

# DECEMBER 2017 NEWSLETTER

## PROPERTY INVESTOR FORECAST FOR 2018

Property investors play a significant role in the Australian housing market, and over the past few years, they have been further enticed into the market by access to cheap finance and strong value growth in many markets.

Over the past five years, the value of investor housing finance commitments has totalled \$695.6 billion, and according to CoreLogic, at their peak in May 2015, investors accounted for 54.8% of new (excluding refinances) mortgage demand – which was an historic high.

However, in recent times, property investors have been the target of the Australian Prudential Regulation Authority (APRA). Property investors may no longer be in a position to borrow what they like just because they have equity, as investor interest rates and loan value ratios are changing.

We are seeing signs of the true impact of these actions, as the percentage of investor mortgage demand fell a further -6.2% in September 2017. CoreLogic reports that as mortgage demand from investors, particularly in New South Wales, has slowed, so too has the rate of value growth.

Their data shows that investor mortgage demand in New South Wales has fallen from a peak of 63.6% in May 2015, to 50.3% in September 2017. Over the same month, Sydney capital city dwelling values were down 0.1%. This was the first month-on-month decline after 17 months of consistent capital gains.

I still believe there will be good opportunities to transact property in 2018, so here are some key considerations for investors for the coming year:

### ***Changing investment opportunities***

Investor opportunities may become stronger, even though the capacity to borrow may be weaker.

Over the coming year, there may be marketplaces across the country where investors are going to be needed to maintain value in property, particularly in areas where there are high levels of off the plan stock.

Some of these off the plan sales may struggle to reach completion in changing market conditions, and investors may be increasingly needed to act as secondary supporting buyers if the original buyers are not able to complete.

### ***Foreign investment slowing***

Australia has long been one of the most appealing destinations in the world for foreign property investment. These dynamics however also appear to be changing due to tightened investment policy from overseas.

Some countries (such as China) are restricting the way money leaves their countries and in particular, are regulating the use of money for outbound investments, such as property.

Whilst it may be increasingly difficult for overseas buyers in Australia, investment opportunities may be presented to domestic investors by this slowdown.

### ***Factoring in the prospect of rate rises***

Many property investors have been embracing an extended period of record-low interest rates and cheap debt. The last cut made to the official cash rate was over a year ago in August 2016. We believe investors should remain wary of the potential for change in the year ahead.

The RBA has been talking up the economy of late and this can indicate the potential that rates may start to move up.

We believe property investors should be paying close attention to ensuring their financial situation can cope with higher interest rates, and the effects that even a small shift upwards could have on repayments.

It may be worthwhile considering a component of fixed and a component of variable interest rates, and to make debt reductions through the variable components of the loan.

The coming year will likely continue to be a balancing act for the RBA. Whilst rate rises might slow some areas, it will be important to consider the impact upon other housing markets across Australia that have been underperforming.

Overall, it appears many seasoned investors may be sitting on the fence at this point in time, knowing there may be good opportunities arising in months to come.

In preparation, investors may benefit from consulting professionals to solidify their New Year investment strategies. **M Point Financial Solutions** works with a number of real estate and property professionals who can assist in determining whether that property investment suits their personal goals. In this changing world of finance and debt we can provide the expertise and work with you in purchasing through to a successful settlement of your property investment.

## **THANKYOU & MERRY CHRISTMAS**

We would like to wish all our clients a Merry Christmas and a wonderful and safe 2018. Many thanks to those that supported M Point Finance over its first year and we look forward to providing expert advice helping many more clients in 2018.

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