

Newsletter No. 19 – 1 October 2007

## US Credit Squeeze – Impacts for Australia and Townsville??

There's been significant nervousness over the past month since the sub-prime mortgage blow out in the US. Some banks in England have even had a consumer run on cash forcing the British Government to guarantee cash reserves.

In this age of information its still amazes me how perception can still become reality. Of course the major problem with this is that when perception is acted on, it becomes reality.

However you may have noticed that the last few days have seen the Australian Stock Exchange leap to new heights from its drop a month or so ago. Perhaps a little realism has returned and some of the perception has abated?

If we judge the US economy and apply that to Australia then we are not in the best of shape, however let's look at how things have changed for Australia over the last 10 years.

Our major trading partners are now South East Asian, and with China and India's enormous appetite for raw materials, Australia is well placed, and has indeed taken positive steps, to capitalize on these growing economies.

Australia is not fighting a war on terror (yes we have soldiers serving in war zones) but economically the war in the US is now hitting the Trillion Dollar mark. Forgetting about the morals of the issue, this has to be funded and has been to date a relatively poor return on investment.

Our Sub-Prime or mezzanine debt funding market has not been as completely unregulated as the US and as brazen in their lending criteria, and our interest rates remain solid despite inflation heading on the up.

So what's all this big picture stuff got to do with Townsville and the Property Market in particular? Well in a previous newsletter I pointed out the relevance of micro economies. Townsville is a classic example of a balanced micro economy with a diverse range of industries. I won't revisit this topic again in detail but it is generally understood that Townsville is a self sufficient, broad based economy. Our population is growing and that growth in population is driven by jobs, i.e. people who earn and put back into the community.

Cairns is an example of a non balanced micro economy, being heavily weighted towards tourism with changes in the tourism market being felt across the broad economy. The difference of course is the level of perceived risk by investors. A sub-prime style problem will be felt less in a well balanced micro economy than its non balanced counterpart. Wages and affordability in Townsville are still some of the best in regional and capital centres throughout Australia.

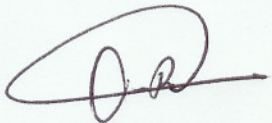
I don't for a second believe that we will be immune from closures and forced sales, or that the existing property boom will last forever, however with a balanced economy our peaks may not be as high as other places, but our troughs are also shallower. This all points to reduced risk and increased investor confidence in a region.

## Impero Management Group

Impero's perspective is always on the bigger picture, whilst ensuring that individual projects are feasible in the short term it is imperative that the motivation of the client, state of the market, competition and future trends are all considered in a complete property development package.

Impero specialize not only in Project Management and Development Delivery, but we are also registered **Land Economists with the Australian Property Institute**. We provide holistic research and analysis of property markets, regional issues, and general economic trends, that all come together to affect the property industry and its future.

If at any stage Impero can assist you or your clients with Property Development Solutions, please don't hesitate to contact us.



**John Rosel** B.Bus (Property), AAPI, MAIPM, MDIA

Managing Director

**Impero Management Group**

*"Our Business is Developing"*