

Westpac housekeeping™



Welcome

In this edition, see which lucky winner scooped \$5,000 in our recent renovator's competition. Learn time-saving tips for renovating your own apartment. Our property market specialist, Frank Allen, weighs up the current economic climate and whether all the doom and gloom around the economy could offer up opportunities for investors.

1,100 EXTRA ATMS

To minimise your ATM fees, use Westpac ATMs or one of the additional 1,100 St. George/BankSA ATMs. Check your account to see your monthly fee-free allowance because some Westpac accounts offer you unlimited transactions at Westpac, St. George and BankSA branded ATMs.

CANNEX RATES THE BEST OF THE BEST



CANNEX gives independent ratings for financial products, comparing the best features, rates, fees and benefits across the board. We're proud to announce that CANNEX recently awarded Westpac with its inaugural First Home Buyer Award as Australia's best bank for first home buyers.

TAKE A REPAYMENT HOLIDAY

If you're ahead with your repayments and have built up extra funds in your loan, you could take a repayment break for a while. Skipping a full or partial repayment gives you breathing space and frees up extra cash in the short term. Keep in mind it may increase your total repayment amount in the long term. To arrange a repayment holiday, talk to a Westpac Home Loan Expert on 132 558.

Renovation
competition winner
Realising the potential of
a run-down apartment

WINNING RENOVATIONS: FROM OLD TO GOLD

Kirstine and Darryn McKay from Manly NSW are the lucky winners of the Westpac Housekeeping renovation competition. They won \$5,000 towards their Westpac mortgage for the renovation of their run-down 70-year-old apartment.



BEFORE



AFTER

"You name it, we changed it!"

When we saw the 'before' and 'after' winning photos from the McKays, we were amazed. The couple from Manly overhauled nearly every room, creating fresh modern spaces that have not only increased the apartment's value, but also transformed their home into a liveable haven.

To their friends, "it seemed like a crazy purchase and a lost cause". But beneath the wear and tear, the couple could see the apartment's potential. And their vision has paid off.

"It had a maze of rooms, mushroom pink walls, canary yellow ceilings and a very old kitchen and bathroom. We knocked out five walls, installed a completely new bathroom, a brand-new kitchen, uncovered and polished old floor boards, did extensive re-wiring and re-plumbing."

A fresh coat of paint and creative decorating added the finishing touches to their dream home. It was a big job, which took three-and-a-half months to complete.

"Now it's an open plan, bright, modern home that still maintains its old-world charm. Friends can't believe it's the same house. And we're looking forward to welcoming our first baby into our new home."

Congratulations to the McKays from the team at Westpac Housekeeping!

Thank you to everyone who entered – we received hundreds of great stories and pictures.

QUICK TIPS FOR APARTMENT RENOVATORS

If you're thinking about renovating an apartment, here are some handy pointers to consider before getting started.

■ Get permission from the body corporate

If you're buying and planning to renovate, ask for permission *before* you buy. It may be that the body corporate doesn't want any renovations done on the building.

■ Understand the conditions

There are set terms for renovators which vary from building to building, so check with your own body corporate. For example, you may require a certificate from a sound engineer if you are laying hardwood floors or tiles due to insulation restrictions. Or you may be limited on the work you can undertake on common property, such as walls or floors. Keep in mind that any outdoor areas, such as a balcony or a door, usually need to remain consistent with the look of other units.

■ Get quotes from licensed tradespeople

Shop around for the best deal and get a written itemised quote before the work starts. Make sure you know in advance how long the work will take so you can plan around it. Also make your neighbours aware of renovation

times, so they know what to expect. Choose tradespeople who've worked in apartments before, because they are used to working in a limited space.

■ Budget for the unexpected

Materials can get delayed, so be prepared if your renovations take longer than planned. Occasionally, the real scope of work can be underestimated, which may blow out your original budget.

■ Prepare for the mess

When your tradespeople start work, ensure all your possessions and floors are covered with drop sheets and your valuables are locked away. Remember to seal cupboard doors and drawers with tape to keep out sawdust.



Q&A with Frank Allen

Westpac's Director of Property Markets, Frank Allen, weighs up how the current economic climate will impact upon the property market.

Q How will the current economic environment affect housing prices?

A The Australian Bureau of Statistics (ABS) suggests that house prices Australia-wide fell by a record 1.8% in the September quarter. This reflects the trends in the residential market before the RBA embarked on the current rate-slashing spree. While the aggressive

cutting of rates is seen by some as a catalyst to potential price rises, we see it more as trying to place some support under how far prices may have fallen had interest rates remained high. You have to think why they are cutting rates: to stop the economy falling into a recession. In such an environment, strong increases in prices are highly unlikely, as confidence remains low and there is fear around job security. Our view is more one of house price stability than strong rises or declines. However, if there is a risk it remains on the downside for the short term.

Q What factors have influenced the RBA's decision to cut interest rates and will they continue to be factors to watch?

A The RBA have been aggressively cutting interest rates in recent months. They see the Australian economy slowing

far quicker than they had originally anticipated, when lifting rates in late 2007/early 2008. Earlier this year, they retained a focus on the future level of inflation returning to a target rate of between 2% and 3% (it currently stands at close to 5%). However, the slowdown in retail spending, employment growth, business and consumer sentiment surveys and the overall economy have become greater priorities. Combine these with some of the major global economies moving into a recession (which has a flow-through factor to Australia) and the need for stimulus replaced their concern around inflation, which in a slower economy tends to slow naturally. Westpac Economics consider that the RBA will continue to cut interest rates into 2009.



FRANK ALLEN
Westpac's Director, Property Markets

BUY, SELL OR SIT TIGHT?

With all the doom and gloom in the press over recent months, one could be forgiven for thinking we're already in the midst of recession and that the best move is to stay in bed until things pick up.

While there could be an argument for that, generally when things appear to be bleak, opportunities arise. Thinking differently from the herd can help us identify these opportunities.

Consider some of the facts about both the economy and the housing market

In terms of the economy, data being released is increasingly bad:

- slower retail sales (only 0.8% in the September 2008 quarter, compared with 2.5% in the same quarter last year);
- slowing economic growth (Q3 2008 GDP showed the economy growing at just 0.1%, down from 1.1% in the Q3 2007); and
- employment growth slowed to 34,300 in October 2008, with all the growth in part-time jobs as full-time jobs fell.

None of this is helping consumer or business confidence surveys which are at levels last seen in the early 1990s. This has all flowed through to the residential property market with the ABS suggesting house prices have fallen by 1.8% in the September quarter, the highest fall on record.

Looking for positives in this environment is difficult, but clutching at straws could

be the positive employment data, which keeps unemployment at 4.3% or near generational lows and the fall in the petrol price and lower mortgage rates, which had been reducing spending cash. However, as employment trends usually lag the overall economy, these could turn worse.

So what does this mean for investors?

Investing is about future gains and we need to be aware that neither Westpac Economics nor the November issue of the Consensus Economics outlook for 2008 and 2009 suggest that Australia is moving into a recession, or at least not a prolonged recession.

Westpac Economics forecast GDP growth of 2.4% in 2008 and 1.6% in 2009. Consensus Economics were forecasting 2.5% for 2008 and 1.7% for 2009.

Job growth in 2009 is expected at 0.6% by Westpac and 0.75% by the Government in their mid-year economic outlook. Unemployment is expected to rise as more people come into the workforce looking for jobs, rather than through net job losses.

The Reserve Bank of Australia is cutting the official interest rates at a pace faster than in the 1990s recession. This is expected to buoy the economy as mortgage rates come down. The Federal Government is expected to increase investment into the economy to help avoid recession. Admittedly, all of this takes time to flow through to the economy

and official data is notoriously slow, so we won't know the true picture until well into 2009, probably the second half of the year.

There are some who believe things are going to get worse, rather than better, prompting some selling of investments. Others believe that the RBA and Government are correct in their actions and the economy will be healthier this time next year than it is presently. Should the latter be the case, investors could look back on late 2008 and early 2009 as an opportunistic time to buy.

MEDIAN HOUSE PRICES September quarter 2008

Average median house price \$447,659

Median house prices up:

Darwin 0.6% to \$426,000

Median house prices down:

Sydney -2.2% to \$529,000

Melbourne -3.3% to \$435,000

Brisbane -2.4% to \$410,000

Adelaide -1.9% to \$363,000

Perth -2.2% to \$435,000

Hobart -1.3% to \$320,000

Canberra -7.0% to \$435,000

Source: Real Estate Institute of Australia

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