



More mortgage pain

Thousands face huge fixed-rate hike

by Jenny Rogers

THE interest rate hikes of the past few years are about to catch up and hurt many Gold Coast homeowners.

Thousands of Gold Coasters on fixed-rate loans, who have been immune to interest rate hikes, are about to cop a big hit in the hip pocket.

Independent property valuer and real estate consumer advocate Iain Herriot, a property valuer on the Gold Coast for the past 30 years, warned that many people were about to come off fixed-rate home loans and would be slugged hard when their current loans rose a whopping 2 to 3 per cent.

He said the rate rises had already

resulted in a large increase in the number of house repossessions and mortgagee sales on the Gold Coast.

Mr Herriot said the Gold Coast real estate market was facing a period of stress not seen since the property crash of 1988.

"In 2003 and 2004, many families took advantage of fixed-term home loans when interest rates were

relatively low," said Mr Herriot.

"The official cash rate back in November, 2003, was just 5 per cent.

"Over the next year, most of these fixed-term home loans will come to an end and people will have to either roll over into a new signifi-

cantly higher fixed term, or a variable rate home loan.

"There is a strong chance of more mortgage pain to come with many economists believing another interest rate rise is just around the corner, which will significantly affect an already deteriorating property market."

Variable home interest rates and fixed term rates are now nudging 9 per cent.

"In 2003, three to five-year fixed-term loans were well under 6 per cent," said Mr Herriot.

The rate hike means someone with a \$300,000 loan over a 25-year

period who comes off their loan today will be paying around \$600 more a month in repayments.

"The tough job of balancing the family budget is about to get a whole lot tougher for thousands of Gold Coasters," said Mr Herriot.

He said his office was already dealing with a large increase in the number of valuations for mortgagee sales and repossessions in the wake of the sub-prime mortgage meltdown and interest rate rises.

"The number of those valuations we are doing has increased significantly. We are now only in the first week of March and we have

already done 30 valuations for repossessions this month," said Mr Herriot.

"As an example, a house at Hope Island which was bought for \$2.6 million four years ago, we just valued at \$1.3 million.

"The banks don't like doing repossessions but the practical reality of the real estate market is it is likely to go into a state of stress we have not seen since (the crash of) 1988."

Mr Herriot is tipping a flood of investment properties coming on the market in the wake of rate hikes.

"The mum and dad investors who bought an investment property will be selling them off to save their family home," he said.