OPESon News

WELCOME TO OPESon 2010

Excitement builds as a year of significant changes begin to emerge.

First and foremost, welcome to 2010; it is your ongoing support and the continuing development of Member Services that is everything we strive for.

OPESon Membership continues to increase in value as we begin to integrate the feedback provided from our Member surveys. If you have not received one and would like to participate in our next survey please be in touch: memberservices@opeson.com.au.

I am pleased to be able to especially thank everyone for the referrals and new strategic work undertaken in 2009 that has enabled us to gift the continuance of membership for all Members. All memberships are automatically extended through 2010, at no cost to you!

2010 is the Year of the Tiger in the Chinese horoscope and this is perhaps more meaningful than you may realise. Whilst I am no expert on the Chinese horoscope, I feel it appropriate to note that the Tiger is a hunter and provider.

A Tiger employs all its resources, knowledge, senses, strength, stealth and skill to carefully explore and identify opportunities for bounty and to therefore take appropriate action to deliver the goods. If a Tiger did not utilise its expertise it would surely suffer.

2010 is the perfect time to review your resources, goals and strategy to enable proactive action.

Our 2009 end of year newsletter identified some principles for assessment and was primarily based around taking action in a way as to minimise or remove the shortfall which occurs when rents or returns do not cover the running expenses of an asset.

Obviously in a rising interest rate market this may be a substantial consideration for some strategies, however where significant resource surplus may be available to cope with this cost differential different approaches are available.

Considerable resource surplus may exist due to income or accessible equity. Many approaches exist and are worth considering as the one best for you.

Our view is that the next five years will see Western Australia begin to properly mature; we did not leave a resources boom, resources simply rationalised.

To align this example to human growth, in 2006/07 Western Australia experienced its early twenties growth spurt eating its parents out of house and home and growing at such a rate its clothes did not fit its structure or even its ego.

2008/09 enabled a settling, a reorganisation of resources, a realisation of the bigger world around us and rationalisation of what else we can access, so while we may not be growing in physicality, growth was still occurring.

We have always maintained Western Australia never left a resources boom; it simply became more comfortable with what it has to offer the world.

Western Australia now operates the largest gold reserve in the southern hemisphere in an open cut mine format, ie Boddington.

The first Iron Ore deposits have been scheduled to become operational outside of the Pilbara. The world requires this precious foundation of steel as the largest populations (China, India, Russia) seek infrastructure for industry, accommodation and facilities, as the landscape is modernised.

Approximately $50 Billion worth of Gorgon Gas was sold to India before China secured another $50 Billion worth and more recently Japan signed on for $43 Billion. There is more to sell and what is more, further reserves have now been found.

With the looming Carbon Emissions debate beginning to gain global attention, LNG and its 'nasty' cousin Uranium become highly sought after commodities.

There is much more going on in Western Australia's burgeoning resources boom and we maintain that 2006/07 was an acceleration well beyond the boom curve and what we have experienced recently is a return to the normal boom line of growth.

From here we expect another growth spurt to begin the maturation process and what comes with that in economic terms, is both an improvement in infrastructure if properly managed and a further polarisation of society.

While many wages will increase, particularly of skilled employees, so too do costs. There will emerge an increasing divide between the haves and the have-nots.

Obviously this provides opportunities for many to take action and succeed. Further, given the suppressed state of property in 2008 it will also provide opportunity to spend that little bit more where you can to ensure you optimise your capital position.

However this must be conducted as part of a well devised and measured strategic approach. Your strategy should not just consider how much to spend and when to get in but also how does the acquisition fit in the bigger picture of what you are trying to achieve and when will realisation be optimised for you. Then as you go your strategy can evolve with you and the conditions around you.

In terms of the property market we have seen the $300K - $400K market move with the aid of a stimulus boost through 2009; however, what was interesting is that when first homebuyers started to diminish, investors came into the market with strong intent. Even further the last three months of 2009 reintroduced the 'up-graders', boosting the $650K-$800K market significantly.

Our expectation is for these markets to continue to be particularly buoyant throughout 2010 despite expected interest rate rises. Then in the second half of 2010 the old phrase 'bang for buck' will come into play and we expect the $500K-$600K market will come in for some attention.

With surging mining related returns; incomes, dividends and the like, the circa $1.5M should see increasing attention throughout the year however given the impact of interest rates this will be somewhat controlled until a true understanding of the top end (of interest rates) is understood.

The Western Australian population increases coupled with interest rate increases will assist in absorbing the present rental vacancy rate. Across the board in the medium term; the prospect of Western Australian property is positive, particularly where supported by large infrastructure projects.

Interest rates are going to rise this year and while on the one hand will cause strain on household costs it is also a positive sign for economic development. In the last three months prior and throughout this year to come, opportunities will emerge with financing and various impacting costs including your interest cost - approach with caution.

Please be careful as it is in these times some offers often look attractive on the surface but either due to ancillary clauses or even the operational capabilities can cause significant impact and reduce, remove or even reverse the apparent benefit of rate discounting.

If you would like to review your loans please be in touch and we will order a review at no cost to you. The review will detail current costs and features versus other opportunities in the market as well as transfer costs to provide a proper cost benefit analysis.

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THANK YOU AGAIN!

Once again thanks for your continued support and loyalty. We are building something fantastic here and we really appreciate the part you play in this.

We have had fantastic feedback from you this year so keep it coming and if we can help you, your family or friends in any way please do not hesitate to ask, we will be in touch soon too.

Iain Melotte, Founder

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