

### **The More You Know...**

Now that I've returned from my recent trip to New York, I've reached the conclusion that predicting the future of the local property market at this point is more impossible than ever. And I'm not one who's shy about making predictions whenever I can see patterns emerging - last time I did the trip to the US, I came back predicting major price falls locally over the subsequent 18 months which did actually eventuate. This time though, it's too close to call.

First, I'll take a step back and share a few interesting facts about the current state of the US property market. Perhaps most alarmingly, an incredible 78% of American property owners with a mortgage actually have negative equity – they owe the bank more than what their home is worth. You might remember me talking last week about no-recourse loans, where struggling borrowers can choose to simply hand back their keys to the bank and walk away from any outstanding debt, with no further liability. Well, 30% of those with negative equity are doing just that. There's no sign of recovery in the US market and it's not expected to even bottom out until mid-next year. Times are tough.

Overlaying all the statistics that give rise to real concern, the Americans are very worried about the Eurozone financial crisis, almost to the point of hysteria. Everywhere you look there are constant news bulletins about the situation and it's leading to a serious lack of confidence for the future.

Australians are far more relaxed around global issues in comparison. With the news that the Gold Coast has won the 2018 Commonwealth Games on top of other planned improvements in infrastructure, confidence is rising in some quarters of South East Queensland. But if there's one thing I have taken away from my study trip, it's that we're far from out of the woods. While I'm not suggesting we subscribe to panic, perhaps we should pay more attention to the fact that our future is still very dependent on what happens overseas. It's far from clear what that outcome will be.

The bottom line is that today's property decisions need to be based on what's in front of us right now, with consideration given to individual personal circumstances. There's no point in sitting on the fence - whether the market goes up, down or stays flat, there are plenty of good opportunities to capitalise on right now. The trick is in not trying to be too clever about what the future but to stay prepared for anything.

Looking forward to helping you make good property decisions,

Michael Knights