IDentity Property Buyers

NEWSLETTER #065

Waiting For A Property Market Crash!

The tides on record low interest rates are turning and with that comes a number of questions regarding the resilience of the Australian property market.   We have enjoyed more than 10 years of falling interest rates with extremely affordable loans on offer and now it's hard to remember anything else.

So now things are changing and we have experienced a few interest rate rises. Make no mistake the cost to borrow money is still extremely cheap and will be for some time yet, but costs are increasing.

As per normal procedure the media is ramping up their scare tactics on interest rates and imminent property price crashes. Unfortunately a large proportion of the population who get their advice from the media are beginning to believe. The media's job is to gain attention and get people tuning into their reports and articles, therefore what they often report is extremely sensationalised. It's boom or bust, feast or famine, not plain intermediate normal behaviour.

The current property market situation around the country is now quite varied and is no longer in nation wide growth. Melbourne and Sydney coming off the peak slightly comparing with Adelaide and Brisbane still pushing on with strong capital growth.

So with interest rates rising…

Are we going to see significant falls in prices across the country?

Are we going to see massive increases in mortgage defaults?

Will this potentially result in fire sales on quality units & houses?

Of Course Not!

There is no doubt that interest rate rises will curtail property growth, it has too, as it will reduce the capacity for people to continue to pay more and more for a property.

When the banks calculate your overall borrowing capacity they assess your ability to make repayments on an interest rate up to 3% higher than what is current. This theoretically means that you should be still able to meet your repayment obligations if interest rates rise by 3% over your initial loan rate.

Where interest rates top out is unknown but we have to go a lot further to cause significant problems with peoples ability to meet their repayment commitments. And the reality of Australians reactions are to cut back on anything and everything possible in order to make that loan payment.

The overall goal of interest rate rises is to soften off the economy not to cause significant turbulence in the property market.

The Australian Residential Property Market is worth around 10 Trillion dollars and only around 25% is loaned from the bank. So with the majority of property owned directly by the owner, then that will mean the majority of owners will be unaffected by rate rises. In fact with the older cohort who have cash in the bank invested in low risk term deposits, interest rate rises will help them by increasing their returns.

Some specific areas of the market will see some challenges and that will most likely just be in areas where owners are all in the same boat. For example they have recently purchased, borrowed their maximums, purchased new furniture and have only just commenced paying their loans. These areas will be in the newer greenfield estates full of brand new homes where people are predominantly first home buyers.

If you are looking for significant price reductions in well established quality areas where there is a large variety of residents, some who own outright, some with small loans, some with larger loans and some who pushed to get in, then a few additional sales from people who are struggling will not affect prices.

This Is Normal, Business As Usual.

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....

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

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

MAKE CONTACT

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