

# SOUTHSHORE *News*

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## Perth continues to buzz with activity

By Michael Coombes



**The property market is still hot, hot, hot! If the end of this boom is on its way, I certainly haven't seen any indication of that to date.**

Recently, when some clients listed their home for sale in Victoria Park, 30 couples turned up at the home open! After 45 minutes, they had received 3 offers and the property went to the highest bidder for \$25,000 over the asking price!

Business and commercial loans are keeping us busy as well. With many of our clients being resource-based companies, we've been hit with quite a rush. Any company with a direct or indirect link to the resource industry has been flat out trying to keep up.

As a result of these times of good fortune, many of these companies are borrowing for expansion, new equipment purchase or to purchase their own premises.

With the economy moving along the way it has been, businesses are seeing the advantage of securing their own premises.

Many have come to us for a cost comparison and in a lot of cases we found people were able to comfortably purchase property with the costs similar to the rent they are accustomed to paying.

In addition, not that it's their main goal necessarily, they'll also benefit from the capital growth.

To use Southshore Finance as an example, we've actually cut our accommodation costs since having moved out of our leased premises in South Perth and purchasing these premises in West Perth, even having factored in the costs of the fit out.

## Outdoor Furniture Specialists moving full speed into their investment goals

**It must have been a breath of fresh air when Sam and David Williams went from being told by a bank to take a slower approach with their business plans, to being told they could have all the funds they wanted and more.**

The father-and-son team knew they wanted to have their own business - something they'd never done before - and they were just looking for the right opportunity.

The Outdoor Furniture Specialists franchise located at 211 Stirling Hwy in Claremont offered what looked like the perfect opportunity.

"We really liked that the shop was already run under management and that it was a franchise offering good support to its franchisees," said Sam.

Since we've never owned this type of business before, it's great to know that there's support there if we need it," he said, "and it also helps that we really like the products we're selling."

"Outdoor living has become so important to Australians, with many home designs now incorporating what's being deemed 'the fifth room', the alfresco or outdoor entertaining area," said David. "Most residential home designs now include this vital element."

Their initial concept was to take on the

business in tandem with a property development project that they'd been working on.

Their bank application was rejected on the basis that they'd be limited in their financial ability to manage the ventures.

"However, when we spoke to Mike (Michael Coombes) at Southshore," said David. "we actually found we could



*Father-and-son team, Sam and David are enjoying their new business that deals in quality outdoor settings and accessories.*

proceed with both projects and more."

"Mike was fantastic to deal with," said Sam. "He's very thorough and we feel very comfortable working with him. Overall the finance process ended up being simplified, straight-forward and easy to understand."

The pair now have a plan later this year to open WA's sixth franchise of The Outdoor Furniture Specialists in the thriving City of Mandurah - Australia's fastest growing suburb.

# What you really must consider before making that offer to purchase

By Michael Coombes

**Look at the rising real estate market. Look at your own situation. Look carefully. Are you about to make a move that may not be in your best financial interest?**

People are tending to think they absolutely **MUST** get into the real estate market **NOW** at any cost.

Don't get caught up in the hype just because it seems like everyone else is buying. Make sure it's going to work for you.

What am I talking about?

Recently, a client was considering purchasing two East Perth properties to hold for three years. We determined that over three years the shortfall between rental income and loan interest costs for this venture would cost him \$250,000 (before tax). We were able to help this client weigh up his options before deciding.

It seems the fundamentals of investment are going out the window, with people throwing their money and credit at just about anything.

With any residential real estate investment, you really must do your homework. Are you able to service the debt to which you're committing yourself?



Before you make that decision to buy, Consider how it'll affect you.

Also, are there other places you could be investing for a greater and/or more secure return?

**Please feel welcome to contact us for assistance in evaluating such opportunities when they arise.**

Should you require further information on any topic relating to business or commercial property finance, residential property finance or equipment financing we'll be more than pleased to assist.

The information contained within this newsletter is of an advisory nature only and due to constant changes we advise you to contact us before making any formal financing decisions.

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## Are your children struggling to get into the real estate market?

Two-to-three years ago it was rare. It's now happening quite frequently. We believe, in five years' time it will be the norm. More and more parents are assisting their children with purchasing their first home.

In the past there seemed to be only two options for parents to help.

One was by providing an unconditional 'gift' deposit, and the other was to guarantee the entire loan amount, putting their credit on the line if it didn't get repaid.

If you've been considering assisting your children with a home deposit, but aren't able to provide the sum in cash, that's okay.

A new option allows parents and other relatives to assist, with less risk. You may be able to help by providing a part of your home equity as a guarantee for the loan.

Using this strategy, the children are then able to borrow 100% of the purchase price, as well as Stamp Duty and other costs, and parents are able to specify the amount they want to guarantee. This way, you restrict your own liability to a sum you can afford.

Another good feature of going this route is that it allows the parents to help increase the children's equity, eliminating the need to pay lender's mortgage insurance.

If you're interested in helping your children get started, call us to discuss your situation.



## Thank goodness our phones are fixed!

Though we're loving our new location, one thing has had us frazzled for the last few months. An issue with the telephone wiring meant that we could only have ONE phone line.

This meant that the usual 120-plus calls we receive in a day all had to make it through one single line.

It's been incredibly frustrating, but it's all fixed now, and we just want to thank all of you for your patience during this time.