

2015

MARCH 2015 CLIENT NEWSLETTER

Welcome...to The Enterprise Sanctuary's first newsletter for the 2015 calendar year. We are excited over the opportunities 2015 will provide in helping you and your business achieve its 'new year's resolutions'. Today, we will have a look at the year that was: 2014, the year ahead: 2015, 28 suburbs tipped to enjoy above average price growth in 2015 and common Activity Statement errors we see.



The year that was:
2014

The year ahead:
2015

28 suburbs tipped to
enjoy above average
2015 price growth

Avoid common errors
when completing your
activity statement

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THE YEAR THAT WAS: 2014, THE YEAR AHEAD: 2015

It is probably best to describe 2014 as another year of disappointment. In January, the International Monetary Fund projected 3.7% growth for the global economy. Now it expects growth closer to 3.3%.

The ASX 200 rose by just 1.1% last year, compared with the World sharemarket (MSCI less Australia), which rose by 3.3%. Unemployment drifted higher from 5.9% to 6.3%, inflation was under control between 2-3%, while home prices rose by 7.9% in 2014.

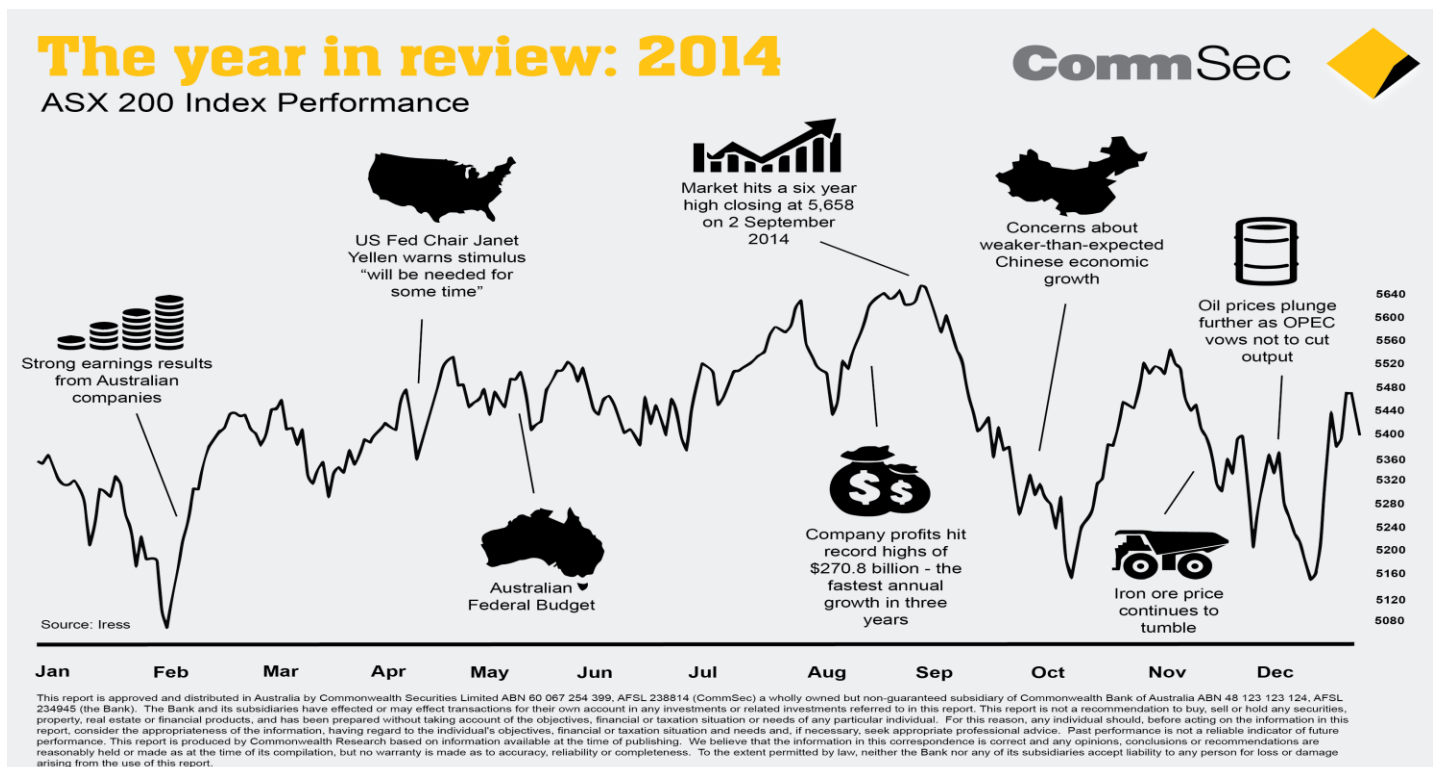
The Year in Review 2014

The economy continued its transition from growth, driven by mining investment, to one driven by home building and mining exports.

Returns on residential property outperformed government bonds, shares and cash in 2014.

The Aussie dollar drifted higher from the late US80c area to the low US90c in the first half of 2014, but finally succumbed to lower commodity prices – particularly the slump in oil prices from September. The Aussie dollar lost US7.5c against the greenback over 2014 and fell against the NZ\$. But rose against the Euro and Japanese yen.

Commsec: 2014 economic snapshot.



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Outlook for 2015

Sharemarket: After under-performing in 2014, we expect the ASX 200 to end 2015 between 5,900-6,200, with total returns around 15%. As a result 10 year and 15 year average returns on shares will be around 10%. The sharemarket will be supported by favorable valuations, strong corporate balance sheets, solid US economic growth, a switch of investor affections from property to shares and on-going maturation of the Chinese economy.

Australian economic growth is expected to be in the range of 2.75%-3.25% in 2015, suggesting near 'normal' economic growth. Inflation should hold between 2.0-3.0%. Unemployment should improve to between 5.50-6.00% in the second half of 2015, as economic growth picks up pace.

Please contact us at The Enterprise Sanctuary if you would like to talk about this topic in more detail.

28 SUBURBS TIPPED TO ENJOY ABOVE AVERAGE 2015 PRICE GROWTH

Brisbane (5.7%) and Sydney (4.1%) are expected to lead the market for capital growth in capital cities over this year, followed by Melbourne (2.7%), Adelaide (2.1%) and Perth (1.8%).

Then in 2016 the NAB Group Economics forecast Brisbane (3.8%), Sydney (2.3%) and Melbourne (2.3%) to remain the best cities for capital gains in the year to end-2016, with house prices rising by just 2.2% in Adelaide and 1% in Perth.

The latest NAB report identified 28 suburbs within the capitals that are tipped to enjoy above average capital growth.

No reasons are given for the selection. The forecast comes from a survey questionnaire on the Australian residential market to around 300 industry panellists.

NEW SOUTH WALES

- Eastwood
- Glebe
- Manly
- Marrickville
- Newtown
- Oran Park
- Penrith
- Ryde
- Surry Hills
- Sydney

QUEENSLAND

- Brisbane
- Gold Coast

- New Farm
- Toowoomba
- West End

VICTORIA

- Essendon
- Glen Iris
- Ringwood

SOUTH AUSTRALIA

- Mile End
- Norwood
- Parkside

WESTERN AUSTRALIA

- Baldivis
- Belmont
- Bentley
- Kelmscott
- Mandurah
- Perth
- Subiaco

But with more signs emerging that the residential housing market is losing steam, NAB Economics expects overall average capital city house prices to cool to around 4% over the year to end-2015 and 2% over the year to end-2016.

"Our assessment of the market remains that house price growth will continue to moderate because of rising unemployment, sluggish household income growth, affordability concerns, cost of living pressures and high levels of household debt," the report said.

"We are also forecasting two further interest rate cuts of 25 basis points in March and 25 bps in August 2015 (bringing the official cash rate down to 2%) which should support house prices a little more than previously expected."

The latest report shows the NAB Residential Property Index falling as house price expectations pared back and rents weaken.

The sentiment was softer in all states and still deeply negative in WA.

Survey highlights:

- NAB Residential Property Index fell to +12 points in Q4 (+19 in Q3). NSW overtook QLD as strongest state; sentiment notably lower in SA/NT and still deeply negative in WA. QLD and VIC most optimistic looking forward and WA weakest by some margin.
- Outlook for house prices over next one to two years pared back in all states (NAB also expects price growth to slow). Expectations for rents unchanged, with mildly stronger expectations in VIC and QLD masking softer outlooks in NSW and SA/NT.
- Foreign buyers in new property markets less active in all states, except VIC where they accounted for 32.5% (or one in three) of all sales - a new high. Around 17% of first home buyers in the new property market were for owner occupation and 8% for investment.
- Around 53% of foreign purchases were for apartments, 31% for houses and 16% for re-development. By price point, 40% of purchases were between \$500,000 to less than \$1 million and 29% less than \$500k. Around 5% were for premium property (\$5 million plus).
- Housing affordability, construction costs and a lack of development sites seen as the biggest constraints in new housing market, while employment security and price levels the biggest impediment to buying established property.
- Established property dominated by owner occupiers (42.6%). Local investors account for 22% of total demand, with FHBs (owner occupier) 16.1% with FHBs (investor) 9.3%. Foreign buyers more active (8.7%), led by NSW (11.3%) and VIC.(12.8%).
- Prospects for capital growth over the next 12 months were pared back at all price ranges in both the established housing and apartment markets in Q4, except for apartments valued between \$1-2 million.

Please contact us at The Enterprise Sanctuary if you would like to talk about this topic in more detail.

AVOID COMMON ERRORS WHEN COMPLETING YOUR ACTIVITY STATEMENT

Errors sometimes occur when you fill out your activity statement. To complete your activity statement correctly and ensure any refund due is processed quickly, remember to:

- check that your purchases and sales are reported in the correct tax period;
- if you report on a non-cash basis, you account for the GST payable on the sales you make in the tax period in which you issue a tax invoice or receive full or part payment (including deposits), whichever happens first;
- reconcile the figures on your activity statements with your accounting records prepared for your income tax return;
- report all of your relevant transactions at the appropriate label on your activity statement;
- lodge your activity statement even if you have nothing to report;
- leave boxes blank if they do not apply to you, but if a box does apply and you have nothing to report use a zero;
- check that you are using the correct accounting method;
- if you are in the café and restaurant industry, the simplified accounting methods may not be appropriate;
- only complete the boxes that are relevant to you;
- if you report quarterly, you must only complete the boxes for the option you have selected;
- if you are paying your GST by instalments and want to vary your instalment amount provide your estimated net GST for the year and the varied amount payable for the quarter and show the correct reason code for varying your instalments; and
- review your activity statement before lodging and check the amount calculated equals what you expect to pay or receive.

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