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Interest rate rises should keep the lid on the property market for a while yet.

IT'S one of those awful dilemmas for anyone wanting to get into the property market for the first time. Residential real-estate values have fallen in major capital cities such as Sydney and Melbourne, but is this the bottom and is it time to get in for a bargain?

For first home buyers, that initial plunge into the property market means stretching the personal finances almost to breaking point, so there is little room for mistakes.

So let's take a look at the state of play and try to polish the crystal ball.

First, interest rates, which have a major impact on the state of the market. The money market is telling us the professionals are expecting a 0.25 percentage point rise in official interest by the end of the year. The jury is still out on whether there will be a second rise after that, but you can almost count on that first one.

That prospect is likely to keep a lid on any increases in property values for the time being, so you needn't rush into any purchase. Just ignore the pressure from real-estate agents who claim you'll miss out on the next boom unless you jump in now.

As far as where the property market is in terms of the investment cycle, it depends on which capital city you're talking about.

Perth residential property is in the midst of a commodity-led boom, with buyers camping out all night for land releases. The big wages being paid by the mining industry are attracting workers from other states and creating a housing shortage.

If commodity prices fall and mining companies cut back their workforce, the Perth property market is set for one almighty crash. But at the moment it's hot.

As we all know, Sydney and Melbourne residential property values have fallen to levels of two to three years ago.

"It's a good time to look at buying because in a number of places prices have flattened or gone backwards, giving a good investment long term," Louis Christopher of Australian Property Monitors says.

"But make sure you buy a bargain and build two interest rate rises into your budget."

In terms of affordability, Sydney used to be twice as expensive as the rest of the country. But after this latest downturn it's back to comparative levels of 1995.

Likewise, Australian Property Monitors says, the Melbourne residential market is close to the bottom. So all the indicators point to it being a good time to start looking in Sydney and Melbourne.

If a bargain presents itself, be confident



The key is to ensure that, as a first home buyer, you know your budget. Be realistic to ensure you won't get yourself into trouble with interest rates.

That means building in your legal costs and any stamp duty, although most states offer a deal for first-timers.

Make sure you get the finances sorted before you start looking. Visit your financier and get an idea of your limits and stick to them.

Make sure you bargain on fees and rates. You'll be amazed at some of the deals financiers are offering.

When you're interested in a particular property, grab a copy of the contract and make sure you get it checked by a solicitor before signing.

And there is no substitute for wearing down the shoe leather. Get a good understanding of

properties before settling on one. Yep, 50.

Look at all listings in your target area, visit the local council to make sure there are no highways or nuclear reactors planned for next door.

The only way you will be able to make a decision on purchasing a property is to be confident you have the knowledge that you're paying an appropriate price.

► FIVE THINGS TO DO

Before you buy...

- Know your budget.
- Be realistic.
- View at least 50 properties.
- Visit the local council.