

Mentioning the “R” Word

I read with great interest the statement released by Westpac last week saying they believe interest rates “may have peaked”. In a sharp about-face, the bank’s now forecasting a full percentage-worth of cuts by the end of 2012.

Some will say it’s a radical stance. Mainly because although there’s been so much speculation lately, it’s been mostly around rate rises, not cuts. Regardless, I’ve been saying for some time the next movement has to be downwards.

Why? It’s only logical - interest rates in Australia are much higher than in most other countries around the world. It’s putting a lot of pressure on housing affordability and resulting in tight lending criteria by the banks. On top of that, a lot of people are feeling nervous given the global turmoil and talk of a second GFC. The planned Carbon Pricing Scheme is only adding to the uncertainty.

Behind all of this is the “**R**” word. It’s the economic condition no-one wants to talk about – **recession**. In my opinion, NSW, Vic and the ACT have been propping up the Australian economy for some time and the majority of QLD and WA (bar the miners) is already in **recession**. The word is patches of Sydney, Melbourne & Canberra are already coming off the boil. This must force the decision makers to **pull their heads out of the sand** pretty quickly and get interest rates down to a reasonable level to avoid a major slump. We need rates to come down by a full percent quickly to help stabilise the whole property market and spur construction and other segments on.

I see all of the perceived “**bad**” news we’ve had recently, as **tremendously good**. Did you know that eight times as many millionaires are created during a recession? The most successful entrepreneurs do the opposite of what everyone else does, seeing opportunities where others are paralysed by fear. I believe we’re going to see a major change in the market soon and there are many opportunities to capitalise right now.

Will you be taking advantage?

Michael Knights

If you wish to speak with Michael ‘one on one’ about Real Estate feel free to give him a call at anytime on 0409 018 778.