Buyers Newsletter series. Today's chat is a look into the very question I get asked all the time.. Are Melbourne property prices set to fall?

Welcome back to the next instalment in the IDentity Property

Let's look at 5 major reasons which would cause significant property price

falls. After all we have just experience significant interruptions to employment in Melbourne and broader Victoria and want to know what we are in for. Reasons for causing price drops:

1. Rising unemployment 2. Increased distress sales or mortgage defaults

- 3. Over supply of housing 4. Rising interest rates and increased holding costs
- 5. Lack of government support or removal of government incentives

possibility.



of people don't have funds to support deposit generation and steady income to support access to a mortgage. The government are supporting people more than ever with Jobseeker & Jobkeeper payments to people & businesses significantly affected by this pandemic. Although rates are reducing and support is not indefinite, people

value this is a strong case to suggest price falls. This increasing percentage

& businesses are not about to be abandoned. 2. A significant increase in the amount of distressed sales in localised areas would have a negative effect on property prices that is for certain. So picking up a bargain in these particular areas surely sounds like a

The banks repayment holidays are preventing some people from selling in a distressed state. The banks do not want to loose business so repayment plans and revisions to terms are likely to be individually tailored to reduce default rates well into the future. 3. In areas that have an over supply of properties for sale which mean more

sellers than buyers, would certainly put price pressures on sales. This

would likely lead to discounting of property stock in order to shift these

locally affected areas. Currently there is low stock levels, so discounting due to oversupply is unlikely to happen in the majority of areas and asset classes. There is of course a likely exception to this with high density apartments less favourable due to the enforced lockdowns.

4. When the Economy is booming the Government usually tries to curtail the rate of its growth, and one way to do this is to increase interest rates. So with rising interest rates comes increased costs forced upon the owner in order to hold property. When costs are rising and investment returns are reducing areas of the property market become less attractive. As you are well aware interest rates have never been lower and this is set to

be they way for a number of years. When we have a booming economy we will likely see interest rates begin to climb, but that is some time off. 5. We have seen it in the past when the Government provides incentives for first home buyers to buy, then the eligible take flight and buy. When these incentives run out there is less people buying this particular type of

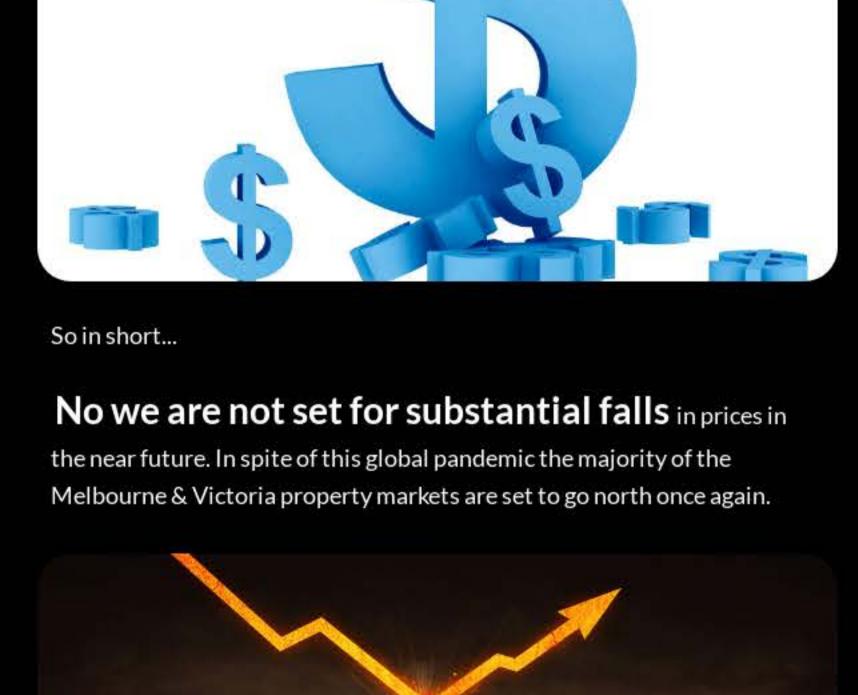
property. So if incentives are not available or being removed then this

To get the economy moving again more government grants are being

handed out than ever, with the construction industry and First Home

would have a major impact on this localised section of the market.

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