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Investors reap reward of higher rates

SYDNEY — Rising interest rates are discouraging first home buyers and keeping them in the rental market, which in turn is good for property investors, a mortgage broker says.

Property investors, who say they aren't deterred by rising interest rates, can look forward to strong rental returns as larger numbers in the rental market keep rents from falling.

A survey released by online brokerage e-choice yesterday found that 41% of would-be investors would reconsider if rates rose by two percentage points compared with 53% current or prospective owner occupiers.

Executive director of e-choice's parent, Firstfolio, Mark Flack said the outlook was good for property investors as first time buyers were shying away from any prospective purchase.

"We believe more prospective first-home buyers will pull out of the market compared to property investors, and as such we see a great opportunity in the investment property market," Mr Flack said in the statement.

The e-choice survey found that between 20% and 22% of respondents listed government charges and securing financing as the two biggest concerns when considering buying property.

The lack of attractive property investment options came in third, with 15% of respondents citing it as a challenge when buying.