalating house prices. Stockley says many homeowners are using the equity realised from their primary homes to add additional properties to their portfolios.

Jane Downing, head of new business at BoE Private Clients, says using the large surplus value built up in your primary home to finance buying other properties remains an attractive option, provided those investments are leveraged correctly.

Downing says banks and other lenders have become quite innovative in their product offering to individual property investors to ensure that borrowings are flexible and tax effective.

Downing says it's also crucial for investors to take advantage of the deductibility of interest incurred when gearing



Homeowners sitting on large surplus value.
Jane Downing

property investments.

However, she says it's important to appreciate the risks inherent in any particular property investment, which need to be managed appropriately.

Says Downing: "When financing residential investment properties on current lower income yields it's necessary to ensure that investors have a reliable source of income over and above the rental from the property being bought to subsidise the instalments on the loan." ▣

Finweek - English Edition Property Compass, 2007/11/22, p20