Can property withstand the rise in unemployment

From the desk of ...

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THE unemployment rate is rising. Many economic experts expect Australia's unemployment rate to rise to more than 7% by the end of the year.

Rising unemployment does not necessarily mean falling property prices.

There are a number of factors that I believe will offset the impact on property prices with the increase in unemployment.

Here are just a few:

1. Banks are offering repayment holidays or postponement of payments to unemployed homeowners. This is a sensible and humane approach by the banks towards the unfortunate mortgage payers who lose their jobs.

2. With such historically low interest rates as we are currently experiencing, homeowners who have not over-borrowed may still be able to maintain their repayments and stay in their homes. With rentals being so high, the alternative of selling and renting is not an option if the rent they have to pay is more than the mortgage repayments.

> **"Rising unemployment does not necessarily mean falling property prices"**

3. Supreme Court data shows that the number of repossession writs lodged for the last twelve months hardly changed from the previous twelve months, despite enormous job losses.

4. According to statistics there are only approximately 35% of households who are mortgaged owner occupiers or investors. So not everyone who loses their job will be in the distressed mortgage category.

5. There are not enough houses being built to accommodate our increasing population and demand. This should provide a natural floor for our property market.

Based on all this one would expect that most home owners will be able to withstand temporary unemployment and we won't see a flood of forced sales or foreclosures coming onto the market and forcing it down.

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