

Credit availability dragging house prices

Harry Pontikis - Director

A seemingly orchestrated effort by government regulators and the banks to cause property prices to drop is having the intended effect.

House prices in Melbourne and Sydney continued to fall in October with no sign of this fall abating.

Sydney and Melbourne continued to be the weakest two areas, with a concentration of investment buyers, high supply conditions and the most stretched housing affordability.

While other capital cities have seen increases over the last 12 months, the pace of growth has slowed down. Hobart and regional Tasmania recorded strong growth for the city and for regional areas which was driven by strong demand and shortage of supply.

As the availability of credit is continuing to tighten and inventory levels of properties continues to increase with the Spring and Summer months, the downward pressure on prices is expected to continue.

The credit restrictions extend to owner occupied and investment loans, with banks continuing to demand higher deposit amounts and further tighten the serviceability criteria making borrowing harder for less money.

The combined efforts of the regulator (APRA) in regards to investment and interest-only loans, coupled with banks taking the opportunity of lifting their rates on existing customers whilst simultaneously having their customers locked in through the strict lending criteria, seems to be having the desired impact; property prices dropping whilst banks still making great profits!

The reality is that the economy is still strong, unemployment is still low and the demand for housing is still very high – all market factors which impact property prices positively. The levers being pulled are creating this artificial drop in property prices, meaning the rebound should be just as orchestrated as the drop!

People with access to credit may have a great opportunity on capitalising on the deflated property market before the imminent rebound!

Please note: The information in this article is general in nature and not to be considered advice of any kind. To assess your lending position, call Chocolate Money on 1300 137 539.

Chocolate Money's Australian Credit License - 387277