



WHY IT IS A GREAT TIME TO BE A LANDLORD

If you're like many property investors, you're probably wondering what the right thing to do is at present.

Should you buy, should you sell or should you just wait?

Many people delay investing in property for all the wrong reasons. And while doing so, they miss out on one of Australia's favourite and popular path to wealth creation and a self funding retirement.

We completely understand that with interest rates rising and uncertain property prices in most areas of Australia, you could be sitting on the fence right now waiting for some clear direction on property investment.

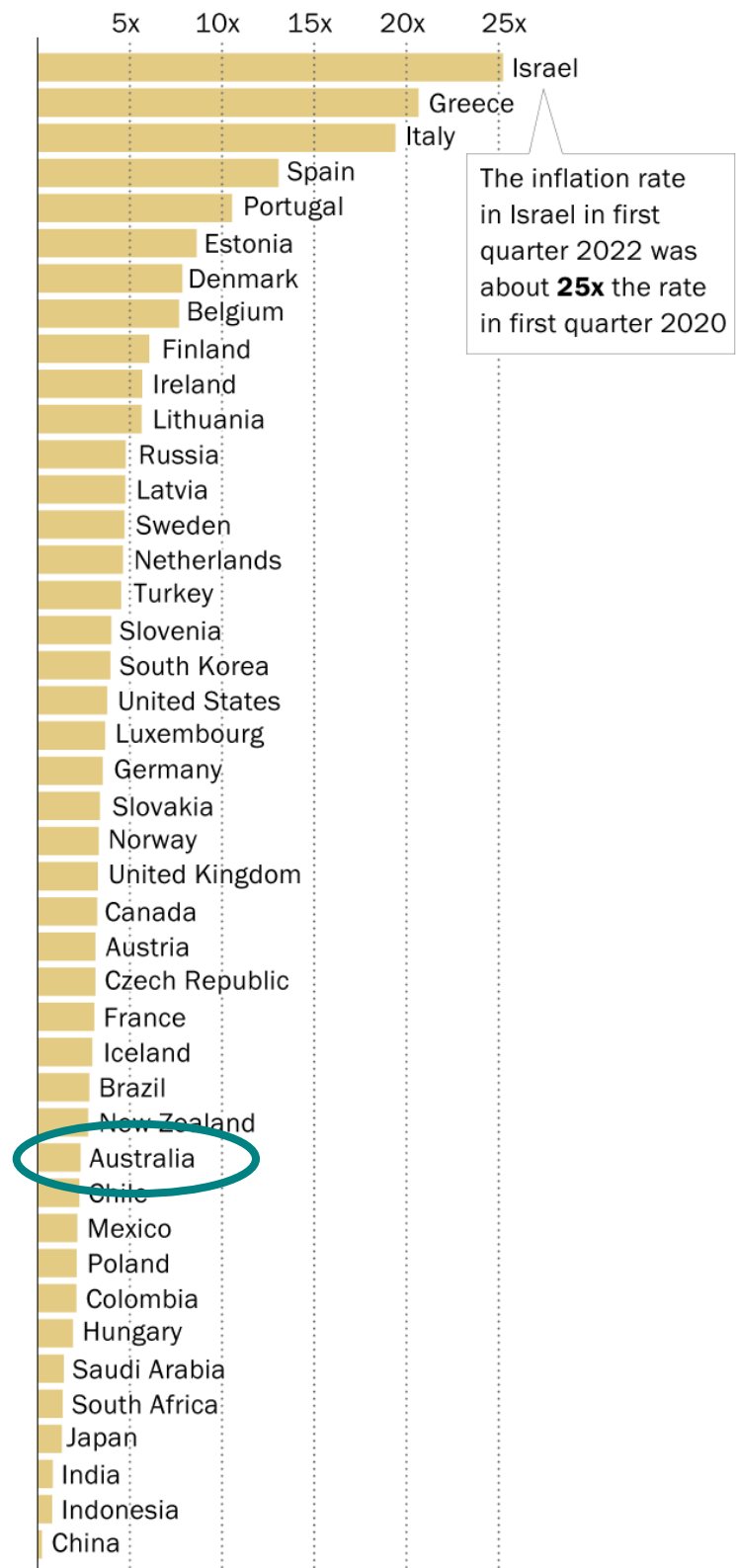
Let's have a look at a few things to alleviate your concerns about the current market – finance AND property.

1. Inflation and the cost of living
2. Why it could be a good time to be a landlord!
3. Is the property market going to crash?

1. Inflation and the cost of living

United States inflation rate has almost quadrupled over past two years, but in many other countries, it's risen even faster.

Change in annual inflation rate between first quarter of 2020 and first quarter of 2022.



WHY IT IS A GREAT TIME TO BE A LANDLORD

Note: Chart includes 36 of 38 member nations of the Organization for Economic Cooperation and Development (OECD) and seven other economically significant countries for which the OECD provides data. Switzerland, another OECD country, had an inflation rate of -0.13% in the first quarter of 2020, it had increased to 2.06% by the same period in 2022. Data for Costa Rica, which joined the OECD in May 2021, not included. Source: Pew Research analysis of OECD data. PEW RESEARCH CENTER

Inflation

While Israel, Greece and Italy topped the charts with inflation between 18-25 times higher than the first quarter in 2020, Australia is sitting very low at 6.1% in the scheme of inflation compared to the rest of the world.

What causes inflation to rise?

To put it simply - when we are spending too much money!

Other factors that influence rising inflation are:

- High consumer confidence
- Less supply, more demand
 - Wars and civil unrest (Ukraine)
 - Increased prices of petrol, utilities and food
 - Weather disasters such as floods (affecting the price of lettuce and other fresh goods)
- Increasing property prices
- Increased construction and building costs
- Lingering pandemic issues

What decreases inflation?

Generally, inflation drops when we curb our spending habits.

We stop buying cars, TVs and other non-essential daily items.

- There is low consumer confidence
- More supply, less demand
- Petrol prices dropping
- Property prices falling

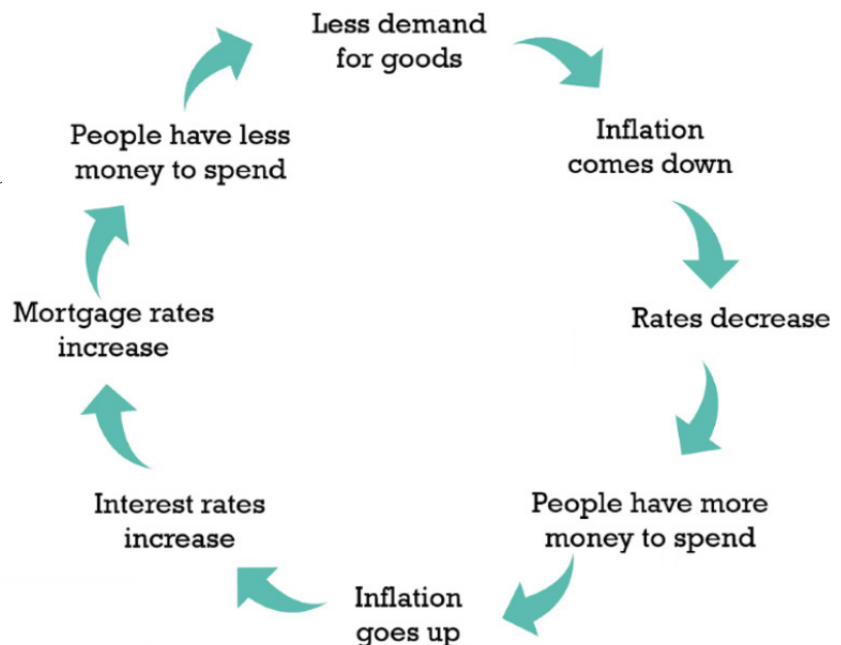
Although the cash rate and subsequently interest rates are increasing, most Australians are doing ok.

During COVID-19

- We built up a savings buffer
- We paid down our mortgages

If you understand how inflation is controlled by the Reserve Bank, you will start to worry less.

As you can see from the image below, inflation, like the property clock, operates in a cyclical pattern.



1. We entered a period of low interest rates and they stayed low for 10 years
2. Against all expectations, the money we saved during lockdown and the government incentives led to heavy consumer spending and rapid property price rises
3. So the RBA goes into 'We need to fix this mode'...
4. Interest rates are hiked up
5. Mortgages increase
6. Inflation rises
7. We have less money
8. We stop spending
9. Again the RBA goes into 'We need to fix this mode'...
10. Rates decrease
11. Inflation drops
12. We have more money
- ... and the cycle continues.

WHY IT IS A GREAT TIME TO BE A LANDLORD

Ironically inflation may force rates to fall again.

Unlikely for a while, but even commentators are predicting it won't be two years (end of 2024) as originally predicted.

In fact, early last month one of our prominent economic researchers, Cameron Kusher (Prop Track), forecasted that will happen and the RBA will cut rates by 0.50% in the second half of 2023¹.

By the end of this year, it is expected that the cash rate will rise to between 2.5% and 3% with perhaps more increases in early 2023. Thereafter, we are to expect rates to remain on hold with the potential for them to be reduced in mid to late 2023 or early 2024.

So before you know it, rising rates may be a thing of the past again.

If you are still concerned, feel free to contact us to read our thoughts on *Is The Property Market Going To Crash?*

The BIG question is...

Do you know when it is the best time to become a landlord?

Answer: When you are ready!

When:

- ✓ you have secure employment.
- ✓ your finance is organised and approved.
- ✓ the right structures have been discussed and planned, and
- ✓ when you have enough buffer in place to ride out the hard times.

That's the first step!

If this sounds like you, then NOW could just be the right time to look at your property investment strategy.

Great opportunities also exist for landlords when:

- ✓ rental vacancies are low
- ✓ rental prices are increasing
- ✓ there are less houses on the market for sale
- ✓ there are less houses available for rent

And if you haven't noticed – that time is NOW!

The good news with the current market is that migration back to Australia is picking up and likely to flow into additional rental demand in what is already an extremely tight rental market².

There is also little to no construction in the pipeline, and we are just not building enough dwellings to support the future growing demand.

There is a shortage of good properties for sale and virtually no properties to rent.

Finally, our rental markets have been tightening further with vacancy rates for both houses and apartments extremely low across the country³.

Whether you're a beginner or an experienced investor, you need the experience of professional services who take a holistic approach to your wealth creation and property portfolio.

If you want to discuss your options further, then reach out for an obligation free chat to see how you fit into the current cycle.

Sources:

1. mpamag.com.au/mortgage-industry/market-updates/29July2022
2. corelogic.com.au/news-research/news/2022/updated-rate-hike-forecasts-and-the-outlook-for-housing-values
3. propertyupdate.com.au/australian-property-market

Make sure you read our article **'Is The Property Market Going To Crash?'**

