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Jet Lending News - March 2009

Interest Rate Markets - End game for the RBA?

The market is still looking for the RBA to cut rates further but after 400bps of cuts over the past 5 months, we can safely conclude that the most aggressive part of the easing cycle is now behind us. We are less likely to see another 100bps cut in this cycle at least. It is difficult to read too much into the RBA's statements, coming after the Government unveiled its huge stimulus package that will lead to a significant increase in Commonwealth debt issuance to cover the move into deficit.

As expected the RBA's recent decision to cut rates by 100bps highlighted the unexpected deterioration in the global economy, but appeared to tone down guidance on policy from here. The market has moved to pare back expectations for rate cuts from here with the base for the cash rate now seen around 2.2% for this cycle having flirted with the idea of sub-2.0% previously. And the market is now looking at a 50-75bps move at the next meeting.

We still expect some further easing from the RBA but we are less sure how they will want to play it from here. Is it a case of getting to the end point quickly (the recent strategy) or do they wish to leave some scope for more rate cuts down the track? If the RBA forecasts for the economy look anything like those of the Government (growth of 0.75% and inflation around 2.5% for 2009/10) then a cash rate of around 3.25% looks about right. They may pause and assess the impact of the unprecedented fiscal and monetary stimulus put into the system.

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Adelaide Residential Market Shows Resilience

South Australia's residential property market has experienced a decrease in growth for the December quarter, following the national trend. Despite this, the SA residential market has seen an increase in median house prices for the year. This provides evidence that although property sectors have seen a decrease in market activity for the year, SA property prices remain resilient throughout the difficult economic times.

SA building approval activity experienced a 1.4% decrease to 3,235 for the month of December, with an increase in housing finance commitments of 4.7% from October. Nationally, building approvals have decreased by 12.8%, with an increase of 1.3% in housing finance commitments for the period.

The family income required to meet average home loan repayments in SA is less than the Eastern States and is still the second most affordable state after Tasmania.

SA is still considered as one of the most affordable states in the country.

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Rates Repayment Chart Guide

Amount	\$250,000	\$300,000	\$350,000	\$400,000	\$450,000	\$500,000
6.00%	\$1,498.88	\$1,798.65	\$2,098.43	\$2,398.20	\$2,697.98	\$2,997.75
6.25%	\$1,539.29	\$1,847.15	\$2,155.01	\$2,462.87	\$2,770.73	\$3,078.59
6.50%	\$1,580.17	\$1,896.17	\$2,212.24	\$2,528.27	\$2,844.31	\$3,160.34
6.75%	\$1,621.50	\$1,945.79	\$2,270.09	\$2,594.39	\$2,918.69	\$3,242.99
7.00%	\$1,663.25	\$1,995.90	\$2,328.55	\$2,661.20	\$2,993.85	\$3,326.50
7.25%	\$1,705.44	\$2,046.52	\$2,387.61	\$2,728.70	\$3,069.78	\$3,410.87
7.50%	\$1,748.04	\$2,097.64	\$2,447.25	\$2,796.86	\$3,146.46	\$3,496.07
7.75%	\$1,791.03	\$2,149.23	\$2,507.44	\$2,865.65	\$3,223.85	\$3,582.06
8.00%	\$1,834.41	\$2,201.29	\$2,568.18	\$2,935.06	\$3,301.94	\$3,668.82
8.25%	\$1,878.17	\$2,253.80	\$2,629.43	\$3,005.07	\$3,380.70	\$3,756.34
8.50%	\$1,922.28	\$2,306.74	\$2,691.20	\$3,075.65	\$3,460.11	\$3,844.56
8.75%	\$1,966.75	\$2,360.10	\$2,753.45	\$3,146.80	\$3,540.15	\$3,933.50
9.00%	\$2,011.55	\$2,413.86	\$2,816.17	\$3,218.48	\$3,620.80	\$4,023.11

Monthly Principal & Interest Repayments over a 30 year term

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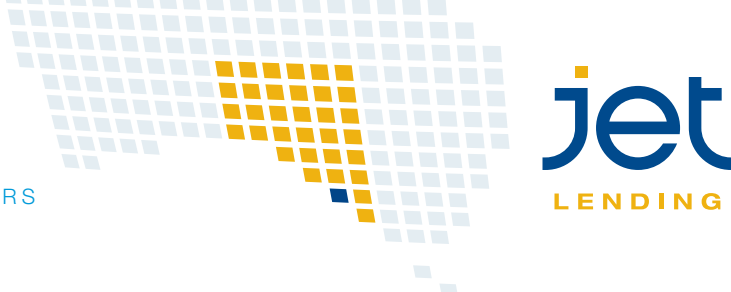
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SA market update

WITH JET LENDING'S EXPERT MORTGAGE BROKERS



South Australian Report

provided by data from REIA, REISA, ABS, UPMARKET, APM, BIS SHRAPNEL, PROPELL NATIONAL RESEARCH



Adelaide Residential Market

In the fourth quarter of 2008, metropolitan house prices experienced a slight decrease of 0.7% to \$360,000. Despite this, metropolitan Adelaide has still experienced 1.4% growth in house prices from \$354,000 in December 2007. The state-wide median house price increased 4% over the last 12 months from \$320,000 to \$332,800, with median price for units and apartments also increasing by 3.6% to \$285,000.

From the March quarter, the median metropolitan house price remained the same at \$365,000 and experienced no growth at all. This represents an increase of 15.87% from this time last year. For the quarter there were approximately 5,279 state wide house sale transactions over the quarter compared to 7,860 12 months ago.

Graph on the right shows the Top 10 Growth Suburbs for the 4th quarter 2007 /2008.

Top 10 SA Growth Suburbs

Suburb	Sales 4Q-07	Median 4Q-2007	Sales 4Q-08	Median 4Q-2008	Change %
Brighton	16	\$540,000	10	\$747,500	38.43%
West Lakes	14	\$512,500	13	\$610,000	36.59%
Gulfview Heights	18	\$329,000	15	\$426,000	29.48%
Somerton Park	28	\$525,000	20	\$665,000	26.67%
Grange	14	\$458,000	15	\$575,000	25.41%
Tea Tree Gully	14	\$295,000	10	\$368,500	24.92%
Pennington	12	\$300,000	14	\$360,000	20.00%
Royal Park	16	\$287,500	11	\$340,000	18.26%
Port Willunga	20	\$270,000	12	\$327,500	16.13%
Salisbury East	50	\$465,000	29	\$287,750	16.03%



South Australian Residential Rental Market

The December quarter metropolitan vacancy rates remained particularly tight and decreased to 1.16%, which is still substantially below the long-term historical average of 4.0%.

The average weekly rent for units in South Australia is \$235 per week, a quarterly increase of 2% from the September quarter. The average weekly rent for units in metropolitan Adelaide has experienced a 11.9% increase during the 12 month period from December 2007. Average weekly rents for houses in the metropolitan area have experienced a 3.45% decrease from the September quarter 2008, at \$285 it represents a 7.7% increase from December 2007. Evidence suggests that tenant demand for rental properties in Adelaide had increased in recent months, with rental growth expected to increase further in early-mid 2009.

The table on the right highlights vacancy rates for metropolitan Adelaide regions for the December quarter 2008.

SA Metropolitan Vacancy Rates December 2008 Quarter

City / North Adelaide	2.20%
North	0.84%
East	1.28%
South	0.76%
West	1.69%
Hills	2.70%
Total Metropolitan Area	1.16%



South Australian economy - International Students

South Australia's influx of international students should be an area of great interest to those interested in the residential property market in South Australia. The possibilities for investments within the property market, especially in the unit and apartment sectors, will increase market activity as the international education industry expands.

South Australia is slowly building a reputation as the education capital for international students seeking education within Australia, the State government and the Adelaide City Council continue to market South Australia as 'Australia's premier study destination', with the cost of living attributing significantly to what makes Adelaide an attractive place to study and live for overseas students. Additionally, students applying for migration visa's receive an additional five bonus migration points when they choose Adelaide as their study destination.

Internationally, Adelaide is considered as an inexpensive place to live both when considering living expenses and the cost associated with accommodation. The median price for a 70m² student apartment within Adelaide is \$256,000, with rents averaging around \$130 for a fully furnished single bedroom with internet access. Although this can be closely compared to student accommodation in other capital cities, the distance from universities cannot, with the majority of student accommodation within a 10 minute walking radius of universities

New international students commencing studies in South Australia for the year to November 2008 increased 29.2%, representing numbers 4.4% higher than the national average. This brings the number of international students studying within South Australia to a record high of 27,748. Recent estimations have put the value of the international education sector at \$700 million to the State economy, representing 39% of our States service exports.

Adelaide provides education to over 130 countries, the top 10 countries for international students include: China, India, Malaysia, South Korea, Hong Kong, vietnam, Japan, Singapore, Taiwan and Thailand.

At current growth rates South Australia's population will reach 2 million by 2029, which will lead to increased housing demand and business opportunities.

Disclaimer - Past performance is not a reliable indicator of future performance. Any forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. This information has been produced in good faith and is to be used solely as a general guide. No liability for negligence or otherwise is assumed by Jet Lending for any loss or damage suffered by any party resulting from their use of this information.