PIPA ADVISER

ISSUE #21

For members of the Property Investment Professionals of Australia

WHAT'S ON THE PROPERTY HORIZON FOR 2021?

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 quarterly title published four times a year by PIPA (Property Investment Professionals of Australia) www.pipa.asn.au

PIPA BOARD CHAIRMAN
Peter Koulizos

PIPA BOARD OF DIRECTORS
Margaret Lomas, Steve Waters, Nicola McDougall, Paul Glossop, Kylie Davis, Richard Crabb, Geoff White and Tim Ford.

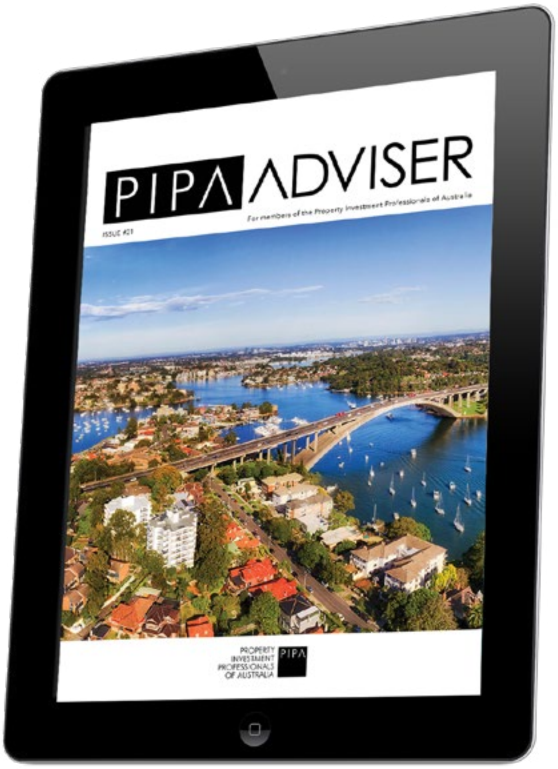
CONTACT US
PO Box 5400, Chittaway Bay
NSW 2261
T 02 4302 1624
F 02 4353 3506

MEMBERSHIP ENQUIRES
T 02 4302 1624
E membership@pipa.asn.au

EDITORS
Nicola McDougall/Kieran Clair
E enquiry@bricksandmortarmedia.com.au

GRAPHIC DESIGNER
Chole Tremble
E info@dachboard.com.au

contents



The end of the most challenging of years

I don't think I'm the outlier when I say we will all be very glad to see the back of 2020 soon.

The start of this year brought so much promise to markets across the land, which were then dashed when the pandemic landed on our shores.

Markets were locked down, along with us physically, too, and the future was very uncertain indeed.

However, here we are, with borders reopened (apart from internationally) and property markets poised for even better conditions next year.

But once-in-a-generation interest rates are but one of the factors that are underpinning rising markets around the nation.

The well-considered HomeBuilder grant is another factor, as well as myriad multibillion-dollar major infrastructure projects in major and regional markets.

Indeed, next year, could be the best one that our industry has collectively experienced for many years with all markets poised to record positive conditions at the same time.

However, with such promise comes the challenge of spruikers reappearing, which is why PIPA will be on the front foot again next year to secure legislative change in the provision of property investment advice.

I am pleased to announce that PIPA will restart our very popular breakfasts next year, too!

The first one will be the renamed 2021 PIPA Queensland breakfast seminar on Thursday 15 April in Brisbane, which is open to all members and non-members.

PIPA has secured two of the biggest names in property for the first breakfast with REIQ CEO Antonia Mercorella and CoreLogic Head of Research Tim Lawless confirmed as the two guest speakers. You can register here.

Our intention is to hold a breakfast in Sydney and Melbourne later next year, but with different line-ups, so keep an eye out for more information on these.

PIPA remained very active in the media during the year, featuring in nearly 900 media stories around the nation, which had an advertising value of nearly $6 million for our members.

We also launched successful marketing campaigns for the QPIA to increase the numbers of qualified professionals and welcomed a significant number of new PIPA members this year as well.

All of these factors mean that your association is finishing this most challenging of years in the best financial shape in its history.

I want to personally thank each and everyone of you for your continued support during this unprecedented time.

I look forward to seeing you next year and I truly hope that you and your families have a peaceful and joyful holiday period.

PETER KOULIZOS
PIPA CHAIRMAN

PIPA in the news

PIPA is a regular commentator and expert source in property-related stories across the nation. Below are a selection of articles from recent months. For more articles visit the PIPA website.

Sound Telegraph

Investors rush back in

Perth's investor market is bouncing back, with more and more people optimistic about property market conditions, according to experts in the field.

Read the article

Canstar

How property managers can help with investor research

A significant change in investment strategy has also been the increase in interstate property purchases, so investors can benefit from market cycles in different locations.

Read the article

new members

***PIPA** welcomes our newest members...*

INDIVIDUAL MEMBERS

- TIM GILDERDALE, *The Equity Game*
- AJITH YARRAMREDDY, *Property Invest Advice*
- NEDILJKO TICIC, *Evermore Partners*
- GREVILLE PABST, *Greville Pabst Property Advisory*

QPIAS

- TIM GILDERDALE, *The Equity Game*
- AJITH YARRAMREDDY, *Property Invest Advice*
- HADYN HEWITT, *Empower Wealth*

CORPORATE MEMBERS

- LACHLAN VIDLER, *Atlas Property Group*
- CHRIS CHILDS, *QPIE*
- PETER DJOLIC, *HtAG*
- JIM DIONYSATOS, *Landen Property Group*
- DAVID TIMBS, *Buildup Buyers Agents*
- MATTHEW HOWARTH, *Buildup Buyers Agents*

PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA

Is a structural shift in housing demand leading to a regional housing boom?

ELIZA OWENS
Head of Residential Research,
CoreLogic

There has been a high level of interest as to whether the pandemic has spurred housing demand in regional markets of Australia.

Housing market data is partially suggestive of this, especially across the largest capital cities. Rental value increases are positively correlated with greater distance from the CBD for the largest capital cities. The latest CoreLogic indices show growth across regional housing markets is higher than the capital cities in both quarterly and annual terms.

The chart below shows the rolling annual change in dwelling values across the combined regional market, compared with the combined capital cities market. Values across the combined regional market increased 4.8% over the year, compared with 3.7% across the capital cities.

The rate of annual change in combined regional dwellings has not outpaced the capitals since October 2019, when the largest capitals were moving through the end of a downturn.

Through the COVID period to-date (March 2020 to October 2020), values across the combined regional areas increased 1.7%, while the combined capital cities value fell 2.3%. The chart below shows the same trend across the states, with the exception of Western Australia.

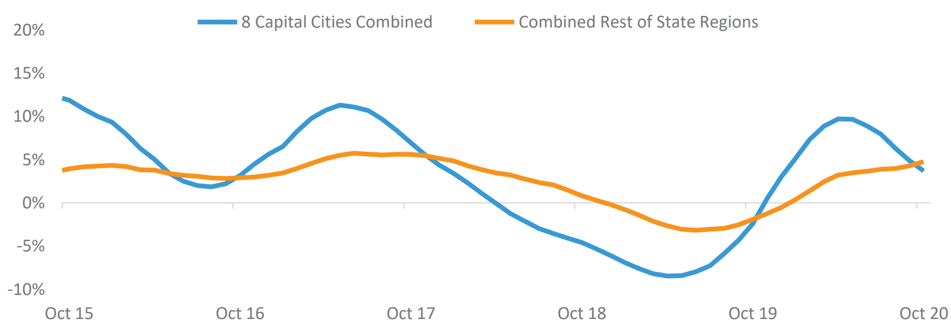
In each state, inner-city markets are still showing relatively weak performance. This is because inner cities have historically seen greater housing demand from renters, particularly those from overseas, or working in industries that have been acutely affected by the pandemic.

However, it is noteworthy that regional Australia has previously outperformed capital city markets based on cyclical patterns. Capital city markets generally have higher volatility, meaning returns are higher during upswings, and declines are deeper during downswings. This is also evident in the rolling growth chart above.

This means that a snapshot of capital growth may not be enough to support the idea that structural shifts caused by COVID-19 have been the reason that regional areas have out-performed.

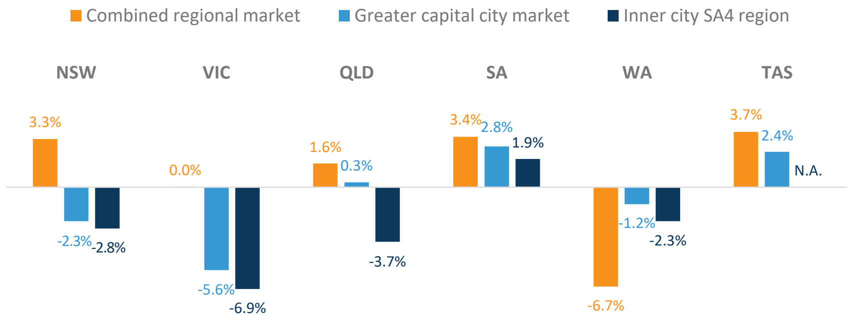
Sales data has also not highlighted consistent trends in demand. In the three months to October, CoreLogic modelled estimates suggest the growth rate in sales was 12.0% across Sydney, but a lower 10.9% in regional NSW. In Melbourne, sales volumes fell 18.0%, while regional Vic saw a 3.7% uplift in sales. Sales data is also a difficult measure of demand through the pandemic, as sales have been highly volatile in response to social distancing restrictions.

Rolling annual growth in dwelling values to October 2020



Source: CoreLogic

Capital growth in dwellings - March to October 2020



Source: CoreLogic

WHAT WE LEARNED FROM THE ABS THIS WEEK

Provisional data from the ABS shows internal migration patterns for Australia at the greater capital city and regional level during the first few months of the pandemic. Internal migration tracks the movement of people from one part of Australia to another.

Without this publication, greater capital city and regional movements for the 2019-20 financial year would not otherwise be available until next March.

In the June quarter, when Australia faced its highest levels of government stringency in response to the pandemic, the net loss across the combined capitals of Australia was 10,500 people. This is a record low in net internal migration. An additional shift of people from cities to regions is likely to have at least partially contributed to better performance in regional housing markets.

But migration from capital cities in Australia has been persistently negative for over a decade. Net internal migration had been trending lower since early 2015, which was a time of worsening affordability in the largest cities. As housing prices peaked and trended lower, internal migration trends reversed. This suggests housing affordability could be a key driver of movement to regional Australia that was evident well before COVID-19. Ultimately, the data suggests migration to regional Australia was not initiated by COVID-19, but may have amplified it.

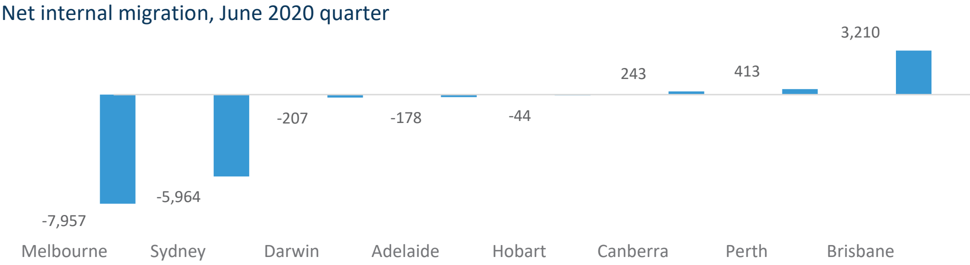
Unsurprisingly, as stage 2 restrictions eased, migration trends showed a shift away from dense cities that saw high levels of COVID-19 cases. Melbourne saw the biggest drop in net internal migration, with almost 8,000 net people leaving the capital city.

However, a deeper dive into the ABS data shows the story is not as simple as COVID-19 driving city-dwellers to coasts and hobby farms. Intrastate departures from Greater Melbourne (the movement of people from the metropolitan to regional Victoria) had already been trending up with capital city house prices from 2017.

The June 2020 quarter saw a record-high level of departures from the city to regional Victoria, at 11,746. But this is only 3.1% higher than the previous peak in intrastate departure, which was well before COVID in December 2018. Brisbane defied the trend of intrastate departure, and saw a significant increase in net internal migration. Importantly, the biggest net gain (885 people) to Brisbane was from the rest of Queensland, which refutes the idea that COVID largely spurred migration away from Brisbane to regional markets within the state.

Ultimately, the combination of housing and population data highlights that in some parts of the country, COVID-19 may have spurred an increase in movement to regional Australia. This has at least partially contributed to an offset in the decline of values, or an increase in values, through the COVID period. However, migration data suggests the narrative does not appear consistent across the country, and highlights affordability is also an important driving factor of departure from the cities.

Net internal migration, June 2020 quarter



Source: ABS

What's on the property horizon for 2021?

KIERAN CLAIR
Editor, PIPA Adviser

Let's just make this stark admission right from the get go – anyone claiming to own a crystal ball that will provide a 100 per cent accurate call on where property markets are heading in the next six months is either delusional or should keep it to themselves and profit handsomely off everyone else's confusion.

Property professionals know better than most that you work with the information available at any given time, combine it with experience and instinct, and draw informed conclusions about market direction to the best of our ability.

What we also learned this year is that a fair percentage of observers with reasonable knowledge of economics but little exposure to property as an asset class have a habit of being a bit too bold on the susceptibility of real estate.

There were more than a few economist's way back in March/April foreseeing value falls of double-digit percentages. But, of course,

> ***Real estate has once again shown its resilience***

It isn't just an asset, it's also shelter – a necessary commodity that must be factored into every household's budget, whether they own or rent.

The result is that across most major centres, rents remained firm, vacancy rates didn't get out of control, and values held steady.

The numbers tell the story.

CoreLogic's Property Market Indicators Summary in mid-November showed capital cities were holding strong with none of the big cities seeing values drop in the past 12 months.

Even the year-to-date looks good for most capitals, apart from Melbourne which had a pretty severe second lockdown.

Step beyond the capitals and many regional centres (especially those with a lifestyle element) enjoyed a boost in their appeal.

After all, if you're waiting out a pandemic, it might as well be at the beach.

Anecdotal reports are that demand has ratcheted up. For example, the most recent Herron Todd White report revealed a heady list of regional centres positioned in the 'Rising/Approaching Their Peak' quadrant of the property price clock for houses. So, is this resilience sustainable into next year?

I revert to my earlier statement – we do what we can, but unpredictability is a hell of a thing to try and sidestep.

National Property Clock: Houses

Entries coloured orange indicate positional change from last month. Source: Herron Todd White

We do know that interest rates will remain at rock bottom levels for some time yet. Also, the federal government's extension of programs like JobSeeker demonstrates the political will to keep the economy stable.

Combine that with news of vaccines, a Democratic win in the USA (i.e., a release valve for a trade war perhaps?) and a general sense of confidence among Aussies about 2021, and it's difficult to believe we'd see anything too dire in the next six months.

With that said, only time will tell if my crystal ball will stand up to scrutiny.

> ***We do know that interest rates will remain at rock bottom levels for some time yet.***

New South Wales

The Sydney property market has bounced back very strongly in the past three months with Domain reporting Sydney house price growth as up 7.2 per cent for the quarter.

We've seen an increased number of people at open houses and more active bidders at auctions.

Auction clearance rates have been around 75 per cent consistently for the past few months.

Lack of stock, low interest rates, early exit from Covid-19-induced recession and general pickup in consumer sentiment has seen the market rise quite quickly.

Regional lifestyle areas have also seen a dramatic rise in demand from buyers seeking an escape from the city with Byron Bay prices increasing 30 per cent this year. We've witnessed prices rising in Newcastle, Central Coast and Wollongong, too.

We expect the property market to run strong right up to Christmas and into the new year due to higher demand.

Positive economic news about an early exit from the Covid-19-induced recession and the recent 0.15 per cent reduction in official interest rates has gave the property market another shot in the arm.

News of an effective vaccine has also contributed to greater consumer confidence.

> *The prestige property market is very strong*

as locals seek to upgrade and feather their nests.

Investors are returning to the fold, too, on the back of prospective capital gains and a stabilisation of rental markets.

As always, investors need to ensure their decisions are founded on deep due diligence and professional advisors rather than a hot-tip at a BBQ with friends.

Rich Harvey

Founder & CEO, Propertybuyer

Victoria

Never before have we quite experienced the quick succession of ups and downs of property market sentiment like we have throughout 2019 and 2020.

First, a credit squeeze, quickly followed by a surprise Federal Election result.

COVID-19 threatened our market when it first hit our shores but our market resilience, largely underpinned by a tight supply of stock, enabled Melbourne to hold firm after a small, (but very rapid) downturn in March/April.

Following the second lockdown after the hotel quarantine debacle, our city really did hurt for a while, however the property market continued to surprise us all.

A few agents and buyers toyed with sight-unseen purchases and the reliance of an agent's video, but the larger majority of aspiring buyers sat tight, continued to save and later emerged with newfound gusto as soon as our lockdown gates reopened.

Transaction and listing activity are significantly higher and campaign length is notably shorter than the traditional "four-week" period.

Our regions continue to perform well and many Melburnians seeking a sea-change or tree-change have been shocked to realise they're not alone.

Vacancy rates are almost zero in our regions and property price growth has remained positive.

The recent change in consumer sentiment is likely to continue through the next few months and it appears

Melburnian agents won't be taking much of a summer break.

Cate Bakos

Buyers advocate, Cate Bakos Property

Western Australia

Perth's property market strengthened last month with CoreLogic's Home Index report showing a 0.6 per cent increase in dwelling values, signalling a second consecutive month of growth.

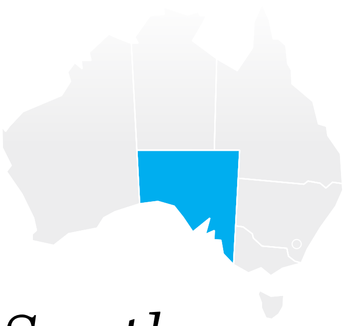
The rental vacancy rate remains at a near-record low of 0.96 per cent and stock levels continue to fall, signalling a severe rental shortage in Perth.

The demand for rentals has started to translate into rent growth, with the median rent in Perth up $25 per week over the last three months to $375.

The affordability of the Perth market is presenting investors the opportunity to capitalise on unique conditions that are offering both increasing rental yields and also longer-term capital growth.

Damian Collins

Managing director, Momentum Wealth



South Australia

Adelaide is recovering quite well from the impact of COVID-19 and the subsequent recession.

Early indicators from CoreLogic show that Adelaide is the best performing major capital city in the last month and in the last quarter.

Over the last 12 months, Adelaide is the second best performing major capital city, just behind Sydney.

At the moment, Adelaide really is the leading the pack so far as price increases are concerned.

Increasing price is only one sign of an improving market. One of the reasons the Adelaide property market is performing relatively well is the shortage of supply. There are 32.3 per cent less properties for sale now than there was this time last year.

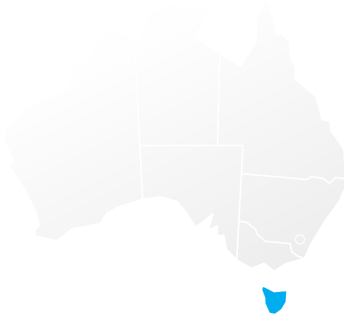
The other main reason Adelaide is outperforming many locations is the demand for property.

Not only are Adelaideans keen to buy but so are *interstate investors and homeowners looking to relocate to Adelaide.*

In my opinion, Adelaide will continue to go from strength to strength as state and federal government stimulus and an increase in activity in the biomedical sector and defence create even more demand for property.

Peter Koulizos

PIPA chair, (Lecturer in Property School of Commerce | UniSA Business School)



Tasmania

CommSec recently confirmed Tasmania topped the national economic rankings for the third consecutive quarter

Launceston (35 per cent capital growth), Burnie (31 per cent) and Hobart (30 per cent) have been right up there as the best property markets in Australia over the last three years.

COVID-19 did little more than provide a few months for Tassie real estate to "refuel".

Once again, it is an incredibly hot property market. Confident upgraders and first home buyers are fighting for limited stock, akin to seagulls combatting each other over a chip. It's double-digit pace stuff!

Everywhere you look across the state, there's no rental stock either.

Now that the state borders have re-opened, it's scary to think what the anticipated swell of mainland migrants seeking Tassie's safe haven will do to asset values and rents. Boom boom!

Simon Pressley

Head of Research, Propertyology

Queensland

The last quarter has seen a huge turn around in buyer sentiment in Brisbane.

With consumer confidence, which is a key driver for housing markets, returning to an eight-month high and the announcement of further rate cuts, we may now see a further surge in buyer demand.

We have now had two consecutive months of house price growth in Brisbane with a combined uplift in median house values of one per cent across the quarter.

Our median house value is now $564,531, the highest it has ever been.

Unit values held with a smaller change of 0.2 per cent price growth over the quarter, but the trend shifted into negative growth in October. The current median unit value in Brisbane is $389,583, according to CoreLogic.

Vacancy rates are very tight in the housing market,

especially in middle- and outer-ring suburbs. Vacancy rates in many areas are currently less than one per cent and this may put upward pressure on rents. The inner-city unit market is still at risk with vacancies at 8.1 per cent in the Brisbane CBD.

There is less fear in Brisbane now about property prices falling, so purchasers seem eager to act.

The future for Brisbane housing looks very bright. We expect current price growth to continue given the sheer number of buyers in the market ready to buy.

With tight vacancy rates throughout most areas in Greater Brisbane, we also see great investment opportunities for those who have been sitting on the sidelines waiting for the worst of the pandemic to pass.

Melinda Jennison
Managing Director,
Streamline Property Buyers

pipa profile

***Greville Pabst** might be a regular bidder on The Block, but he has also been in the property game for 35 years and achieved plenty of off-camera career success along the way.*

CAN YOU PLEASE TELL US MORE ABOUT YOUR BUSINESS?

Greville Pabst Property Advisory has evolved out of WBP Group which is one of Australia's largest property valuation companies supplying some 800 property valuations each day.

It has been in operation for some six years, starting as WBP Advisory, PropertyDuo Pty Ltd, before changing its name to Greville Pabst in January 2019.

My advisory business is focused on helping Australians make better, research-based decisions before they buy property.

I am a property advisor and buyer's agent first, but increasingly I am also asked to act as a vendors' advocate on behalf of a vendor.

I have purchased a rent roll and have been active in growing this side of our business, too, as I feel it's important to offer consumers a range of products and services.

I have access to 165 valuers who are employed in WBP Group, which gives me a unique advantage if I am buying in an area I am unfamiliar with and therefore can get an inside perspective rather quickly and feel for values and dynamics of a location.

Many people ask why are you building another business when you have created a successful national business that employs 250 people?

The answer to that is always that when a business gets to a size like WBP Group, it requires a whole new management layer.

I found myself travelling all around Australia meeting with banks, stakeholders, half my life in executive, management and board meetings.

Someone said to me when you have a small business you want it too be a big business and when you have a big business you want to be a small business. This was profound for me.

My way was to help people, make a difference through my counsel and roll my sleeves up and do deals.

I lost enthusiasm running from meeting to meeting and I didn't want to lose touch with the market.

The advisory business, which I own 100 per cent, gave me the opportunity to take it in a direction that I wanted to take it and gave me the opportunity to bring in people that I like and have some fun.

it's important for me to give back and help educate the public

The motivation is certainly not to make money, it is to make a difference.

My wife Lisa and son Noah both work in the business and my youngest son is in college in the US and I can see him returning to enter the family business as well.

The legacy to create a generational business that is fully owned by our family is very appealing.

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

I enrolled in the property valuation course at RMIT in 1983 and completed my academic requirements to become a valuer in 1985.

I became a qualified valuer in 1988 having done some work experience at Burgess Rawson and later spent eight years as inhouse property valuer with Westpac.

I learned a lot about property in the bank as Westpac rode the 1989 property boom and crash in 1990.

I was actively involved in property workout solutions and recovery work for the bank at that time.

It was the largest commercial property boom and crash that I think I will ever see.

I was retrenched in the recession in 1993 when Westpac was on the brink of collapse.

I went to work with Fitzroys for a year before an opportunity to join Walstab and Brady, as it was known in 1994.

In 1995 Walstab Brady Pabst was formed in North Melbourne (WBP).

I was CEO from 1995 to 2018 and have been chairman since 2018, so that I could concentrate on building advisory and the next chapter for Greville Pabst. I have now been in property for 35 years.

WHAT ARE SOME OF THE HIGHLIGHTS OF YOUR CAREER THUS FAR?

Highlights have been to watch WBP Group grow from three people to 250 people and create a national brand turning over $40 million.

Winning the Telstra Business of the Year Award in 2017 and buying four properties on "The Block at the Gatwick" in 2018 in front of a national TV audience of two million people.

WHAT ARE SOME OF THE REASONS WHY YOU JOINED PIPA?

I joined PIPA because it's important for me to give back and help educate the public about property.

I have been on many board and committees at the API and feel that now I need to support an organisation that is representing what I do and care about.

HOW DO YOU SEE PROPERTY MARKETS PERFORMING IN YOUR PROPERTY INVESTMENT LOCATIONS? WHAT ARE SOME OF THE OPPORTUNITIES AND/ OR HEADWINDS IN YOUR OPINION?

Interest rates are as low as I have ever seen them.

Availability of finance has been relaxed after the royal commission and we have an acute shortage of stock.

These conditions point to a very strong property market over the next four years.

The risk will be how we manage this price boom which will run, in my opinion, over the next four years.

There will be risks in some markets i.e. student accommodation, high-rise apartments, but there will be strength in regional markets, family homes particularly in middle Melbourne.

The inner-city home is going to become unaffordable to most Australians.

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

The next 12 months for Greville Pabst is to grow my brand and business. Growth will be fast, and my challenge is going to be managing that growth.

My target is to buy properties priced between $1 million to $30 million and commercial property will feature here.

My client base is currently a mix of celebrities, elite sports people, politicians, doctors, lawyers and company CEOs.

I feel I have the experience and knowledge to help and direct this group, save them time, improve their material wealth, and through due diligence protect them from making a costly mistake.

JOHN QUIGGIN
Professor, School of Economics,
The University of Queensland

Why zero interest rates are here to stay

It'd be wrong to interpret last week's Reserve Bank decision to cut its cash rate to 0.10% as an emergency response to the COVID crisis.

The implication would be that once the pandemic is controlled the economy will return to something like the pre-crisis "normal" and the ultra-low interest rates will end.

In reality, in this as in many other things, the pandemic has merely accelerated developments that have been underway for a long time.

One is the long-term decline in the "neutral" rate of interest. The neutral rate is normally defined as the real (inflation-adjusted) rate of interest which is neither expansionary, pushing up inflation, nor contractionary, pushing up unemployment.

More importantly the neutral rate should be one that over time matches the total supply of savings with the total demand for those savings by businesses and households wanting to put them to work making buildings and equipment (capital investment).

'NEUTRAL' IS LESS THAN IT WAS

As Treasury Secretary Stephen Kennedy observed in this year's post-budget address, the neutral rate of interest has been falling for 40 years.

Reserve Bank estimates suggest it fell from around 3% in the 1980s and 1990s to around less than 1% in 2016. It will have fallen further since, and fallen more sharply since the pandemic began, turning negative.

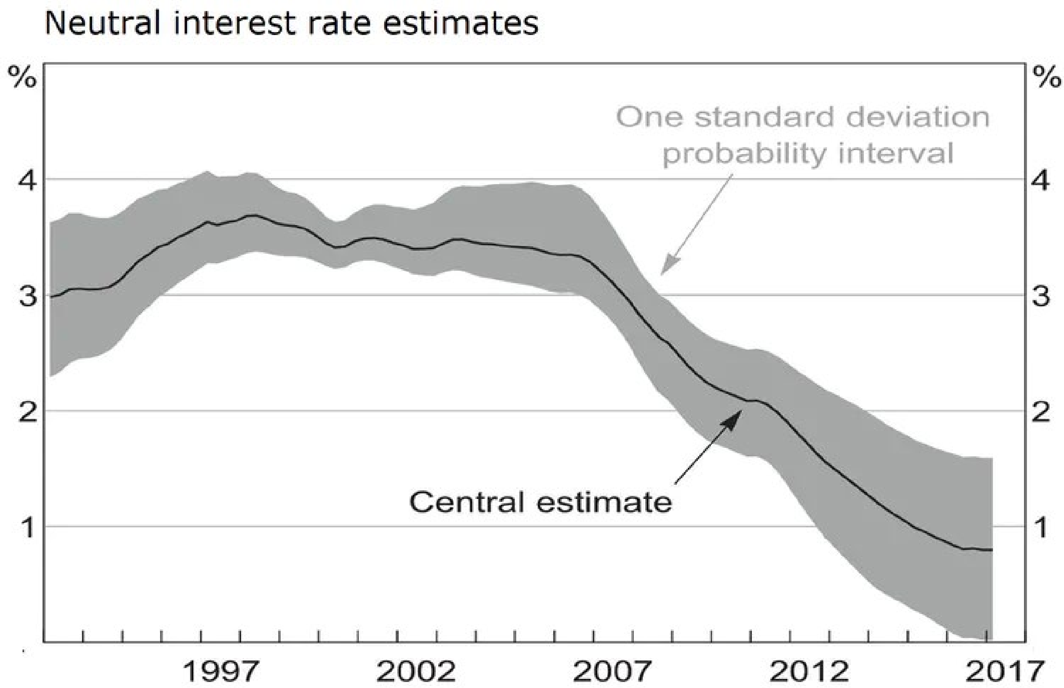
One way to work that out what the Reserve Bank thinks the real neutral rate is now is to look at where the nominal cash rate is now (near zero) and what the bank says inflation will have to climb to before it will allow the cash rate to climb (2%).

This suggests the bank believes the real (inflation adjusted) neutral cash rate is minus 2%.

Another way to get a handle on it is to look at long-term real rates, one of the longest being the return on a 30-year US Treasury inflation-indexed bond.

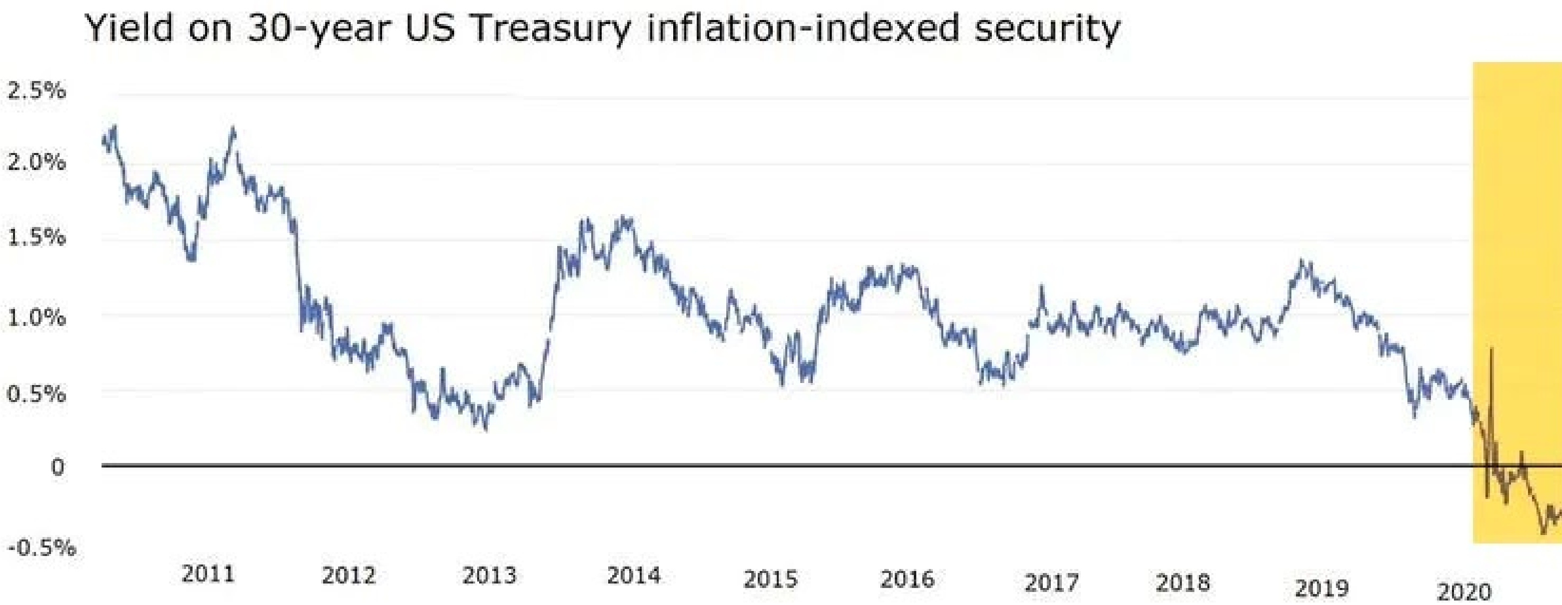
Like the Reserve Bank estimate of the neutral rate for Australia, this estimate for the US fell to around 1% by 2016.

Then it fell further, dropping to close to zero by the start of this year, before turning negative with the onset of the pandemic.



Model -based estimates of real neutral rate. Rachael McCririck and Daniel Rees, Reserve Bank Bulletin September 2017

This article was originally published on THE CONVERSATION [Read the original article]



Constant maturity, orange = recession. Federal Reserve Board of St. Louis

Most other countries don't sell inflation-indexed bonds with such long maturities. But the 50-year and 100-year non-indexed bonds issued by a number of OECD countries are yielding interest rates below 2%, the target rate of inflation for most central banks.

Even highly-rated private corporations like Alphabet (the parent of Google) are refinancing their debt with long-term bonds paying less than 2%.

TOO MUCH SAVING?

Much of the discussion of declining interest rates has focused on the idea of a "savings glut", with a particular focus on China, which had very high savings rates early this century.

But China's savings rate peaked some years ago and is headed down. Savings rates in other countries have been falling as well.

TOO LITTLE INVESTMENT

The real problem is a lack of demand for those saved funds.

Corporate profits have grown strongly, but instead of being reinvested they have often been returned to shareholders, through either dividends or share buybacks.

Companies seem to believe they don't need that many funds.

The simplest explanation is that the dominant firms in an information economy don't need much capital in the form of buildings and equipment to maintain their position.

The market value of a typical manufacturing or resource-based firm is usually about the same as the book value of the capital invested in the firm. In the jargon of financial markets, the price-book ratio is close to 1.

By contrast, leading firms in the information economy, such as Alphabet and Facebook, have price-book ratios of five or six. Microsoft and Apple, with profits derived from control of operating systems that require only gradual upgrades, have price-book ratios of 15 and 21. Public investment hasn't come to the rescue enough, even when it has been cheap to borrow.

It's been tightly constrained by decades of policy driven the ideas variously described as neoliberalism, economic rationalism and market liberalism.

Bank of England economist Lukasz Rachel and former US Treasury Secretary Larry Summers argue that in the absence of the large-scale public programs we have had, the neutral rate of interest would be even lower.

THERE'S NO SIGN OF A REVIVAL

When there's a greater supply of something (savings) than there is demand for it (for investment) the price of it (the interest rate) won't rise.

After we emerge from the pandemic we are going to have to adjust to a world where interest rates (at least adjusted for inflation) are permanently at or below zero.

As Dorothy says to Toto in the Wizard of Oz (believed by some to be an allegory about monetary policy) "we're not in Kansas any more".

BRADLEY BEER
CEO, BMT Tax Depreciation

Important role depreciation plays in property market recovery

Recent reports have found that property market sentiment is rising, and optimism surrounding house prices is returning amid the pandemic.

This years' events have riddled the market with uncertainty.

In some instances, this has created a fragmented two-pace rental property environment between city centres and regional areas.

Looking ahead to 2021, property investor strategies need to ride the nonlinear wave of the expected property market recovery.

As owner-occupiers gain a boost from the likes of the HomeBuilder stimulus package and First Home Loan Deposit Scheme, investors need to do what they can to make their portfolio as sustainable as possible. One way to do this is to claim every dollar possible. Luckily for investors, they have access to deductions owner-occupiers don't. Property depreciation is one of the most reliable sources of cash flow for investors Australia-wide.

Despite the fragmented markets and discrepancies between unit and house rents, depreciation is still available and can boost cash by thousands.

The Australian Taxation Office specifies that depreciation and all other expenses can still be claimed in full while the property is genuinely available for rent.

This means a property can still produce significant deductions while an investor and their property management team are looking for suitable tenants.

Depreciation remains the one deduction investors can claim without spending any money.

Taking advantage of this lucrative bonus is one of most sustainable and cost-effective ways to save money on investments during uncertain times.

Commercial property investors gain another boost

Investors in the commercial space must be aware of the ongoing changes to the depreciation incentives available to business owners (their tenants).

Understanding the incentives in place will not only help them negotiate with current or prospective commercial tenants, but also plan out their investment strategy for the upcoming year.

The latest Federal Budget revealed a record-breaking depreciation incentive for business owners.

Under the policy change, any business with an aggregated turnover of up to $5 billion can instantly deduct any new depreciable plant and equipment assets.

This supercharges the already lucrative instant asst write-off, which held an asset threshold of $150,000 and business aggregated turnover limit of $500 million.

For more information on the current depreciation incentives in place and how to make the most out of residential investments, contact BMT Tax Depreciation on 1300 728 726 or visit their website

> ***Investors need to do what they can to make their portfolio as sustainable as possible.***

PIPA

Breakfast Seminars are back!!!

WHAT: **2021 PIPA QUEENSLAND BREAKFAST SEMINAR**

WHEN: Thursday 15 April 2021

WHERE: Sofitel Brisbane Central,
249 Turbot Street, Brisbane

To register, click here

TIME: 7.00am for a 7.30am start
The event will conclude by 9.00am

WHO: PIPA Chairman **Peter Koulizos** will provide an update on the association

REIQ CEO **Antonia Mercorella** will outline how state-based legislation is impacting property investors now and into the future

CoreLogic Head of Research **Tim Lawless** will provide a national market update as well as discuss what's ahead for Queensland specifically

PIPA Chairman
Peter Koulizos

REIQ CEO
Antonia Mercorella

CoreLogic Head
of Research
Tim Lawless

$25
for PIPA Members
($55 for Non-Members)

Three considerations for property professionals for 2021 and beyond

MARK CARTER,
Real Estate Trainer and Author

Twenty-twenty has, paradoxically, gone in a blink and simultaneously lasted a lifetime! Already people are drawing lines in the sand in eager anticipation of 2021.

Perhaps it may prove to be a truer year of vision that 2020, metaphorically and literally, failed to deliver its promise on!

There's interesting studies emerging in the business landscape tackling what The World Economic Forum labels "a double disruption" – the economic impacts as a result of the COVID19 pandemic married with the continued fast, thick path of automation that was already laid out like the yellow brick road leading to the Wizard of Oz.

Various studies suggest updated lists of critical skills to focus on.

There are several consistencies across many of these and here we share three relevant for professionals in property.

1) Adopting adaptability

One of the most overused words of 2020 has to be pivot!

Personally, I prefer to describe pirouetting, periodically, like a polished ballerina.

Regardless, pivots or pirouettes, both are components of adaptability.

Twenty-twenty unleashing the beast (the pandemic, economic and other impacts) highlighted why this is now critical beyond measure.

Even some businesses armed with well-structured contingency plans found that they fell short.

Some with pliant, alternative systems found themselves having to perform a double, triple or even rapid sequence of pirouettes and adaptation in swift succession.

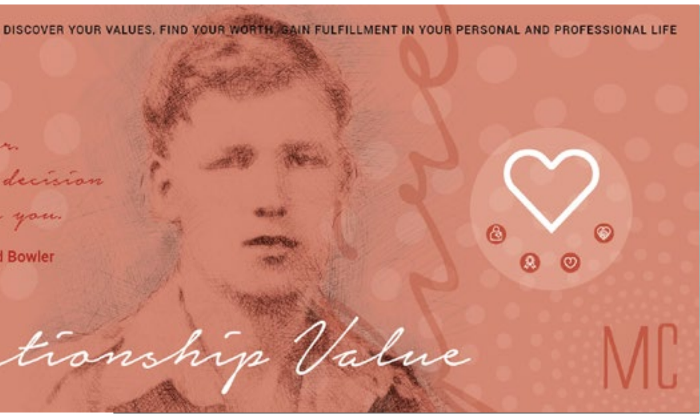
Sometimes as a result of the indecisiveness, flip-flop, decision-making nature from some state or federal government quarters.

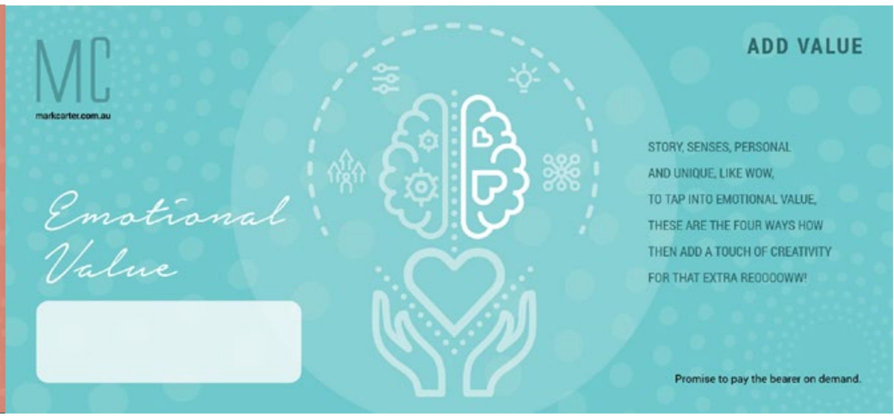
In fairness to all elected leaders (no different than business leaders) they were also dealing with a beast of a year armed with ferocious teeth and little signs or clues of weakness.

There were no easy better decisions to be made.

Due to the manner in which we live, many credible sources (from WHO to Washington Post) suggest expecting more similar challenges.

The lessons from this year must be learned, not lost, yet also not set in stone as each challenge will have





> *Technology has proven its strength*

its own nuance.

Technology has proven its strength during this time but that's not to say it ought to become the default as we'll see when we consider the next couple of skills.

For professionals in property, adaptability might play out in the manner of gathering, analysing and making conclusions around data, marketplaces, opportunities or communication.

One thing we can't do, though, is to take a lesson from those politicians – as an advisor you can't rapidly chop-change your mind morning, noon and night.

To do so only breaks trust or confidence amongst the consumers or investors who are your customers.

2) Critical Problem Solving

This is linked to adaptability: given in order to pirouette we must first be sound, solid and confident with strategies behind decisions to adapt or change.

This is where technology proves a double edge sword.

Processing powers have evolved about a trillion per cent in recent decades, which helps make sense of big data.

Simultaneously, as we keep hearing, algorithms, AI and digital tools have objectives (targets, results or specific outcomes) that don't necessarily capture or allow for all the subtle nuances required for the moral considerations of complex problems.

And despite what some world leaders declare on their twitter feeds, no one is great or a genius at everything.

So, this skill of critical thinking and decision-making applies to you and those you seek input or counsel from.

Master your decision-making by balancing three seesaws.

- **Logical information:** elect the critical criteria (and it's not everything!)
- **Emotion:** consider the human factor also without falling to its prey
- **Mastermind crew:** be selective whom you seek counsel from

It may be difficult to digest and then adapt when you're consuming mega-megabytes!

When we get so stuck on data, overthinking kicks in and we procrastinate or act too slow.

Or, if the heart alone rules too hard, it's a commonly accepted principle that when emotions rocket sky-high our ability to temper sound decisions may be impaired.

If we ask too many people, we may become more confused.

Plus, if we ask the same people, perhaps they're not equipped to give sound advice or are telling us what they think we want to hear.

Once you learn to curate these three seesaws, with the right tech stack and mastermind crew, you'll likely be armed to find the best solutions for critical pains or problems that the industry, your business, or your clients face.

3) Soft skills are the hard skills

Some studies refer to this as a focus on continual personal learning, better human resource management or even an ability to lead and socially influence.

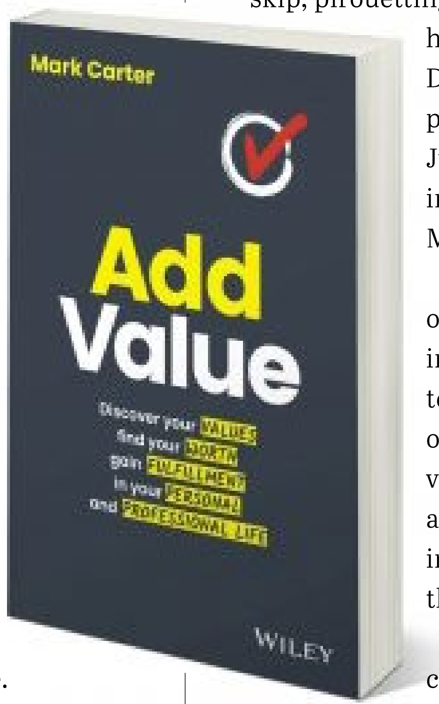
Others describe resilience or stress tolerances.

Most relate to the soft skills of behaviour and a common thread of improved emotional intelligence.

If we consider EQ by models like Daniel Goleman, we can

break emotional intelligence into five facets with a couple of immediately relevant points:

- **Self awareness:** including your own emotions, moods or triggers
- **Self regulation:** controlling your responses or choices
- **Motivation:** propensity, drive, commitment or optimism
- **Social awareness:** empathy and consideration for situations of others
- **Social regulation:** adapting communication or being a catalyst for change



Then consider these five elements act like a wheel.

Life may prove a smoother ride when all are in check or rather a bumpy one otherwise.

The yellow brick road and how to add value

Ultimately the skills required to navigate the rather treacherous duality of the business yellow brick road still looming in 2021 is somewhat like the characters from the cinematic classic of 1939.

You're going to need heart, a lot of heart, like that sought by the tin man in order to continually adapt if required.

You'll balance this with brains, critical problem-solving skills, desired by the scarecrow.

And your resilience, emotional intelligence or ability to influence and lead, will demonstrate the necessary courage of the lion.

All of which will allow you to skip, pirouetting, like the red heel clicking Dorothy, played by Judy Garland in the 1939 MGM classic.

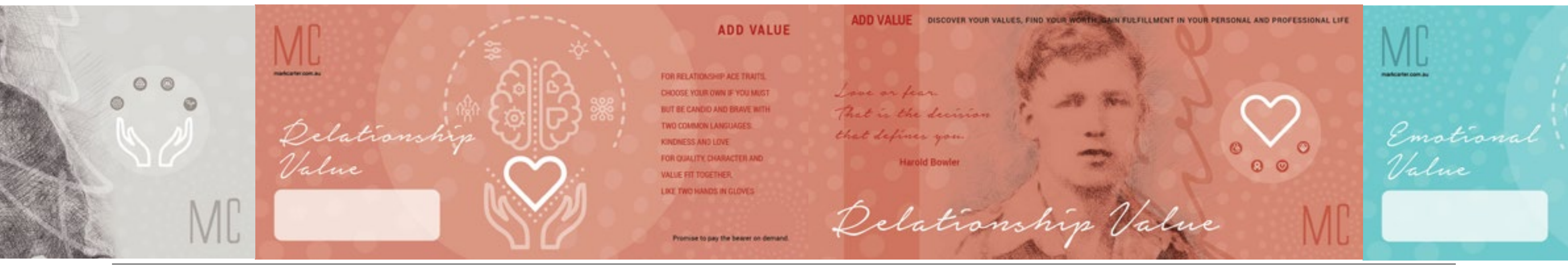
In the age of artificial intelligence and tech overload our human values are more important than ever.

The concept of value is at the heart of all decision-making and personal choices and determines our effectiveness and impact in the world.

My new book Add Value in some ways is perfectly timed for both the challenges and ideal skills of our times.

Add Value provides readers with a framework to unify their values with all aspects of their lives so they can experience unprecedented success in business and beyond.

> ***Our human values are more important than ever.***



40%

DISCOUNT OFFER

WANT TO BE A QUALIFIED PROPERTY INVESTMENT ADVISER NEXT YEAR?

WELL, THERE'S NO TIME LIKE THE PRESENT!

A 40% discount on all QPIA enrolments is currently on offer!

The QPIA is the only course for property investment professionals who want to stand out from the crowd and show consumers they are qualified to give strategic and sound investment advice.

There won't be another discount on the course next year so don't delay!

Just use the special code **2021QPIA** when you enrol to secure the discounted price.

**Discount available on all QPIA enrolments from 1 December 2020 to 31 January 2021*