Property investing bright spots amid Covid-19 uncertainty

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In spite of economic downturn due to Covid-19 outbreak, most people seeking to invest in property are seeing this as an opportunity to start investing through long-term strategy. The recent decision of RBA to drop interest rates was intended to protect the economic impact of the Covid-19 pandemic. With historic low rates at 0.25%, it is a good time to consider investing in property. In fact, with low rates and a good selection of property inventory, this gives investors more buying and negotiating power.

If you have a stable job and you qualified to invest in property, why not get in to property market. There is nothing to worry about, with low interest rates - now is the best time to get in to the property market.

There are also concerns of potential recession, which could result in loss of jobs, business activities slowing down and potential effect on property market – but should this worry people seeking to invest in property? Sure, our economy is facing some short-term challenges, and the share market is volatile, but the Australian property markets has been always performing relatively well against economic shocks. Investment properties are illiquid assets and consumption good, which shows far less volatility and decline than share markets.

Having said that, major share market losses are not necessarily predictors of declines in property market values. Share market and property market performs differently. When negative shocks occur, the effect on the property market varies. It changes depend on the level of impact on Australian industry in general. As quickly as markets falls, they will rise and long term, good quality property always present solid returns.

It is worth exploring how property market has historically responded to negative shocks. Looking back at the 1987 stock market crash “Black Monday” for instance, where home prices and unemployment rates increased. Was the rising unemployment rate “bad” for property market? A rising unemployment rate can sometimes be countered with falling interest rates (currently sitting at 0.25% record low), which might make borrowing more attractive, for example. Having said that, over a meaningful period of times yes, it is bad, but in light of what our property market has experienced in the past, the answer is “not always” – at least in the short term.

Considering that the government and the RBA’s are currently taking this coronavirus outbreak seriously by implementing measures to help struggling businesses and households, should be a great help in preventing a significant increase in unemployment. Although, one thing is certain — property transactions will likely moderate in the coming months due to social distancing and isolation measures. Just like other unprecedented events in the past, this will eventually settle down and you will expect a strong rebound by 2021.

In general, the potential impact of the coronavirus on the property market presents an opportunity for those who are willing to start investing in property in spite of this extraordinary global circumstances. Many are still getting in to property investment because of the potential for both appreciation and cash flow. If you are going to invest today, no doubt and look back in 5 or 10 years’ time, you would realise that the coronavirus outbreak period of 2020 as a thing in the past and a great property investment opportunity.

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