

# THE BLACK ROCK DIGEST



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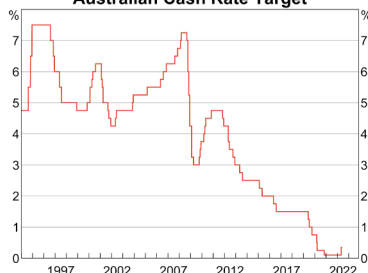


**Paul Flakus**  
Australian Credit License No : 379603  
Founder, Flakus & Associates  
Unit 5, 120 Talinga Road,  
Cheltenham VIC 3192  
T 03 - 9583 0119  
M 0417 567 747  
www.flakus.com.au

## HIGHLIGHTS

- The Year So Far
- Home Loan Interest Rates Increasing
- Attention Baby Boomers & Matured Aged Borrowers
- Business Finance - ATO Debts
- Estate and Wills - Do it now!
- Commercial Real Estate Finance
- Contributed Article by Opteon Solutions
- Buying "Off The Plan"
- How Flakus & Associates Can Help You
- Professional Services

Australian Cash Rate Target



Finance for homes now one of the lowest in 60 years

## THE YEAR SO FAR

This quarter we have seen the RBA increase the cash rate from 0.10% to the current level of 0.85% as of 7<sup>th</sup> June 2022. Financial institutions have also increased their variable and fixed rates in relation to this.

## HOME LOAN INTEREST RATES INCREASING

Here is a comparison of the Owner Occupied Variable home loan rates and the RBA cash rate :-

	CBA	RBA Cash Rate
June 2022 (17 <sup>th</sup> )	5.30%	0.85%
June 2019	5.12%	1.25%
October 2018	5.37%	1.50%
May 2017	5.25%	1.50%
February 2015	5.65%	2.25%

Source CBA and does not include any package discounts

Economists have commented that home loan rates should revert back to normal pre-pandemic levels. Whilst lending institutions are still lending, the lending criteria and policies have continually changed over the past months and are constantly under review.

The "Assessment Criteria" is what lenders utilize as a minimum to gauge the applicant's capacity to meet loan repayments should interest rates rise.

The greatest concern now is that with the rise in interest rates over the next 6 to 18 months, combined with an anticipated slow-down in the residential property market, loan defaults may rise, and a home-owner who had borrowed between 90 and 95% of home value could end up with a negative equity in their property (i.e. the loan is more than what their house is worth!).

**If you are considering refinancing or purchasing a new property for investment or owner occupied, contact Paul to discuss all your options.**

## ATTENTION BABY BOOMERS AND MATURE AGED BORROWERS

- Do you own your home or have sound equity (unlock the equity)?
- Are your living costs rising and eating into your savings?
- Looking to travel and need spending money?
- Need money for repairs and maintenance?
- Need a new car, caravan or motor home?
- Wishing to top up your retirement income?

**If you are retired or nearing retirement and still have a mortgage, then Flakus and Associates can assist you. Call Paul on 0417 567 747 to discuss your options and discover how we can provide a solution that fits your circumstances.**

**PAUL FLAKUS - Your First Port of Call for all your Finance Options**

## BUSINESS FINANCE - ATO DEBTS

Flakus and Associates is well versed in business finance, having successfully assisted clients to obtain business finance, whether purchasing an established business (including franchises), refinancing or restructuring their current business finance needs. And more recently, we have been involved in assisting clients who have to manage their ATO debts.

**The Australian Tax Office (ATO) is taking proactive steps to mitigate the risk of tax delinquency among businesses across the country. Over recent months, the agency has warned businesses with over \$100,000 in tax debts that they may be referred to a collections agency if they do not take action within 28 days.**

Additionally, the number of DPNs (Director Penalty Notices) have also risen. The ATO's preferable position is to work with the taxpayer through engagement as opposed to enforcement. However, where taxpayers do not choose to engage, the ATO will take firm action(s) which could include garnishees, recovery of directors' penalties, disclosure of business tax debts and other legal actions.

Emerging from the COVID-19 pandemic, the ATO is also focusing on so-called "zombie companies" that have managed to stay afloat during the pandemic.

The description of a "zombie company" as described in Wikipedia is as stated :

*"Zombie companies are indebted businesses that, although generating cash, after covering running costs, fixed costs (wages, rates, rent) they only have enough funds to service the interest on their loans, but not the debt itself.[1] As such, they are generally dependent on refinancing of maturing debt for their continued existence, and may face solvency risks should interest rates rise or investors withdraw from further financing."*

*~ political economy, a zombie company is a company that needs bailouts in order to operate, or an indebted company that is able to repay the interest on its debts but not repay the principal.*

Whilst most of the major lenders offer business finance predominately focusing on business operations, any ATO and Superannuation Guarantee Liabilities are generally not well received by the mainstream lenders and can often lead to the lender's unwillingness to assist.

Most business owners are far too busy to deal with the bank. Engaging the services of a professional finance broker can certainly enable the finance broker to become the conduit between the client and the lender to facilitate the navigation of the process.

Flakus & Associates are experienced in, and is currently seeing more and more commercial/business clients seeking financial guidance and assistance to help manage and clear their ATO debts.

**Contact Paul to discuss your current business financial position or any future business and equipment finance requirements you may be considering. As a business owner himself, he is only too happy to accommodate your personal time constraints regarding meetings where required.**

## ESTATE AND WILLS - DO IT NOW!!!

**Dying intestate (without a will) can create huge problems for the next-of-kin.**

With more borrowers seeking debt regardless of whether they are young or middle-aged, it is worthwhile that they consider preparing a Will. Whilst many may consider this as a "to do later job", the borrower needs to understand and consider the fall-out that may occur in the event of a mishap and how this can impact this the family unit.

When preparing a Will, make sure that your Accountant, Lawyer and Executor's all receive a copy of the Will. Additionally, borrowers should always have Powers of Attorney executed.

Since my last newsletter in Autumn 2022, an elderly client had sadly passed away, without leaving an updated Will. The only Will that was in existence was with her late former ex-spouse. She never updated her will after the divorce. Can you imagine what impact this has had on her offspring (who are also my clients)? The daughter of my late elderly deceased client is now left to sort through the issues and has sought the services of any experienced solicitor in this field at an enormous cost. Again, I would like to remind people that whilst people think a Will is "DO LATER" task, it is certainly NOT the case.

**Contact Paul TODAY to discuss your will as Paul has associates who would assist in this regard with estate and wills. Do not wait another day!**

## COMMERCIAL REAL ESTATE FINANCE

### Are you considering purchasing a commercial property?

This is a growing type of investment for owner-occupiers, investors and those with a Self Managed Superfund (SMSF). Here is an article from my trusted valuer associate which you may find helpful :-

The South-East industrial sector borders the Monash Freeway and extends from Malvern out beyond Frankston, Cranbourne and Pakenham, with the main estates located in Notting Hill, Mount Waverley, Clayton, Keysborough, Moorabbin, Braeside, Dandenong, Dandenong South and Carrum Downs. It offers a diversity in zoning and site areas with a comprehensive road transport infrastructure including the Monash Freeway, Eastlink, Westall Road, Dandenong Bypass, Dandenong Valley Highway, South Gippsland Highway and Westernport Highway.

The market strength is underpinned with the drivers of good roadway infrastructure, the low cash rate which facilitates the owner-occupier sector, a strong investor demand, and a restricted land supply translating to real growth in land value rates ranging from \$700 - \$900 psm for sub 2,000 sqm lots, principally around the Logis and Keys Estates. Brownfield sites i.e. redevelopment of economically obsolete industrial properties is becoming the new path to land supply. The sub \$10,000,000 market also includes more sophisticated office type uses in the Mount Waverley, Notting Hill, Clayton and Mulgrave areas, whereas more conventional industrial

uses are in the Dandenong, Dandenong South, Carrum and Cranbourne localities which include medium size freestanding modern design office-high clearance warehousing with good loading and an increasing supply of smaller strata office-warehouses targeting the sub \$1,000,000 owner-occupier market. Prime investment yields range from sub 4% – 5%, whilst secondary yields range from 5% – 6. Prime rents range from \$95 - \$120 psm overall.

Smaller established sites in areas such as Moorabbin, Cheltenham and Clayton are undergoing a gentrification with larger older warehouses, many with low clearance making way for modern multi-unit development. The use of these units is also changing from manufacturing, in particular car related, to softer uses such as warehousing, wholesaling and modern office and tech uses. The trend within the current market, is for Owner Occupiers to purchase these properties new or off the plan. These smaller units (sub 1,000 sqm) are achieving strong rates, with reported values over \$4,000/sqm of lettable area in some instances.

The industrial property market was gaining strength prior to the COVID pandemic and subsequent lockdowns,

and whilst the market slowed slightly initially, the growth in the sector has continued over the past 2 years. Current market yields being achieved have reached historically low levels that have surpassed the previous market peak. We highlight that the market is nearing or at the peak of a market yield cycle. There is considered to be an increased risk of a market correction and any change in market conditions, particularly interest rates, as they may have a negative effect on yields and therefore market values. This cycle appears to have turned following the RBA's official cash rate increases in May and June 2022. An expectation of further increases in the cash rate in coming months have been widely reported as a result of surging CPI which is well above the RBA's target band of 2-3%. Rising inflation is expected to be exacerbated in the near future by Australia's low unemployment rate, low dollar and sharp increase in the 10 year bond rate over the past 24 months.



Nicole Quiney | AAPI CPV  
nicole.quiney@opteonsolutions.com  
Commercial Valuer

**Contact Paul to discuss your current commercial loan or any future commercial finance requirements you may be considering. Call Paul on 0417 567 747 to discuss.**

## PURCHASING “OFF THE PLAN”

Whether you are purchasing a residential property or a commercial property “Off The Plan (OTP)” and have a Pre-approval from a lending institution, you face the challenge of higher loan payments than were previously indicated at Pre-Approval stage. Also, there is the possibility that the completed property would not be worth what you paid for. This could then lead to the original assessment by the lender who may not lend the original Pre-Approved amount after completion.

“Off the Plan” purchasers could also face construction delays due to shortage of building materials and tradespeople, which would result in some developers having to push harder to a complete, resulting in cutting corners which may affect quality control and integrity.

Beware of being caught up in a possible “bidding war” to secure the property. It is paramount that you engage the services of a Solicitor or Conveyancer to carefully peruse the contract prior to placing an “Offer” or signing. You may need to see if your legal representative will accept a financial retainer for reviewing any property contracts that you’re investigating to ensure the right property is secured. Flakus & Associates are well placed and will be pleased to assist in this regard.

**Employ an old adage, Caveat Emptor - “Let the buyer beware”**

## HOW FLAKUS & ASSOCIATES CAN HELP YOU

<b>REAL ESTATE VALUATIONS</b>	Thinking of purchasing a property or just wanting to re-assess the value of your property? Engage the services of an experienced, proven and trustworthy property valuer. Our associates provide valuation services for commercial, residential and industrial properties in specialised locations and industries.
<b>COMMERCIAL PROPERTY FINANCE</b>	Available for clients who wish to purchase commercial properties for investment or their own owner-occupied business(es). There are a number of lending options available for this type of security and Paul has access to various mainstream and non-mainstream lenders and options.
<b>SELF MANAGED SUPERFUND LOANS</b>	Lenders in this space is very limited. However, Paul has access to various funders for lending in this sector both for commercial and residential properties.
<b>BUSINESS FINANCE</b>	Includes equipment finance, debtor finance, import finance and cashflow funding. Business finance is still difficult to obtain and moving your business banking from one bank to another can be a ghastly experience and take many months and focus away from your business. Lenders also tend to occasionally review their industry risks and sometimes withdraw facilities if they consider the industry has become too risky. This may present a refinance opportunity so contact Paul today to discuss your options.
<b>EQUIPMENT FINANCE</b>	Includes motor vehicle, trucks, trailers, excavators, caravans, forklifts, office fit-outs, phone systems, audio and any IT equipment, medical equipment, jet skis, helicopter, boats and machinery. This is a highly specialised area and require many years of experience to successfully acquire finance for business clients to purchase equipment. There are various lenders in the market today who are not necessarily mainstream banks who only do Equipment Finance, and thereby able to provide attractive terms and excellent approval turnaround times.

## PROFESSIONAL SERVICES

Services Required	Paul Recommends	Contact Details
Tax and Accounting	Craig J. Allen, Craig Allen & Associates	Tel : 03 9558 7316
Quantity Surveyors	Bradley Beer, Director BMT Tax Depreciation	Tel : 03 9654 2233 Mob : 0413 271 777
Accounting Services	Michelle Frey Hermann & Associates	Tel : 03 9589 3521
Law and Legal Services, Wills, etc	Keith Hoban or Dita Kaye D & K Legal	Mob : 0497 650 790
	Joanne Simmonds LLB, Director Beaumaris Law Legal Practitioners	Tel : 03 9589 3205
Insurance Services	Richard Alford, Managing Director HWA Insurance Brokers	Tel : 03 9559 3302 Mob : 0403 338 306
Design and Marketing	David Cheah, Abacus Mind	Mob : 0403 979 986
Property Conveyancing Services	Colleen Buck Cheltenham Conveyancing Services	Tel : 03 9585 6222 Mob : 0416 246 617
Financial Planning, Superannuation and Risk Products	Ian Henry Brenton Henry	Tel : 03 9521 0303 Mob : 0408 571 757 Mob : 0433 923 669
Property and Advisory Advocacy	WPB Property Greville Pabst	Tel : 1300 302 581 Mob : 0419 326 361

### Quotes & Wise Sayings

“Rich people have small TVs and big libraries, and poor people have small libraries and big TVs.”

*Zig Ziglar*

“It’s not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for.”

*Robert Kiyosaki*

“Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas.”

*Paul Samuelson*

“An investment in knowledge pays the best interest.”

*Benjamin Franklin*

“I will tell you the secret to getting rich on Wall Street. You try to be greedy when others are fearful. And you try to be fearful when others are greedy.”

*Warren Buffet*



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