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Five questions to ponder before refinancing your home

Christmas came early for a lot of mortgage holders this year when the Reserve Bank dropped the official cash rate to a ludicrously low 0.10 per cent.

But while interest rates are lower than they've ever been before, some lenders are offering much more enticing deals than others.

For those who are thinking about changing their loans so they can enjoy a lower rate, there are a few things you should keep in mind first.

Including:

What features are there beyond the interest rate?

A lot of people chase the lowest rate they can get, but there are a lot of other things to consider when it comes to home loans.

The right home loan features can offer you flexibility and benefits that can help you pay your loan down quicker, or allow you access to your funds when you need them.

Features to look out for include an offset account, a redraw facility or the ability to make extra repayments. You might also choose a particular lender because they offer you convenience or reliable customer service.

Will the loan term change?

You'll want to make yourself aware of any changes to your loan term if you're looking to refinance.

Be wary of refinancing to a new 25 or 30 year loan term as while this might reduce your regular repayment amount, you'll end up paying more in the long run.

A loan that is refinanced to a shorter term however might increase your repayment amount, while reducing the amount of interest you pay overall.

Will you need to pay LMI?

Another thing to think about before refinancing is whether or not you might be up for paying lenders mortgage insurance (LMI).

Generally, you'll be up for paying LMI if you own less than 20 per cent equity in your home.

If you're asked to take out LMI to refinance than this may negate any possible savings you could make from paying a lower rate.

Are there any fees involved?

Switching home loans can be costly. It's important to look at the terms and conditions of your existing loan and your potential new one to see what fees you could be up for.

Some costs to look out for include discharge fees, break costs, valuation fees and set-up fees.



Should you fix?

Many lenders are offering very attractive fixed rate home loans at present, which may have you pondering whether or not it's time to lock in your rate.

As with anything, fixed rate home loans have their pros and cons but they are good for those who like the reliability of knowing what they'll be paying each month.

Keep in mind however that some fixed rate loans don't have features that allow for extra repayments and they may result in break fees if you decide to exit your loan early.

Everybody's circumstances and needs are different so if you want the best advice it's always worth talking to a financial professional or picking up the phone for a chat with your current lender.

Preparing your home for summer entertaining

After a rollercoaster of a year a lot of us will be looking forward to reconnecting with our family and friends over summer and enjoying some sunshine and laughter.

With social distancing still on a lot of our minds there's likely to be a lot of parties held at home this year.

If you're looking to spruce your digs up for guests then here are some tips:

Clean and declutter

A sparkling clean home somehow always feels bigger and it ensures that you're always ready for last-minute guests.

You might like to go through one room at a time so it doesn't seem like such a big task.

If you find items you no longer want or need while you're cleaning you might like to consider selling them if they're still in good condition, as a way to make a bit of extra Christmas spending money.

Add some festive touches

The turn of the season is as good an excuse as any to switch up your home's décor and make it feel fresh and new again.

You don't need to go overboard with traditional festive items like trees and wreaths if you don't want to. Instead you might like to make your home feel a little more festive with some festoon lighting outdoors, or maybe some brightly coloured new cushion covers or table runners.

Check out your local homewares or department stores for some interior inspiration.

Get the kitchen ready

Home gatherings tend to centre around what's happening in the kitchen so this is the room you'll most want to have ready for visitors.

Clear out your fridge and freezer to make way for festive goodies, and make room on countertops so you can prepare your gourmet feasts.

For those that have their kitchen located away from the living areas of their home, you may want to consider adding some kind of seating in the kitchen (even if it's just a stool or bench) so guests can hang around and chat while you're busy doing the cooking.

Find a place to entertain outdoors

A lot of us have probably spent more time indoors this year than we would have liked, which means we're going to want to head outside and make the most of long, summer days.

To do this you might need to find a comfortable spot in your backyard where you can fit an outdoor setting, and maybe even a barbecue too.

For a truly welcoming vibe, consider adding some plants or screening for privacy and make sure that the area has some shade if you're going to be entertaining during the day.

Is it a good idea to sell a property off-market?

If you've ever sold a property before then you're probably familiar with all of the work involved in preparing it for the market.



In a lot of cases homeowners will do some minor renovations or fix-up jobs to prepare their properties for sale, as well as stage it and make it as presentable as possible for open homes.

All of these things tend to help a property achieve a great sale result, however there's no denying that preparing a property can take a bit of time and energy, and some sellers may decide it's easier to go down the path of selling their property off-market.

The benefits of selling off-market

There are a number of reasons why a property owner may choose to sell off-market.

Sometimes they just don't want the fuss of having to prepare their property for sale, or maybe they want a bit of privacy around their transaction.

In other cases a homeowner may be approached directly by a potential buyer who offers them a price they think is too good to be true.

If both parties are happy with the price offered then that's great, however if one buyer has come knocking on your door, imagine all of the other potential buyers out there who might have offered more if only they had known the property was up for purchase.

Reasons to reconsider

The big problem with selling a property off-market is that it isn't going to reach as many buyers as it could.

Put simply, the more buyers that are aware of your home the more likely you are to achieve the best price possible for it.

Preparing a home for sale and investing in a marketing campaign can seem like a lot of effort, but it will get more eyes on your property, which equals more potential buyers vying to call it their own.

Everyone's circumstances are different though so if you need advice it's always a good idea to have a chat to a local real estate agent in the know.

How to make sure you don't miss out as a buyer

As a buyer it can be very frustrating when you see properties you're interested in come up as sold when you never had the chance to make your own offer.

To help ensure you don't miss out on future off-market sales the best thing you can do is contact the agents that sell in your area and let them know the types of properties you're looking to purchase.

They can then contact you when a suitable property comes up for sale so you're less likely to miss out on the properties that go under the radar.

How will the property market perform over the festive season?

In a normal year the property market would likely slow down over December and January as people unwind and enjoy their festive celebrations, but 2020 is a year like no other.

If anything, it looks like buying and selling activity will ramp up in the months ahead as people look to take advantage of favourable economic conditions and snap up limited government incentives.

While property prices may have waned this year due to the pandemic, the property market has proved to be remarkably resilient and lockdowns and restrictions seem to have only resulted in a pent up demand for homes.

As restrictions have eased we have seen property prices gradually improve, with CoreLogic data reporting a 0.4 per cent rise in home prices for October 2020, following five months of consistent declines.

All capital cities recorded an increase for the same month, with Melbourne being the only city where values were lower, no doubt due to its extended lockdown.

Conditions are already rapidly improving in Melbourne too though, and both property listings and clearance rates have been on the up since the ban on private home inspections lifted.



Overall, confidence in the Australian property market is incredibly high considering we are only just coming out of a recession.

In fact, according to Westpac's 'time to buy a dwelling' index, confidence in the property market is at its highest level since September 2019.

Why it's such a good time to buy

There are a number of reasons people are racing to get into the market. Chief among them is that money has never been cheaper, with the official cash rate sitting at the historic low of 0.10 per cent.

There's also a lot of government stimulus on the table, particularly for first-home buyers who have been snatching up places in the First Home Loan Deposit Scheme. This has given them the opportunity to get into the market with a deposit of as little as 5 per cent and no need to pay expensive lenders mortgage insurance.

The HomeBuilder scheme has provided another boost to the property market by providing a \$25,000 injection for those who build or undergo extensive renovations, however this is due to run out at the end of this year.

On top of this we are seeing Australia's borders opening up and people moving around the country more. There may be a new kind of 'normal' now, but a lot of people are looking ahead and getting on with the business of buying and selling homes while conditions are so good.

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