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*Welcome ...*

In this edition of "Southshore News" we have two major announcements, the opening of a new Southshore Finance office in Bunbury, and a new team member, Mike Doyle, in our Perth office.



**Michael Coombes** Southshore. We're seeing the reality behind the Reserve Bank's advice that increases in interest rates were motivated by economic strength, not a housing bubble.

The long-term association Darryl Brown enjoys with clients in the South-West persuaded Darryl to make a lifestyle decision and move the family. Since he arrived he has been busier than ever - so much for lifestyle!

Many clients will know new recruit Mike Doyle from his days as a manager with the National Australia Bank. With a wealth of experience in dealing with



**Mike Doyle**

the financial needs of all levels of business, Mike will be a boon for our clients.

It has been a long and happy year for us at Southshore Finance, and we take this opportunity to wish all our clients, their families and friends, a very Merry Christmas and a happy and safe New Year. From what we can see, it will be a big year.



**Darryl Brown**

## Business strength shown by interest rate rises

**Interest rates seem set to dominate finance commentary in Australia into the foreseeable future, with competing economic interests vying for prominence.**

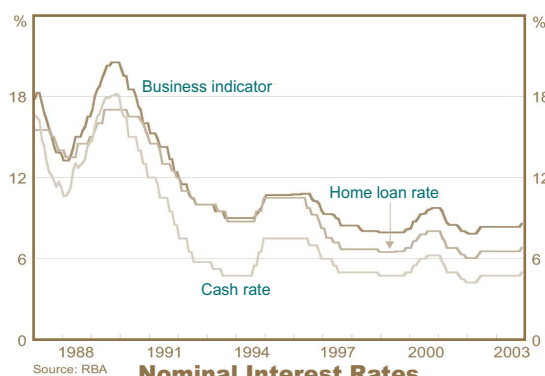
The Reserve Bank Governor, Ian Macfarlane, has now told Australia that recent interest rate rises were motivated by the strong economic indicators both domestically and in the world economy, not by a supposed housing "bubble".

Macfarlane, appearing before a House of Representatives economics committee in Brisbane, said the RBA was aware of an overheated housing market for 18 months and had not raised rates in response.

### Global economic recovery

The two dominant issues in the interest rate debate were the amount of debt racked up by Australian consumers and the Australian dollar appreciating due to high interest rates relative to our OECD partners.

There is an irony in the fact that our interest rates are regarded as being too low for the good of the domestic economy and



too high for the international economy at the same time.

The Reserve Bank, however, sees the increasing strength of the Aussie Dollar as a sign of global economic recovery, with the implication being that it does not believe that a stronger dollar will significantly hurt exports or Australian business generally.

Interest rates of 0.50% or even 1.0% should not effect viable businesses, as opposed to struggling homebuyers or highly geared property investors. We suggest you monitor your exposure to interest rates and be ready to make changes.

## Low Doc loans - smarter & easier

**Low Doc loans - loans that do not require the borrower to provide a full set of financial statements to prove income - have opened up new opportunities for the self employed and investors who might be asset rich but short on cash.**

This is especially useful for borrowers who do not have a long financial history in their business. Initially only available for investment purposes, they are now available for home loans, investment home loans and home construction on vacant land.

In the last few years there has been a

steady growth in lenders offering a widening range of products for this market niche so that competition between lenders is making the Low Doc loan increasingly attractive to those who fall into this group.

As the name suggest a Low Doc loan requires less documentation to verify a borrower's ability to service the loan than was required in the past, thus giving those people who do not fit a lender's normal lending criteria a new option.

The people in this category are usually self-employed or asset-rich, but it can also apply to others not fitting within a conventional borrowing formula.

# Australia set for investment boom

**A Nielsen poll has documented the intentions of more than a million Australians to buy investment property in the next year, in the face of talk about a "bubble".**

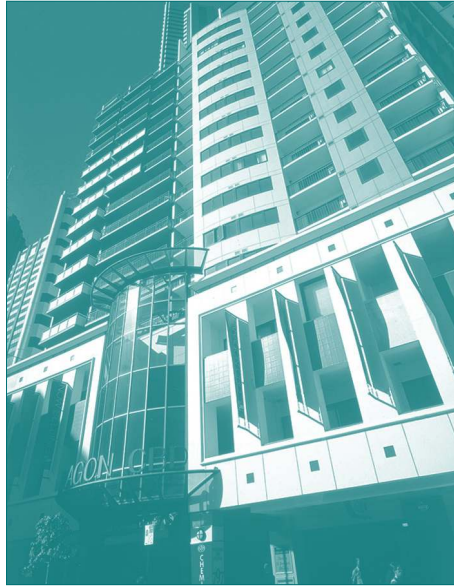
For small business operators, the purchase of a commercial property as an investment might present a real opportunity to take advantage of credit that is still relatively cheap while converting the cost of rent into a capital investment.

Buying commercial property can be a sound investment, so why not purchase your own business property? The benefits of buying a home for your business are the same as buying a home for your family, and where do you spend more time?

## Why not buy?

The pressures on a small business operator can be immense, and many people who run a small business think leasing a property will involve less stress than buying it outright, but buying the property is distinct from the operation of your business.

In many ways, buying a commercial investment property is a way of diversifying your activity, which is always a good idea. If you keep the idea of paying



**Investment in both commercial and residential property is set to boom.**

for your investment distinct from paying rent on a leased property, you will see the point. You can pay yourself rent.

Purchasing your business premises can give you an income long after you have sold the business or retired. You can be a landlord, receive a steady rental income and have the tenant pay all the outgoings! Yes, finally a chance to even the score!

## Flowerpack - in the business of romance



**Peter and Sue Wilson were once newsagents, and when Peter was recruited to advise other prospective newsagents, they ended up as clients of Southshore.**

We met the Wilsons when Mike Coombes spoke at a seminar for the aspiring newsagents about finance and Peter noticed Mike often mentioned interest rates on loans much lower than Peter's bank was charging, in fact, more than 2% lower.

"That was it for me," Peter says "I went to Mike and got him to refinance my business and he ended up saving me 2.4%. We've never looked back and since then we have been happy to have Southshore's advice in getting finance for our new business."

## Find your niche

Peter and Sue's new business is "Flowerpack" in East Perth, which provides all the packaging paraphernalia used by florists. "Mike has just set us up with a mix of fixed and variable interest rate finance, it really pays to get expert advice," Peter said.

Flowerpack is an example of finding a niche in an industry that you can fill. For Peter and Sue purchasing Flowerpack has allowed them to combine their business skills with their creative talents and move into the world of romance their florist clients inhabit.

"We looked for a year," Sue says. "We wanted a fresh start, and being in wholesale means we work 5 days a week, not 7. It's a lovely industry, our clients are wonderful and creative, we couldn't be happier." For more go to [www.flowerpack.com.au](http://www.flowerpack.com.au)

## US tourists want to hunt wild haggis

**One-third of all American visitors to Scotland believe haggis is a real animal, according to a survey.**

Almost one in four Americans surveyed said they had come to Scotland under the belief they could hunt and catch Scotland's most famous dish.

US tour operators are even promoting haggis hunting tours, which have proved a big hit with Americans eager for the "authentic" Scottish experience. About 1,000 Americans took part in the survey by Scottish haggis maker

Hall's and a US travel website.

Hall's asked Americans considering a trip to Scotland why they wanted to come and what they expected to see. One American tourist believed haggis was a wild beast of the Highlands which only came out at night.

Hall's annually sells more than 3.7 million haggis worldwide for the feast in honour of St Andrew, Scotland's patron saint. The recipe for haggis? A sheep's stomach stuffed with the sheep's liver, heart and lungs, oatmeal, suet, stock, onions and spices. Yum!



*Further information available*

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.