

So what's in store for the Australian property markets in 2012?

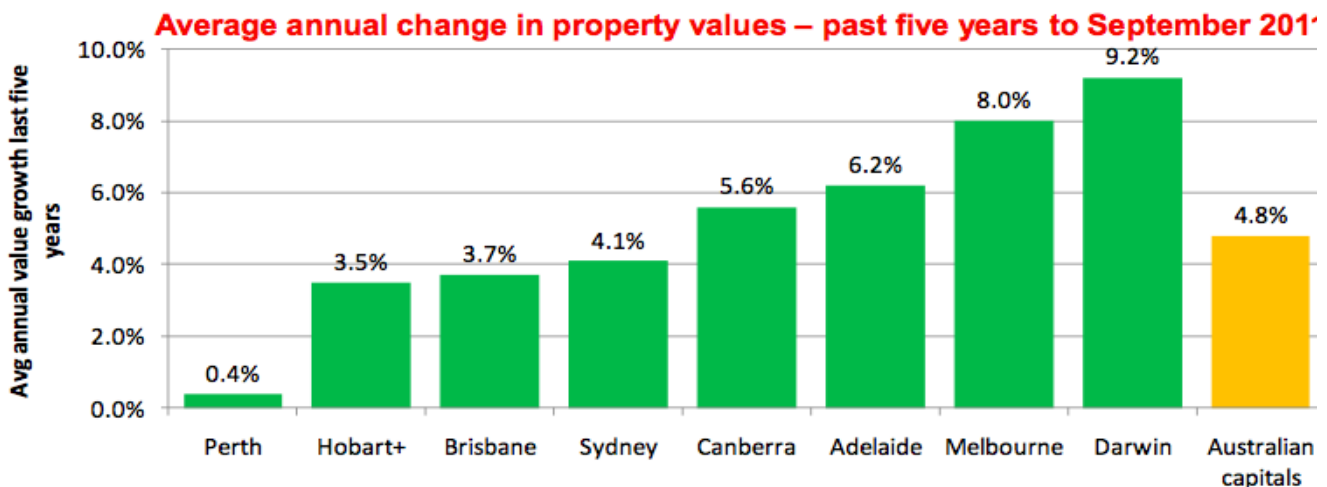
With so much commentary of Australian property markets, generally from so called experts who breeze into the country making outlandish claims, many investors have been reticent to make an investment decision in the current climate. In Australia there are 3 main investment asset classes that are attractive to investors; they are listed shares, property and cash or fixed interest,

Until the recent interest rate announcements from the Reserve Bank, many investors have been placing their funds into fixed interest term deposits with the banks and earning around 6.0% or more, despite the fact that they have to pay tax on the interest and there is no capital gain on their investment. No doubt the banks will be reducing their term deposit rates over the coming months, so many investors will have to reconsider their investment strategy to maximize the return on their investment.

At Guardian, we have an affinity with property, having been managing this asset class since 2004 on behalf of our investors and the directors also have decades of experience in funding many major residential and commercial projects. A property expert was asked the question "when is a good time to buy property?" His response was "wrong question" ask "where is a good time to buy property?" As seen from the graph below, those buyers who acquired property in Darwin in 2006 have enjoyed an annual capital gain of 9.2% vs. Perth at 0.4% annual capital gain.

Darwin has been the standout performer over the past five years

- Capital city property values have increased at an average annual rate of 4.8% over the five years to October 2011.
- Over the past 10 years capital city property values have increased at an average annual rate of 6.4%, indicating more subdued growth conditions over the second half of the last decade.



* Note Hobart figures are based on September 2011 data
Source: rpdata.com - Remark

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A **CoreLogic** Business

In conjunction with the Investors Club, Guardian has established a new residential fund called "TIC Diversified Australian Residential Property (DARP) Fund". The Fund has been designed to allow investments from as little as \$5,000 to participate in a Fund that will acquire only residential property across all States and Territories of Australia.

Many investors, including self-employed business people and Self-Managed Super Funds have been attempting to acquire residential property for their investment portfolio but have found that obtaining finance very difficult from our major banks. This Fund allows those investors, indeed all types of investors, to invest in the Fund which will have exposure to residential property without the hassles of ownership, selection of property, finding tenants, obtaining finance and the required due diligence to select the best property.

Using the resources of RP Data, the Investors Club and others, we are able to identify the next hot spots in the Australian property market and acquire assets for the Fund which meets strict investment criteria. The Fund has been operational since early 2011 and 3 properties have already been acquired on a "buy & Hold" strategy. Investors will be able to gauge the performance of the Fund via monthly unit pricing and the investment term is generally 5-7 years.

Investors are able to redeem their investment at the current unit price and it's managed by Guardian under its AFSL licence. For more information on the Fund visit www.ticdarp.com.au or www.guardiansecurities.com.au to download fact sheets and the Product Disclosure Statement.

So what does that mean? Based on data and research, we are of a view that Sydney & Perth will be the most likely candidates to maintain or grow capital growth over the next 2/3 years. Brisbane should also enjoy some gains but the Fund has 2 properties at Coorparoo which were purchased at a 17% discount to valuation.

Guardian also has a contributory mortgage scheme which invites investor contributions from time to time. These loans are on a first mortgage basis to well known & respected developers generally on a loan to value ratio of 65% or less and pay interest to investors at **10.0%** pa payable monthly. Investors have a beneficial interest in the mortgage they choose to invest in and may select from a range of investment opportunities including residential subdivision, unit construction and small retail complexes. These offers will be made available on our website as they become available.

The managed funds industry and financial planners are undergoing massive change at present with planners required to operate on a fee for service basis rather than being commission based. Our industry is seeing more regulation with the Australian Securities & Investments Commission imposing higher levels of capital adequacy for Responsible Entities and more transparency in dealing with retail investors.

No doubt 2012 will come with its own challenges and provided both promoters of financial products and their investors are diligent in their investment decisions, then we should enjoy a reasonable return for our efforts.

Welcome to *Guardian Outlook* - our regular newsletter providing you with topical information on matters relevant to the managed investment industry and to inform you of mortgage and property investment opportunities. Guardian Securities encourages you to call us to discuss the investment opportunities listed in this newsletter or contained on our web site at www.guardiansecurities.com.au **Guy Hasenkam – Managing Director Guardian Securities Limited**

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