PIPA ADVISER

ISSUE #6

For members of the Property Investment Professionals of Australia

How did the market *really* perform in...

2017?

PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA

PIPA *mission:*

PIPA (Property Investment Professionals of Australia) has been formed by industry practitioners with the objective of representing and raising the professional standards of all operators involved in property investment.

The *PIPA ADVISER* is a bi-monthly title published six times a year by PIPA (Property Investment Professionals of Australia) www.pipa.asn.au

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PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA

It's been an interesting year...

Welcome to the sixth edition of the *PIPA Adviser* – your bi-monthly member e-magazine – and my first Chairman's column.

It was a privilege to be elected as PIPA's chairman at the November board meeting and I look forward to representing the association in 2018 and beyond.

I want to personally thank outgoing chairman Ben Kingsley for his dedication over the past five years.

Ben has helped steer the association towards a strong financial position with membership growing by more than 10 per cent year on year and QPIA student numbers increasing by 20 per cent annually, too.

PIPA's brand awareness has also strengthened as has its profile and influence with government.

As we head into the Christmas and New Year period, I think it's safe to say it's been an interesting year for the property market and sector.

The APRA lending restrictions are having an impact on the market with investor numbers decreasing in Sydney and Melbourne, with prices also softening.

Of course, we all want a sustainable marketplace so this correction is more good than bad in my opinion.

However, the law of unintended consequences has not been fully realised yet, as the tighter lending environment has made it difficult for potential buyers in markets that were far from booming, including Perth and Brisbane.

The first six months of 2018, therefore, is likely to see a continuation of the current market and lending conditions, until the APRA handbrake is released.

Next year, the PIPA board will be continue to actively promote the association to consumers and government.

We have also committed to reviewing the QPIA program as well as to investigate transitioning it into an online format.

In the New Year, we will be distributing our annual Member Survey so please keep an eye out for it so we can learn what matters to our members the most.

Thank you for your continued support during a year when we have increased our membership offering as well as grown PIPA brand awareness significantly.

I hope you have a wonderful Christmas and New Year.

PETER KOULIZOS
PIPA CHAIRMAN

PIPA mediakit

The Property Investment Professionals of Australia (PIPA) is the peak national property investment industry association. Our members subscribe to a Code of Conduct which considers all consumers and commits to disclosure and a high standard of best practice.

The ***PIPA Adviser*** is a bi-monthly industry e-magazine that features the latest industry news, research and state market analysis as well as PIPA happenings including upcoming events and media mentions.

Delivered to hundreds of PIPA members every two months, the ***PIPA Adviser*** has a potential reach of thousands of property investment professionals across Australia.

As the only e-magazine dedicated to the property investment advice sector, the ***PIPA Adviser*** offers advertisers the unique opportunity to reach a dedicated and sophisticated audience of property investment professionals.

Membership of PIPA is open to all professionals working within the field of property investment advice and can include:

- Qualified Property Investment Advisers (QPIAs)
- Mortgage brokers
- Tax accountants
- Buyers' agents
- Financial planners
- Conveyancers, solicitors and lawyers
- Education and research providers
- Property managers
- Building and/or pest inspectors
- Licensed builders
- Developers
- Quantity surveyors
- Real estate sales agents
- Licensed valuers.

ADVERTISING DEADLINES AND PUBLICATION DATES:

ISSUE	ADVERTISING DUE	DISTRIBUTION
February 2018	2 February 2018	27 February 2018
April 2018	6 April 2018	27 April 2018
June 2018	1 June 2018	29 June 2018
August 2018	3 August 2018	31 August 2018
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December 2018	2 November 2018	27 December 2018

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PIPA

market update

SIMON PRESSLEY
Head of Research, Propertyology and PIPA member.

Hobart's rise set to continue in 2018

Sydney's property market has already cooled and Melbourne's is expected to be not too far behind, however, a bigger property boom is about to unfold elsewhere.

Hobart has the potential for price growth to push past 20 per cent during the 2018 calendar year – well above the best years produced by both Sydney and Melbourne during their boom and the highest annual price of any capital city for 10 years.

Hobart's growth cycle today is comparable to where Sydney was in 2014. All of the metrics which we analyse suggest that, all things being equal, the 15 per cent price growth from 2017 will be surpassed in 2018 and that there's currently no end in sight.

Sydney and Melbourne have concluded their fifth strong year whereas Hobart's growth cycle didn't commence until 2016.

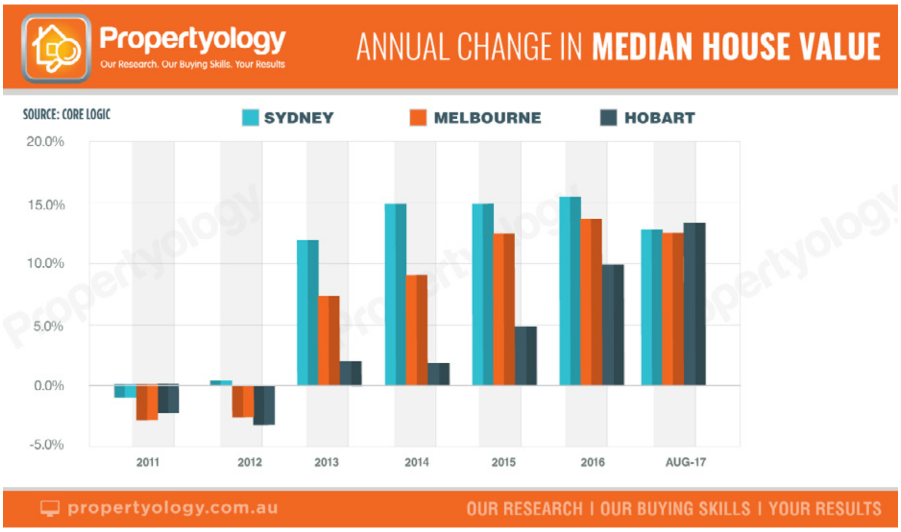
Both Domain and CoreLogic confirmed that Hobart was Australia's best performer in 2017.

Hobart has an enormous head of steam. The numbers of properties listed for sale now is less than half what was available a few years ago.

Our buyer's agents have missed out on numerous properties to people who have been prepared to pay up to 10 per cent more than us. It's like a flock of seagulls fighting over a chip.

Of the seven city councils which make up Greater-Hobart, Clarence, Glenorchy, Hobart City, and Kingborough are the best markets.

> *It's like a flock of seagulls fighting over a chip.*



DEMAND INCREASING

Affordability and the significant improvement in Tasmania's economy are driving housing demand while supply is incredibly tight.

Most Australians don't realise that Hobart's increase in job volumes over the last 12 months is four times the national average and more than double that of the next best capital city.

Tasmania is building an international reputation for world-

> ***The pipeline of infrastructure and major job-creating projects is diverse and extensive.***

class agriculture, unique tourism experiences, and advanced manufacturing. Hobart is also a university city. The economy is firing up.

After correctly anticipating the resurgence of Tasmania's economy, Propertyology commenced actively investing in Hobart property in 2014.

The transformation has already been remarkable and we feel that few people appreciate that even more exciting times are ahead.

The pipeline of infrastructure and major job-creating projects is diverse and extensive.

Big international brands like Hyatt, Marriott, Fragrance Group and others are expected to commence work on several new luxury hotels over the next year or two. There are plans to extend the Hobart Airport runway to accommodate direct flights from Asia, which has already produced record volumes of visitors from business delegates and tourists to Tasmania.

NEW INFRASTRUCTURE

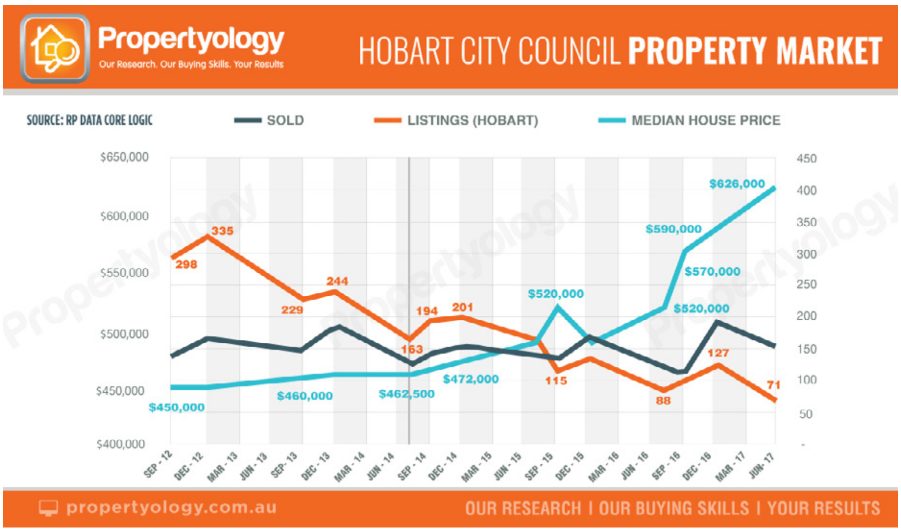
The state's biggest tourist attraction, the Museum of Old and New Art (MONA), has plans for jaw-dropping expansions that include a luxury hotel wing that hangs over the Derwent River and a high-roller casino.

Submissions have been sought for a multibillion-dollar proposal to redevelop waterfront land in Hobart's heart, Macquarie Point, in to an iconic cultural precinct that will draw people from all over the world for a truly unique experience.

Other major job ceating projects include a $700 million upgrade of the state's biggest hospital, a new university, and a $400 million technology hub in the CBD with facilities for up to 3,000 students.

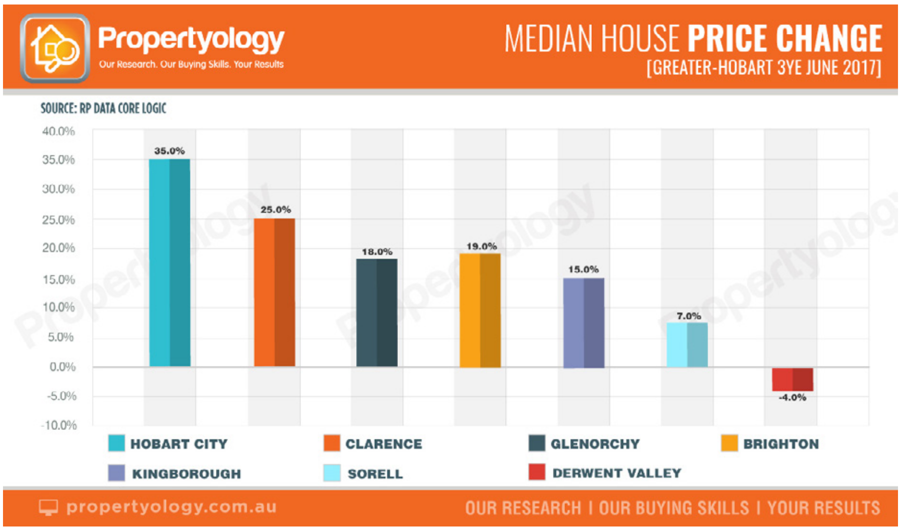
Greater-Hobart's population growth rate of 0.9 per cent in 2016 was higher than New South Wales' Central Coast and Adelaide.

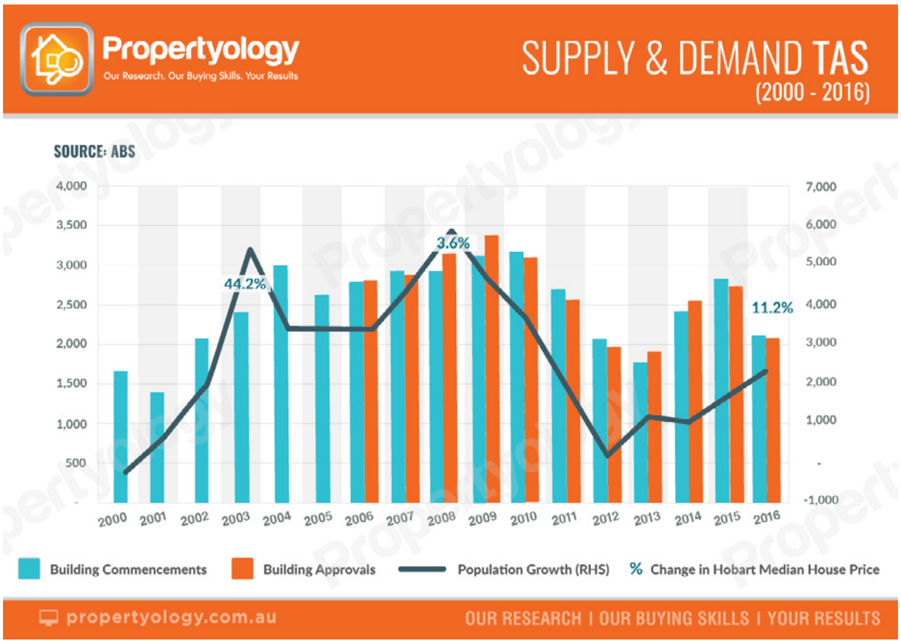
Housing demand in Australia's most affordable capital city is largely driven by local confidence from the rapid job improvement. Now that the capital growth is there for all to see, mainland



investors are appreciating that Australia's highest rental yields mean that the cost to hold a property in Hobart is effectively nothing.

Hobart's vacancy rate of 0.4 per cent is the lowest on record for any capital city and I believe that rental pressure will intensifying even further. Whereas big cities like Sydney, Melbourne and Brisbane are now seeing record volumes of new supply hitting the market, Propertyology refers to the low building approval volumes in Hobart.





With a median house price that is approximately one third of Sydney's, Hobart is a considerably less risky bricks-and-mortar proposition.

Hobart is the only location in Australia which has the combination of an affordable entry price, an economy which is already strong (and still improving), hardly any impact on investor's annual cash flow, and a tight supply pipeline for as far as the eye can see.

The 15 per cent headline capital growth rate over the past 12 months is dragged down by the lower rates of growth in Hobart's urban fringe. With rates of supply tighter than anything we've seen, it's quite conceivable that property prices in metropolitan Hobart could exceed 20 per cent next year and beyond.

> ***Housing demand in Australia's most affordable capital city is largely driven by local confidence from the rapid job improvement.***

How did the market *really* perform in... 2017?

PETER KOULIZOS
Chairman, PIPA

As the year comes to a close, it provides us with a good opportunity to look back and evaluate the performance of the property market.

This year has demonstrated two key components of our property market. Firstly, our property market is no different to any other market around the world as markets move in cycles; they have their ups and their downs.

Secondly, there is not just one Australian property market – our residential property market is made up of a variety of many small markets.

PROPERTY CYCLES

Many property commentators and so-called "experts" continued to push the point that the booming Australian market slowed in 2018. Some braver so-called experts have predicted a crash in the property market, led on by the fact that Sydney property prices fell by one per cent in the last quarter.

Before we all get too excited, let's just put everything into perspective.

The past few years have seen very good property prices in our two largest cities but this was not a national property boom. Check out the statistics adjacent for some historical national property booms.

An increase of 132.5 per cent in just one year, now that's a boom!! An increase of 171.4 per cent in two years, that's a boom!

The increases in property prices (mainly in Sydney and to

> ***Our property market is no different to any other market around the world.***

> ***We need to remember that there are markets within markets.***

PETER KOULIZOS
Chairman, PIPA

PROPERTY BOOMS

TIME PERIOD	YEARS (FINANCIAL YEARS)	PERCENTAGE CHANGE
Best 1 Year	1949-1950	+132.5%
Best 2 Years	1949 - 1951	+171.4%
Best 5 Years	1949 - 1954	+172.4%
Best 10 Years	1949 - 1959	+263.1%
Best 20 Years	1969 - 1989	+941.5%

Source: ABS and N. Stapledon

a lesser extent Melbourne) have experienced in the past few years pale into insignificance when we compare them with some of the national property booms of the past.

PROPERTY BUSTS

I agree that Sydney prices have fallen slightly but that doesn't mean that all of us are in for a national property bust. See below for some data on our historical property downturns.

There are variety of reasons why our property prices have boomed and then slowed but historically it has been caused by global events such as World War II and more recently, the Global Financial Crisis (GFC).

The important point to remember is that the property market moves in cycles and the price increases (or decreases) we have experienced are just a normal part of the property cycle.

PROPERTY MARKETS

As mentioned earlier, there is not just one Australian property market; there are many ways we can categorise property markets.

For example, we can group property markets based on geography e.g. Victoria, South Australia, Queensland, etc. We can group them into smaller geographical markets such as regional and metropolitan areas. We can go even smaller and categorise them by suburbs.

We can also categorise property markets based on property type. For instance, the Australian Bureau of Statistics (ABS) groups

> ***The capital city property market to watch in 2018 will be Brisbane.***

PROPERTY BUSTS

TIME PERIOD	YEARS (FINANCIAL YEARS)	PERCENTAGE CHANGE
Worst 1 Year	1961	- 9.4%
Worst 2 Years	2010 -2012	-4.4%
Worst 5 Years	1944 - 1948	0.0%
Worst 10 Years	1940 - 1949	+26.1%
Worst 20 Years	1952 - 1971	+192.6%

Source: ABS and N. Stapledon

property into separate houses, semi-detached/row or terrace/townhouses and flats/apartments.

When we look at some of our geographical markets, we can see that some capital cities have performed better than others. The ABS data shows that Perth and Darwin property prices have dropped in the last 12 months. As a matter of fact, Perth and Darwin have similar house prices to seven years ago! In contrast, the other capital cities have all shown increases in their house prices in the last 12 months.

If we look at our markets based on property type, there are more contrasts. According to CoreLogic, the Brisbane house market is up 3.5 per cent over the last 12 months but the unit market is down 1.5 per cent. In the same time period, the Darwin house market is down 3.4 per cent but the unit market has taken an even greater hit as prices have dropped 9.7 per cent.

I could go on and on about different property markets but the point I am trying to make is that if we are going to make comments about the property market, we need to remember that there are markets within markets.

Enough about the past, what about a glimpse into the future?

WHAT'S AHEAD IN 2018?

Next year promises to be another interesting year so far as property is concerned. The "property party" is well and truly over in Sydney and Melbourne. The Melbourne property party is about to shut its doors but the Sydney property market is suffering a hangover, as evidenced by the one per cent drop in property prices mentioned earlier.

In Hobart, the property party is only just getting started and we will see further price rises during the next 12 months. Adelaide will continue to be a steady performer with moderate price increases in 2018.

In my opinion, the capital city property market to watch in 2018 will be Brisbane. Due to a combination of increasing underlying demand and most importantly, the property price differential between Sydney and Brisbane, we will see many people sell their houses and move from Sydney (and retire/semi-retire) to Brisbane.

This has happened in the past and I can see it happening again. A typical Sydneysider in their 50s or 60s is living in a home which is worth well more than $1 million. They can sell their highly priced home, downsize (but not downgrade) and buy a lovely home in Brisbane or southeast Queensland for less than half of the value of their Sydney home and pocket the rest to help them live well in retirement/semi-retirement.

In future articles I will further expand on what is happening in our property markets so as to provide some analysis and commentary that you as valued members of PIPA can use when talking with your clients.

As your new chairperson, I wish you all a safe and prosperous New Year and look forward to meeting and talking with you in 2018.

BRADLEY BEER
CEO, BMT Tax Depreciation

New depreciation legislation for Australian property investors

In one of the most dramatic changes to property depreciation legislation in more than 15 years, Parliament passed the Treasury Laws Amendment (Housing Tax Integrity) Bill 2017 as at Wednesday 15th November 2017, with the Bill now legislation.

The new legislation means owners of second-hand residential properties (where contracts exchanged after 7.30pm on the 9th of May 2017) will be ineligible to claim depreciation on plant and equipment assets, such as air conditioning units, solar panels or carpet.

The good news is that there are still thousands of dollars to be claimed by Australian property investors, as there has been no change to capital works deductions, a claim available for the structure of a building and fixed assets such as doors, basins, windows or retaining walls. These deductions typically make up between 85 to 90 per cent of an investor's total claimable amount.

Previously existing depreciation legislation will be grandfathered, which means investors who already made a purchase prior to this date can continue to claim depreciation deductions as per before.

Investors who purchase brand new residential properties and commercial owners or tenants, who use their property for the purposes of carrying on a business, are also unaffected.

Owners of second-hand properties who exchanged after 7.30pm on the 9th of May 2017 will still be able to claim depreciation for plant and equipment assets they purchase and directly incur an expense on.

To read more about the new depreciation legislation and how this applies to a range of property investment scenarios, download our comprehensive white paper document Essential facts: 2017 Budget changes and property depreciation.

It's more important than ever to work with a specialist quantity surveyor to ensure that all deductions are identified and claimed correctly under the new legislation. Each and every BMT Tax Depreciation Schedule will be tailored to suit an individual's property investment scenario, ensuring that all deductions are maximised.

For investors who are planning on selling a property affected by the new rules, a BMT Tax Depreciation Schedule can be provided to assist them and their accountant to perform a calculation adjustment for CGT liabilities.

For further information on any property investment scenario, speak with one of the expert staff at BMT Tax Depreciation on 1300 728 726.

PIPA

in the news

Despite Challenges, Investors Remain Bullish

Despite tightened lending conditions, the prospect of price bubbles, and pockets of oversupply, Australia's property investors remain bullish.

http://bit.ly/PIPA-006-15A

Investors are looking at new options

In the face of tighter lending conditions, more property investors are choosing to use mortgage brokers to secure finance.

http://bit.ly/PIPA-006-15B

Mail-Times

Lack discipline? Maybe a line of credit isn't for you

Lines of credit on home loans are a relatively new product in the mortgage marketplace. But the problem is that it can be tempting for borrowers to use them as a cash machine that they never have to repay.

http://bit.ly/PIPA-006-15C

mortgagebusiness

PIPA announces changes to leadership team

The Property Investment Professionals of Australia has announced changes to its leadership team, after property expert Ben Kingsley stepped down as chairman.

http://bit.ly/PIPA-006-15D

new members

***PIPA** welcomes our newest members and QPIAs...*

CORPORATE MEMBERS

- KEVIN TURNER
  Real Estate Talk & Real Estate Uncut
- MARCUS ROBERTS
  Brighter Finance
- BRENDAN DIXON
  Pure Finance
- PETER FRY
  Utopia Rentals

CORPORATE MEMBERS & QPIA

- JEANNE MOTTERAM
  Colomba Property Pty Ltd
- VERONICA MORGAN
  Good Deeds Property Buyers

INDIVIDUAL MEMBERS

- ISSER FEIGLIN
  Earlybird Property

QPIA

- MATTHEW SKEHAN
  Empower Wealth
- RICH HARVEY
  Property Buyer
- MATTHEW BARNES
  We Find Houses

PIPA

pipa profile

*New PIPA Board Member **Paul Glossop** is also the Director of Sydney's Pure Property Investment and was previously a teacher, too.*

CAN YOU PLEASE TELL US MORE ABOUT YOUR BUSINESS?

Pure Property Investment represents the investors in the real estate process. We are a fee for service company. Our research, industry relationships and distinct negotiation skills truly give us a distinct advantage within a busy market place.

We are a small team with a true bespoke focus on each client's specific goals and objectives. Our service and company mission ensure that we employ a zero compromise on the overall quality we provide, and the end customer experience.

From our initial consult to formulating our client's specific strategy and objectives, defining their search criteria, sourcing and negotiating the correct property at the right price and managing the entire settlement process. We are a true end to end service for our clients.

HOW LONG HAVE YOU BEEN A PROPERTY INVESTMENT PROFESSIONAL AND WHAT WAS YOUR PATHWAY INTO THE PROFESSION (INCL. OTHER CAREERS)?

My career and journey to this point has been initially as a student of architecture over 15 years ago now, then graduating with a Bachelor of Education. I've been a student of property and the fundamentals ever since (in which I will always be).

My career has also been exposed to some of the biggest corporate companies in the world where I held a variety of positions and ultimately learning the fundamentals of research and processes in which we implement on a daily basis within Pure Property Investment.

Over the past decade, I personally have applied my skills and knowledge to build a property portfolio with a focus on a wide range of property types and locations.

QPIA is the current benchmark in the property investment industry.

HOW LONG HAVE YOU BEEN A MEMBER OF PIPA?

I have been a member of PIPA for three years.

HOW DID YOU FIND OUT ABOUT THE ASSOCIATION?

I first learned of PIPA through the Sydney Property Buyers Expo and after doing some further reading and investigation on the association, it was apparent that PIPA represented the investor within the industry and this was something I had a strong belief in.

WHAT WERE THE MAIN CHALLENGES OF BECOMING A PROPERTY INVESTMENT ADVISER?

Truly, the challenge for all property investment professionals is the ongoing dedication to learning. This is actually a very enjoyable part of my role, however, there are dozens of hours each month in which myself and my team must continue to allocate to our ongoing research and education to ensure we are as up-to-date as possible on all facets of the property industry.

HOW DOES PIPA SUPPORT YOUR BUSINESS AND ITS GROWTH?

PIPA supports Pure Property Investment with ongoing education and regular market/industry updates, PIPA also supports property investment professionals by way of consistent lobbying of government and industry bodies to ensure the true voice and rationale of all property investors is heard.

HOW WILL THE QPIA QUALIFICATION HELP YOU TO ATTRACT NEW CLIENTS OR DEEPEN EXISTING CLIENT RELATIONSHIPS?

QPIA is the current benchmark in the property investment industry and will give confidence to all investors, knowing that we have undertaken current and rigorous upskilling to maximise our offering.

WOULD YOU RECOMMEND OTHER PROPERTY INVESTMENT PROFESSIONALS TO BECOME MEMBERS OF PIPA? WHY?

Most certainly, I would strongly advocate all investment professionals to become PIPA members to be part of the movement to set industry minimum standards and expectations.

It's vital to the growth and legacy of the property industry that all property professionals align themselves with a strict industry code and framework, which PIPA provides, to give the end client (property investors) confidence in the service our industry provides and ultimately grow our young industry as a whole.

INTERESTED IN BEING A PIPA MEMBER PROFILE IN THE PIPA ADVISER? EMAIL US...

corporateaffairs@pipa.asn.au

YOU WERE RECENTLY ELECTED AS A PIPA BOARD MEMBER. WHAT MOTIVATED YOU TO NOMINATE FOR THE BOARD AND WHAT DO YOU HOPE TO BRING TO THE ASSOCIATION?

My passion for education and desire to want to be part of something bigger is what motivated me to put myself forward for the PIPA board.

My experience in both the property industry, and as a teacher, will allow me to bring a distinct ability to drive the ongoing education piece and help develop education opportunities for both new and current PIPA members.

WHAT'S NEXT FOR YOUR BUSINESS IN THE NEXT 12 MONTHS AND BEYOND?

Within Pure Property Investment, our next 12 months focus is on bettering our internal systems and process to maximise our outcomes. We have also recently invested in some state of the art technology to increase our clients overall experience using the services of Pure Property Investment.

We have also recently launched our Owner Occupier Buyers Advocacy arm with our immediate focus to service our Sydney-based clients who are wanting to buy their own home. If the past 12 months is anything to go by, the next 12 months will be very busy and our team are welcoming the challenge.

BY THE AUSTRALIAN HOUSING AND URBAN RESEARCH INSTITUTE (AHURI) – QUEENSLAND, UNSW-UWS, AND SWINBURNE-MONASH RESEARCH CENTRES

What motivates investors?

What motivates people to become rental investors? What factors drive or shape their investment behaviour, and how are their experiences and intentions as rental investors linked?

While our understanding of the private rental system in Australia has improved considerably over the last decade or so, most of the literature discussing investor motivations and landlord typologies dates back to, or is drawn from, data relating to the 1980s or early 1990s.

Gaps in our knowledge and understanding of the providers of rental housing remain, and an up-to-date analysis of investors operating in contemporary rental housing markets is required.

Analysts typically view housing investment through the prism of orthodox economic theory about how markets operate. This leads to an assumption that the behaviour of rental investors is economically rational, and driven by financial considerations alone.

However, as Diaz (1999) suggests, “The essence of property is human behaviour...Economic activity is human behaviour ...”. The present study was principally concerned with gaining new insights into the motivations,

> ***There is a range of motivators for people to become investors.***

expectations and experiences of rental property investors in a more social behavioural sense, and in exploring the implications of those investment motivations and behaviours for the future of rental housing investment. The project sought to:

- Explore the varying motivations, expectations and experiences of rental property investors, and consider how these might vary between investors
- Assess how the motivations, expectations and experiences of rental property investors shape investor behaviour
- Assess how investors perceive investing in the lower end of the rental market
- Provide a better understanding of investors' experiences, motives and actions, as well as the perceptions of investors' behaviours among other key players in the rental sector.

WHY BECOME AN INVESTOR?

This study suggests that there is a range of motivators for people to become investors, including financial factors, personal goals, and personal and family circumstances. In some cases, the motivations are strong and clear; in others they are much less so, being more speculative or exploratory.

For some investors, seeking financial gain through investing is about embarking on a clear plan of wealth creation, developing long-term financial security and building an asset base, and securing future retirement income. For others, it is connected to the need to diversify investments, to spread financial risks, establish an alternative to superannuation, and build a balanced portfolio.

Financial capability or opportunity is critical in both cases: having accrued enough savings or equity (usually in their own home) over time, or having access to funds after the sale of property, led to a sense of the "need" to invest.

For other investors, the motivation to invest appears to be less planned. In some cases, this is because the capacity to invest is linked to having unexpectedly come into assets or funds via inheritance, or changes in personal circumstances, such as re-partnering or geographic relocation.

WHAT'S THE ATTRACTION OF PROPERTY OVER OTHER AREAS OF INVESTMENT?

This study indicates that the binary of choosing to invest in property, rather than some other area of investment is, in practice, misleading: most of the property investors interviewed also invest in other areas, mainly shares. It's not an either/or decision for many people.

However, shares are generally seen as being of a different (i.e. lower) order and scale to property, and are treated accordingly. It also transpires that many investors have previously lost money in shares, and are not keen to repeat the experience. Regardless of whether they have owned shares or not, there are several reasons behind investors' choice to invest in property over other forms of investment.

The most crucial perception is that it represents a good (long-term) investment, with a sense of "low risk" and "guaranteed" return. Most investors have identified "long-term investment" or "capital gains" as the most important reason for having invested in property.

A related significant factor is that investors report feeling "comfortable" with property: it is safe, stable, and familiar (particularly when compared with shares).

Indeed, sentimentality and informality appear to be important, for property is widely regarded as something relatively easy to invest in (not mysterious or complex like some other investments), with the general impression that "lots of people do it".

Investors also feel a sense of control with property: a tangible product; one that can be seen and visited, and potentially adapted or used in various ways. Overall, "market conditions" – where in the property cycle people have invested, and what is happening in terms of property trends – are seen as being of some importance, but are often linked to the other factors mentioned above.

For many, market timing issues are countered by the greater significance of personal circumstances, and the capacity to invest. Indeed, it is important to acknowledge that financial motivation is only part of the overall story!

There is also a mixture of other motivators for having entered the investment sector, including direct encouragement by family or others, such as estate agents or developers; observing the success of others (ranging from siblings, parents and children to accountants, friends and employers); and having read investment books or attended seminars associated with wealth creation specialists. Some simply have had "the means and the opportunity", but little clearly developed strategy other than "feeling good".

FACTORS SHAPING WHERE AND WHAT INVESTORS BOUGHT

This study suggests that location is an important consideration, but often only one of many factors which influence investment decisions. There are also competing priorities in terms of location. Overall, there is a desire for the property to be close to transport and services – factors considered attractive to tenants.

Some see inner-city areas as best, offering guaranteed occupancies due to the demand for inner-city living, and also the certainty that property prices would always increase. However, this is not a universal preference. Some select other urban and regional areas, either through choice or because of the comparatively higher prices of inner-city property.

There is also a desire to be close to the property for self-management or surveillance purposes, so the location of the investor's residence then dictates the location of the investment property.

For others still, there are broader or longer-term considerations: the prospect of a future or present home for kids at university, or a holiday/retirement home, and familiarity and comfort with specific areas. In many of the latter cases, projected property value or rental income is not the primary consideration.

When it comes to individual property selection, investors are generally concerned with the physical features and condition of a dwelling, and its investment economics, but how they "feel" about the place is also significant.

Personal, intuitive and emotional factors are evident in the selection process, and many investors use their own preferences as a measure of quality, even though they are not going to be living in the property.

INVESTOR EXPECTATIONS AND EXPERIENCES

This study illustrates how investors' motivations are linked to a degree with expectations, and that for some, they are also connected to past and present experiences as an investor.

Investors view "success" in different ways, but most commonly, capital gains over the longer term is what they expect, and this is how success or otherwise in property investment is assessed.

Investors generally accept that costs may well outweigh returns initially, and that positive returns are unlikely until a number of years down the track. In this context, for most participants, negative gearing is not a deliberate investment strategy, and has not been a crucial factor in their investment decisions. However, nearly all regard it as a "welcome and generous tool" or "added bonus". There is also the "succour of success": previous and current experience has kept investors in the property investment market. Nearly all who had been in the market for several years, and many of the more recent investors, have experienced what they regard as "success" (mostly in terms of increasing property values).

New and seasoned investors

alike report very high rates of satisfaction with various aspects of their property investment, including yield, capital gain, and property and tenancy management. These perceptions provide an ongoing incentive for investors to remain in the property market, to increase their portfolio, to consolidate, or to start realising their assets as part of their investment strategy.

INVESTMENT ATTITUDES OVER TIME

For some investors, time brings shifts in motivation and emphasis. In some cases, these are due to greater experience and increased level of knowledge, where the rationale and objectives of being a rental investor becomes more nuanced over time.

For others, changes in personal circumstances and concerns, or financial or other objectives come to the fore. A common critical factor is age and proximity to retirement, or the formal planning for it.

Most investors see capital gains as more important than rental income over the short-, medium- and long-term. Indeed, nearly all regard property as the "best investment", and some said they would still invest in property, even if returns were clearly higher in other areas (e.g. shares). However, they are split pretty evenly on whether they would have invested if negative gearing had not been available.

These sentiments then raise the question: Why sell? Some investors we spoke to had recently sold property/ies or are either considering or intending to sell in the immediate future. Others are not intending to sell in the near future, but have considered the factors or circumstances that might lead them to do so. The critical deciding factors varied, but age and personal circumstances appear to be the dominant considerations for all these groups. Market conditions proved less significant than might be expected.

MAKING SENSE OF ALL THIS TO COMPREHEND INVESTORS AND THEIR DECISION-MAKING

This study contributes to our understanding of investment behaviour and the attitudes of rental property owners, and in so doing, raises important policy questions about the capacity of governments to shape investment patterns.

It would seem that the picture of the sophisticated, well-informed and economically rational investor does not well describe the norm among rental investors. A mix of "bounded rationality" and "emotional opportunism" is perhaps a better descriptor of how people approach the housing market as prospective rental investors.

Investors come in and out of the market all the time, driven by a mix or array of financial incentives, situational circumstances, market conditions, personal goals and other influences. They are not driven by economics alone, and so the capacity to shape their behaviour (and thus present investment patterns overall) on that basis is often limited. When the economics are paramount, investors usually have their eye on the long-term capital growth picture.

DOWNLOAD

An abridged version of the Executive Summary from the *Understanding what motivates households to become and remain investors in the private rental market* report.

To download a full copy of the report, click here.