The way ahead: A new direction for 2019

There's no denying 2018 was a challenging year for property investors, meaning a fresh approach will be needed in the year ahead. But the situation is not so dire that you need to sit in a dark corner crying into your beer; there's good news as well

ALTHOUGH often misattributed, there is much truth in the notion that it is not the strongest or most intelligent who survive but those who are able to adapt and adjust to a changing environment. What happened in 2018 that altered the property landscape so much and led to a downturn in the market, and how do we accommodate the changes?

The frowns of 2018

It is fair to say that 2018 was eventful mainly due to regulatory intervention in the market and the explosive royal commission into the banking sector.

House price growth in Australia softened, a trend that will continue due to tighter lending standards imposed by the Australian Prudential Regulation Authority.

The banks developed an aversion to risk after their drubbing by the royal commission. Closer scrutiny of borrowers' living expenses by the banks also served to dampen property prices.

Stamp duty revenue declined significantly in 2018 because of weaker home prices, a decreasing number of property transactions and stamp duty discounts for first-time buyers.

Anaemic wage growth, a swell in housing construction ahead of predicted population surges, fears about changes to negative gearing if Labor wins the next federal election... perhaps it is time for those tears.

The smiles of 2019

Not yet! It's time to focus on positive news rather than the constant negative bias in the media – bad news sells better, but a balanced approach would be refreshing.

The national economy is powering ahead, and the budget deficit is on track to return to surplus. Population growth is very strong due to overseas migration, and the employment rate is quite high at around 95%, with a stable outlook. (Doesn't this sound better than "unemployment rate is 5%"?) Our record-low interest rates are unlikely to rise until 2020, making it easier for investors to enter the property market. The oversupply of new real estate is only occurring in some areas, with slower building activity meaning developers will have to deliver housing that buyers can afford.

It is likely that state governments will look at incentivising investors again to protect their revenue from stamp duty and land tax. Savvy investors will see this period as a good buying opportunity for the longer term, and will particularly target growth areas in fringe suburbs within commutable distance from capital cities. There are plenty of great property deals to be found in outer suburbs.

In conclusion

The four poisons of the mind are fear, confusion, hesitation and surprise. To counter these, investors would be wise to begin 2019 by exploring how to navigate Australia's new property landscape.

If you are new to investing, find a trusted adviser to help you navigate the clutter, put together a wealth creation plan and make 2019 your year. Clarity of vision is the key.

For investors with an existing property portfolio, the importance of seeking independent professional advice to review the performance of your portfolio cannot be understated. This will include sourcing better deals for existing finance, valuing current properties to ascertain equity and, for those looking to benefit from the current market, speaking to a mortgage broker to evaluate borrowing capacity. YIP

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OUR EXPERT

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