



What effect would an interest rate hike have on property prices in Australia?

Economists & a few property analysts have predicted that house prices will drop this year and in 2023 due to rising interest rates. However, there is a high possibility that [property values will continue to increase](#). Let's dive right in and look at how past performances combined with our research process helped us arrive at this conclusion.

Australians who have bought a house recently have a mortgage that needs to be repaid with interest. We all know very well there has been an increase in interest rates recently in May 2022 and worry that the Reserve Bank may soon **increase interest rates further** to reduce inflation. Once inflation takes root, it is difficult to control. Economists fear that rising interest rates will make housing more expensive and lower buyer demand which in turn will lead to lower prices.

It makes sense that rising borrowing costs will lead to lower buyer demand, and consequently prices will fall. However, during this time, **property prices** have still risen when interest rates have increased as well.

Since the early 90s, the major banks have increased their standard variable home loan interest rates multiple times. The last increase in the official cash rate was over a decade ago in 2011.

While it is possible that property prices would have risen faster if interest rates had not risen when they did, the fact is that they didn't fall. This apparent contradiction is due to the fact that most property owners are resilient and immune to interest rate increases. One-third of our housing market is 100% owned with all mortgages paid off and no outstanding debt today.

Most of the owners are older couples and the reason they look to sell in most cases is to downsize. Interest rate increases are not likely to affect this section of property owners.

If your concern is still interest rates moving forward because of what the RBA has done recently, simply invest in development projects where the developer pays you a high return on your investment and capital is 100% secure regardless of how the property market reacts to

the interest rate changes from the banks or the reserve bank of Australia. This is an [investment opportunity](#) that you would find with Australian property developers who are involved in the development of an entire residential project, commercial and industrial projects, shopping centres and more.



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