

# Identity Property Buyers

NEWSLETTER #013

## Are Melbourne Property Prices Set To Fall?

**Welcome back** to the next instalment in the IDentity Property 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?

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



1. If we look at the fact that unemployment has risen substantially, at face value this is a strong case to suggest price falls. This increasing percentage 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 & 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 possibility.

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

To get the economy moving again more government grants are being handed out than ever, with the construction industry and First Home Buyers getting bigger pieces of the pie.



So in short...

**No we are not set for substantial falls** in prices in the near future. In spite of this global pandemic the majority of the Melbourne & Victoria property markets are set to go north once again.



Let our professionals at IDentity Property Buyers help you avoid all those costly mistakes and provide you with a fantastic experience and an exceptional end result....

**Don't get left behind when the market is moving, take control with your very next steps in a professional way today!**

Make contact today and schedule in a **Free, No Obligation** chat with one of our Buyers Agents & Property Strategists.

**MAKE CONTACT**

At IDentity Property Buyers we build Investment Portfolio Plans for clients who want exceptional results.

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