IDentity Property Buyers

NEWSLETTER #066

Don't Be Spooked By Interest Rate Rises

As you will be well aware interest rates are increasing and the cost of living is also on the rise. Unfortunately the media has amplified their messaging regarding the rises to an absolute maximum. Basically they are running around like Chicken Little saying "The sky is falling! The sky is falling!".

We previously touched on the fact that the banks assess people's ability to pay their mortgage on an interest rate around 3% higher than their initial loan rate. So, this means rates would have to move quite a long way before repayments technically become a serious problem for the majority of property owners.

Don't get me wrong, some people will struggle a lot, other people may just have to cut back on their 2nd and 3rd latte for the day, whilst others will be relatively unaffected.

So if you are thinking things may get a little tight then don't wait for it to be a problem, get on the front foot now, make some changes and build up that rainy day fund.

When it comes to purchasing property, if you look for it there is always going to be a reason why not to buy. There is never going to be a perfect time to purchase so don't wait for one.

The reality is that if you are currently in a good financial position, have secure employment and had planned to buy then get ready to pull the trigger.

Or you could consider this faulty logic from a number of people I have heard from over the course of the last few months. We are putting our search on hold as we wanted to wait until interest rates stop rising and we know what the markets doing...

Well the problem here is that, not even the best economists in the country can answer either of those questions with any real certainty.

If you are looking to get a loan from a bank or other financial institution, then consider that as interest rates rise what the banks calculate as your borrowing capacity will reduce. So if you have been provided a pre approval to borrow up to 800k now as a maximum, then it would be highly likely that with some additional rate rises they may only lend you a maximum for example of say 650k.

So this would mean that the properties you are looking at today as viable options will become unaffordable to you due to borrowing capacity reductions.

Also consider that when borrowing money why wouldn't you take the opportunity to begin your journey when interest rates are still extremely low. You might actually get a couple of years in before they level out at a longer term rate. This would likely result in tens of thousands of dollars saved in interest to begin with.

Use Sensible Logic!

Some personal circumstance questions you need to ask yourself before buying are:

- How much money do I have spare each month now, after all current expenses?
- If I really had to, where and how much could I save elsewhere?
- How much should I have in my emergency fund?
- How much can interest rates rise before they exhaust my monthly surplus?

If you can gain some clarity surrounding these questions then this should give you the confidence to be able to move forward and buy or unfortunately stay put.

On a positive front for the property investor, rents are skyrocketing, so any increase in interest rates will get some compensation due to increased rental returns.

The negative side is that tenants need to consider future rental increases of 10%, 20% possibly much more over the next couple of years.

So if you think it is going to get easier to buy down the track, think 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....

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

web: www.identitypropertybuyers.com.au

email: greg@identitypropertybuyers.com.au

Phone: +61 (0) 491 759 126

Written by Greg Egerton Buyers Agent & Property Strategist

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