

# PHOENIX PROPERTY CONSULTANTS

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## What Happens If Interest Rates Rise

### Demand for Rental Properties Can Increase

- A rise in interest rates means many potential homebuyers can no longer afford to purchase a home for themselves so they are forced to rent a property instead.

### Rents Can Increase

- As demand for rental properties increases rents can also increase; and
- As interest rates rise many investors try to recoup their increase cost (mortgage payments) by increasing the rent they charge for their Investment Property.

### Property Prices Can Increase

- A rise in interest rates puts upward pressure on inflation; the higher the rate of inflation the higher the average increase in property values;
- An increase in rental income tends to increase the value of a property; and
- An increased in demand for rental properties also tends to increase the value of property.

### Historically a Rise in Interest Rates has Been

- Good News for Property Investors; and
- Bad News for Owner Occupiers with Mortgages.

### How Much Do My Repayments Go Up

- Based on an interest only loan of \$350,000 a rise in interest rates will have the following effect on your weekly repayments;

Rate Rise	Additional Interest	Marginal Tax Rate	Extra After Tax Cost
0.25%	\$875.00 pa	46.5%	\$9.00 / wk
		41.5%	\$9.84 / wk
		31.5%	\$11.53 / wk
		16.5%	\$14.05 / wk
		0.00%	\$16.83 / wk
0.50%	\$1,750.00 pa	46.5%	\$18.00 / wk
		41.5%	\$19.69 / wk
		31.5%	\$23.05 / wk
		16.5%	\$28.10 / wk
		0.00%	\$33.65 / wk
0.75%	\$2,625.00 pa	46.5%	\$27.01 / wk
		41.5%	\$29.53 / wk
		31.5%	\$34.58 / wk
		16.5%	\$42.15 / wk
		0.00%	\$50.48 / wk
1.00%	\$3,500.00 pa	46.5%	\$36.01 / wk
		41.5%	\$39.38 / wk
		31.5%	\$46.11 / wk
		16.5%	\$56.20 / wk
		0.00%	\$67.31 / wk

**Note:** The 'Marginal Tax Rate' includes the Medicare levy  
The 'Extra After Tax Cost' is the net additional interest payable per week after tax

The best time to plant a tree was 20 years ago – the second best time is now!

Chinese Proverb – Applicable to Wealth Creation and Property Investment

