



NOW THE TIME TO BUY?

Property prices have fallen a lot, interest rates are low & rents are rising. Is now the time to buy a house or should I keep renting?

Deanne, Gosford, NSW

With interest rates at all-time lows together with First Home Owners Grants, it is definitely a great time to consider buying your own house. Rent is dead money after all.

But be careful. A recent report showed that 21% of first home owners are already suffering mortgage stress.

Mortgage stress is caused by a number of factors which should be, but rarely considered before buying.

What happens if interest rates return to previous levels and rise by 4%? What happens if you lose your job? What happens if you start a family and reduced to one income? Have you done a budget? Can you afford a holiday?

Expenses with owning a house including rates, repairs, moving costs, furnishing, insurance and connections for phone, electricity & gas. There may also be additional travelling cost to work.

I always encourage any home buyer to have no credit card debt and a minimum 20% deposit. Not only do you avoid costly mortgage insurance but it also proves that you can save and create a buffer should you fall on tough times.

Remember, any house purchase is an investment decision. If you have to borrow at 6% then you must expect an increase in the house value by at least 6% pa as well. For example, a \$500,000 place must be worth \$530,000 in a year's time. Otherwise you are falling behind.

Just as you wouldn't jump off a cliff because your friends jump off, there is no pressure to buy a house either. There are signs that the property market has been inflated due to the First Home Owners Grant Boost. Don't fall into the herd mentality.

Those planning on upgrading after a few years should also consider selling costs as well as stamp duty on the new place.

Sometimes it is better to rent.