

Commercial Update

15 September 2016

CHILDCARE INDUSTRY PROPERTY UPDATE AND TIPS

To help you expand your knowledge of the childcare industry, we've put together the following insights and tips.

Childcare industry insights

A recent report by Colliers International states that in the childcare industry:

- Lease terms are lengthening; terms below 10 years are rare, with some terms up to 20 years with 20-year options
- Large institutional players are re-entering the industry and there will be consolidation in the future
- Investment yields are dropping significantly, with one recent sale as low as 3.90%
- Occupancy rates average between 50%-70% (regional) and 80% (metro). Most centres need to be operating at 70% to be successful.
- A lack of available suitable land means growth of childcare centres has dropped to 3%.

Tips for childcare centre loans

- Make sure you know if the business is operated on a leasehold or freehold basis
- For owner-operators, provide commentary on the owner's background. Be cautious if they're solely reliant on employees to run the business
- For investment properties, provide some background on the lessor and terms of the lease
- Ask your ING DIRECT representative to put you in touch with their childcare specialist valuers as values can vary greatly. These valuers will want to know the number and ages of children the childcare centre is licenced for.

Find out more

Could your customers benefit from investing in this industry too? ING DIRECT has been lending to the childcare industry for many years and our commercial team is here to support you throughout the loan process. Contact your ING DIRECT representative to find out more about the insights and our great commercial loans.

INDICATIVE COMMERCIAL MORTGAGE INTEREST RATES

Rates are indicative only and subject to change without notice. Indicative interest rates are also available on the [Introducer website](#). Commercial fixed rates may change daily. The fixed rate that will apply will be the fixed rate applicable on the settlement date unless you rate lock. Information about rate lock can be found on the [Introducer website](#).

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Commercial interest rates effective from 15 September 2016

COMMERCIAL VARIABLE RATE LOANS	Interest Rate (p.a.)	Comparison Rate (p.a.)
New Commercial Borrowings <\$500k	4.99%	5.06%
New Commercial Borrowings \$500k to < \$750k	4.89%	4.96%
New Commercial Borrowings \$750k to < \$1 million	4.79%	4.86%
New Commercial Borrowings \$1 million < \$2 million	4.59%	4.66%
New Commercial Borrowings \$2 million+	4.49%	4.56%
COMMERCIAL FIXED RATE LOANS	Interest Rate (p.a.)	Comparison Rate (p.a.)
Commercial 1 Year Fixed Rate	4.73%	5.04%
Commercial 2 Year Fixed Rate	4.70%	5.01%
Commercial 3 Year Fixed Rate	4.68%	4.98%
Commercial 4 Year Fixed Rate	4.98%	5.06%
Commercial 5 Year Fixed Rate	5.07%	5.10%

For the curious: Information is current as at the above date and is subject to change. ING DIRECT will consider applications above \$5.0 million on a case-by-case basis. The interest rate on these applications will be determined through your Business Development Manager. The above interest rates apply to Priority Commercial Mortgages for new business. Rates are reviewed and may change at any time without prior notice. The interest rate will be set on the settlement date for all loans, including fixed rate loans. All interest rates quoted above are indicative only. The comparison rates are based on a loan amount of \$150,000 over a loan term of 25 years. **WARNING:** The comparison rates are true only for the examples given and may not include all fees and charges. Different terms, fees or other loan amounts might result in different comparison rates. All applications for credit are subject to ING DIRECT's credit approval criteria. **WARNING:** If you have a Fixed Rate Loan you may be charged break costs if, before the expiry of the fixed interest period: (a) you make an additional payment of \$20,000 or more, or make additional payments totalling \$20,000 or more in any one-year period (with the first one-year period starting on the first day of the fixed interest period); or (b) you pay out that fixed rate loan or an amount becomes due and payable; or (c) we agree to change your loan type or fixed interest period that applies to your loan. Break costs could be substantial if interest rates fall during the fixed interest period. You should take break costs into consideration when deciding whether you want to fix your interest rate. Any advice in this email does not take into account your, or your clients' objectives, financial situation or needs, and you should consider whether it is appropriate for you, or your clients. Before making any decision in relation to our loan products you should read the relevant Terms and Conditions booklet and Fees and Limits Schedule. ING DIRECT reserves the right to amend the published rates and the terms and conditions applying to its products and services at any time without prior notice. Further information regarding interest rates, fees, terms & conditions is available from your Business Development Manager. You received this email as you provided ING DIRECT with your email address. However, if you do not wish to receive further email communications from ING DIRECT please send an email to marketing@marketing.ingdirect.com.au with "Unsubscribe" in the subject line or call 1300 656 226. Products are issued by ING DIRECT, a division of ING Bank (Australia) Limited ABN 24 000 893 292, AFSL 229823 and Australian Credit Licence 229823.