



Age Marketing Award

Finalist & Winner – Copywriting – Best Display & Best Line Ad 2005/2006

to fix or not to fix - interest rates



Torsten Kasper
Managing Director

There's a whisper that everybody is fixing their interest rates and you'd be mad if you didn't... you're concerned that with a steady stream of interest rate hikes along with the threat of more to come you are a sitting duck... take a breath, you need to consider very carefully whether locking in an interest rate is good for you, or are you just being a sheep.

Before you start delving into the pros and cons of 'fixing', you should know one thing... highly paid actuaries spend a considerable part of their lives devoted to estimating, projecting and deciding on what fixed interest rate is likely to attract customers and RETURN THE MOST NET REVENUE BACK TO THE BANK.

Following 8 successive day's trading falls on the sharemarket, and inflation

warnings for two years from treasurer Wayne Swan, 25% of new home borrowers took out a fixed term loan in November, while over 19,000 existing customers moved to refinance to a fixed rate loan.

Ask a bank to provide you with detailed information of how fixed term versus variable loans have performed in the last past decades, you may be surprised how similar the results are.

A few points to consider;

Fixed term pros:

- If the variable rate goes up you're a winner
- You can budget knowing what your interest will be
- Easy to account for

Fixed terms cons:

- If the variable rate drops you're a loser
- You can't plan for this expense
- There are financial penalties for ending the loan early

melbourne and bayside's median highest jump

The recently released figures from the REIV show that Melbourne's December quarter median house prices increased by the largest amount recorded.

REIV CEO Enzo Raimondo said that the increase in the median price by 12.8 per cent to \$485,000 was remarkable, but not surprising as 2007 was a strong year for the Melbourne property market.

Torsten Kasper, CEO, Chisholm & Gamon says, "As the share market fluctuates, the property market has shown consistent growth with blue chip areas like Elwood, Brighton and Albert Park performing ever better with median increases for the year of 36.2%, 26.2% and 30.6% respectively. Port Melbourne rose by 17.6%".

Melbourne units and apartments increased by 5.4 per cent in the quarter from \$370,000 to \$390,000. Figures REIV

median prices – houses

Only figures submitted by agents are considered, therefore some sales figures are not utilised.

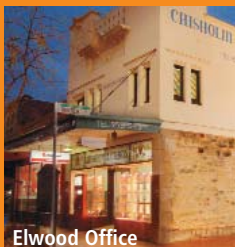
Less than 15 sales were recorded in these areas.

* Less than 50 sales were recorded in these areas.

	Dec 2007 Median	Dec 2006 Median
Albert Park	\$1,100,000	\$842,500
Brighton	\$1,710,000	\$1,355,000
Brighton East	\$1,061,500	\$832,500
Caulfield North	\$1,330,000	\$905,500
Caulfield South	\$871,750	\$675,000
Elwood	\$1,175,000	\$862,500
Hampton	\$1,166,000	\$980,000
Hampton East*	\$672,750	\$535,000
Middle Park*	\$1,519,500	\$1,117,500
Port Melbourne	\$770,000	\$655,000
Sandringham	\$944,500	\$860,000
South Melbourne	\$957,000	\$732,500
St Kilda East	\$860,000	\$578,000
St Kilda*	\$795,000	\$663,500



Winning on fixed term loans may just boil down to luck.



Elwood Office

Chisholm & Gamon Property Pty Ltd

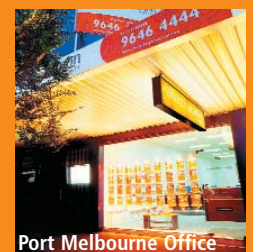
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Port Melbourne Office

expectations in 2008

Has the property market peaked, are we looking at a softening in 2008, can the market sustain such huge rises? From the general take from the informed, the answers are yes, yes and no.

Inflation has risen 3.6% last year thanks in part to petrol prices (up 14%), bank charges and housing costs. Australia's 3 million home buyers have been saddled with numerous interest rate rises and still we have a December quarter median price for Melbourne houses that rocketed up by 12.8% to a staggering \$485,000.

Property and share prices can be influenced by the 'confidence' of investors and the local property market has been as cocky as a circus ringmaster, but gravity has to play its hand at some point.

Some economists believe that more nomadic investors will park their dollars in property for the next few years until the share market becomes more stable or indeed predictable. This might raise the potential that the property market could in fact grow a little more, while others believe that the property market is too big for its boots and will cool down in the coming 18 months regardless.

The best estimates we can make is that few, if any, economists or experienced commentators are predicting a large market drop in the next 12 months with a similar consensus for growth in the market.

Remember, blue chip or well located, quality properties do well in any market and the market is as high as it has been in the last 10 years.



Property market steady now, but what does the future hold?

property investors enjoying the good times



The residential vacancy rate for Melbourne in 2007 has been a boon for landlords bringing in an average vacancy rate from 1.2% to 1.6% for the year.

Not good news for renters with increased pressure on rents. However, the increased rental prices and home shortages have put pressure on the Government to address the chronic shortage of affordable accommodation. December 2005 was the last time Melbourne vacancy rates rose above 2%.

Enzo Raimondo, CEO the REIV said, "Melbourne's limited vacant rental accommodation is bad news for renters as it will maintain upwards pressure on rents".

"The first quarter of the year is fairly active ... corporate relocations and demand for student accommodation, higher than normal competition and a further reduction in the vacancy rate".

"Investment in new dwellings in Melbourne has not kept up with demand and unless we build more accommodation where people want to live this shortage will persist," Mr Raimondo concluded.