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Infrastructure investment augurs well for our long-term prosperity

By Michael Coombes



Recently, I was arranging a finance deal for one of our clients who had just won a major construction tender for a project in the North West.

During the research process for the finance application I became aware of just how much was being spent on major infrastructure projects in the North West.

As the price of commodities continues to increase, not only are new mines being commissioned but old mines once deemed unprofitable are being re-opened too.

New investment by the mining companies in port and rail facilities is making it possible to get the product to market at a reasonable cost.

A great example of this new investment in infrastructure is at Finucane Island, where BHP Billiton is building new wharves to increase their export capacity.

As a result of the steadily increasing demand for resources, long range forecasts are being regularly revised and, in most cases, brought forward.

In fact, BHP Billiton now expects to achieve their 2030 production targets by 2015.

When you stop and think about how much money is being invested for the long term in our resources boom, you come to realise that the good times are going to be here for quite a while.

A major difference between the current and previous booms in the North West is that this one has an expected lifespan of 10 years plus. Also, the amount of infrastructure investment means that both government and business are planning for the long term, not just a short-term boom. This bodes well for those who choose to invest in the many exciting projects happening in the North West.



Can our economic miracle continue?

Western Australia has enjoyed an amazing period of prosperity over the past few years. But many people are now wondering, "For how much longer?"

Traditional theory tells us that booms are followed by busts - as part of the economic cycle. Or is it?

Australia, and in particular Western Australia, is currently in a unique economic position.

Our last recession was in 1991, and since then we've enjoyed the longest period of economic growth since World War II. So the real question we need to ask is, "What could go wrong?"

The critical factors

Five factors will determine the length of the current economic boom. The first is the demand for mining commodities, which are currently at record levels.

Future demand can only increase as expanding economies like China and India are absorbing our output as fast as we can dig it out of the ground.

The next factor is household debt, currently; our debt to income ratio is 160%.

As long as the economy remains buoyant, households will be able to support this level of debt.

The third factor is the demand for housing where, in places like Perth, demand is exceeding supply.

This will keep the price of housing on the increase as the commodity boom continues to attract workers.

Another critical factor is the drought. Even though much of Australia's farming community is drought declared, the cycle of drought must eventually end.

And as farmers prosper again, so the regional economy will be boosted and, in turn, the national economy.

The last factor is the labour market. The 30-year low unemployment is actually constraining many businesses because they can't find enough workers.

In a nutshell, the future is very positive. All of these critical factors are self-supporting, so that growth in each factor has a multiplier effect in boosting the others.

Investors: Have you considered the benefits of commercial property investment?

When people think about investing in property, most think residential. As a consequence, many investors overlook the benefits that industrial, commercial and retail property can deliver.

There are benefits in investing in factories, warehouses, offices and shops not available with residential property.

Commercial property will often deliver better returns than residential but you need a good finance package to help with a hassle free investment.

One of the key differences is the type of tenants.

Good advice is the key

There will always be good and bad tenants and while bad tenants can be

managed with the help of a professional property manager, they tend to be rarer when it comes to commercial property.

This is simply because the tenant has a vested interest in keeping the premises well presented because it has a bearing on their business.

As a result, tenants will often fix small problems and undertake improvements at their own expense.

Commercial tenants also usually pay for outgoings such as property taxes, council rates, and insurance.

The leases for commercial tenants are more complex than residential because contractual obligations are more defined. It is for this reason that we strongly suggest that an investor uses the services of a good

commercial lawyer to prepare/review lease contracts.

Southshore Finance is not involved in the selling or leasing of commercial property but we deal regularly with reputable agents and lawyers and are more than happy to recommend the appropriate person to our clients.

Southshore Finance has a successful commercial property finance division and regularly arranges funding on commercial property acquisition and construction as well as land subdivisions.

If you are considering investing in commercial property, speak to us about your funding requirements.

Changing your loan repayments is easy

The vast majority of lending institutions calculate interest on a "daily reducible basis" and debit the interest on a monthly cycle.

This means that the more frequently you make payments, i.e. fortnightly instead of monthly, the less interest you pay.

There are weekly, fortnightly and monthly repayments options, so choose the one that best suits your needs.

To make any of these changes, simply talk to your Southshore Finance consultant on 9474 1999.



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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Our newest team member is here to help



*Our new Administration Assistant
Libby Schotte*

Libby Schotte has recently joined Southshore Finance as an Administration Assistant.

Unfortunately, she doesn't get much time to keep her seat warm.

That's because she's constantly running around the office preparing documents, handling settlements and looking after client queries.

Libby brings over 18 years of banking experience to her new role at Southshore (she must have started working when she was just 11) and she's looking forward to working with all our clients.

Welcome aboard Libby!