



July Newsletter

Want to find a bulletproof investment?

So it's official; we're not in recession!

Data out last month shows our economy expanded in the first three months of the year, meaning Australia – the 'Lucky Country' – has done what other advanced economies have failed to do... avoid a recession. A recession is technically defined as two consecutive quarters of negative GDP (gross domestic product). GDP data is a measure of goods and services being bought and sold, providing an indication of how much consumers are purchasing and how much companies are producing.

The fact that our economy didn't shrink in the March quarter is good news. And while we're not out of the woods yet, we're faring better than even many prominent economists and politicians expected.

There's more good news to be found in the property sector.

With signs of recovery in housing finance, auction clearance rates and building approvals, people are waking up to the fact that property is turning a corner.

An article in the Australian Financial Review recently quoted Macquarie Research as saying "Housing has always been the sector that led Australia out of past recessions, with the trigger being large falls in mortgage rates. This time, it appears no different."

Meanwhile, Housing Industry Association managing director Ron Silberberg believes "Evidence of an emerging recovery in the housing industry points to the strong likelihood of a rise in dwelling investment in 2009/10 rather than a flat year as contained in official forecasts..."

According to CommSec economist Savanth Sebastian, "We are only at the early stages of the housing upturn, ensuring that retailers can look to continued brighter times ahead."

Yes, sentiment towards property is improving. So too is the case for property investing.

One reason for this is the government's recent changes to superannuation rules where concessional contribution limits have been halved. This has created a problem for investors who are trying to minimise their tax, prompting them to look elsewhere for a more tax-effective investment.

Because it's deductible and can be geared, property is an obvious alternative. Plus, housing is one area the government is less likely to interfere with, given it relies on people like us to provide the bulk of Australia's rental accommodation.

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