PIPA ADVISER

ISSUE #28

For members of the Property Investment Professionals of Australia

INVESTORS OFFLOAD DWELLINGS EN-MASSE BUT REMAIN UPBEAT ABOUT YEAR AHEAD

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.

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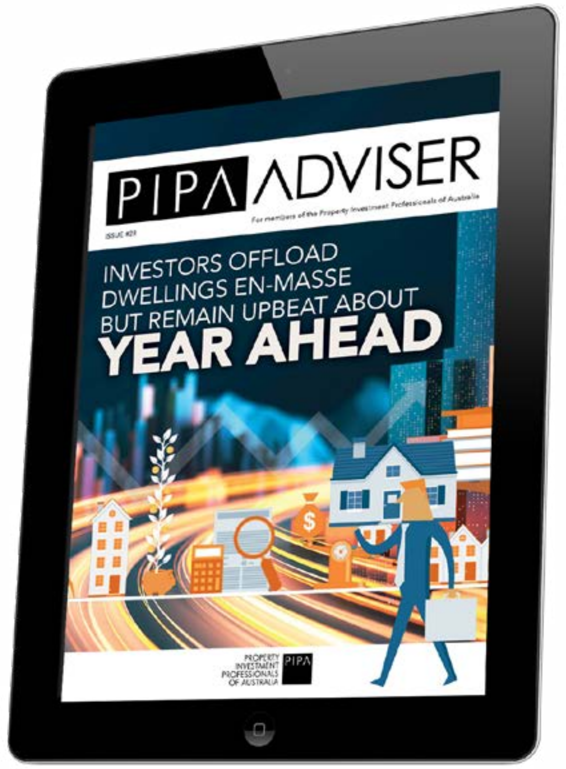
PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA



PIPA chair

PIPA survey helps to overturn controversial land tax

To say that we've been busy behind the scenes since that last edition would be a huge understatement!

That's because our 2022 PIPA Annual Investor Sentiment Survey results created a national media frenzy when it was released in late September as well as producing the first dataset that shows what has happened to rental supply – investors have offloaded their properties in the hundreds and thousands.

Then, of course, a mere week later, we heard the news that the Queensland land tax had been shelved with our survey no doubt playing a key part in that extraordinary result. It was a significant moment for the association as well as for me professionally on the day we received the news of the policy backflip.

Of course, the survey is now in its eighth year, and I can proudly say that I have been involved in every one of them. Every year, we have always asked investors about current issues which have helped to produced real and tangible insights into the hearts and minds of the sector.

This year, we knew anecdotally that investors had been selling, but no one had the data to show where, what, and why they had sold. So, it was somewhat of a no-brainer that we asked these questions in this year's survey as well as what their selling intentions where for the year ahead.

The survey was completed by a record 1618 respondents from around the nation and my utmost gratitude goes to everyone who shared the survey with their client databases and spoke about it in their blogs and on podcasts. A huge thank you must go to our sister association, PICA, whose members helped the survey to be the most robust ever.

As you no doubt know by now, the survey found that a staggering 16.7% of investors had sold one or more properties over the past two years around the nation with 65% of these sold to owner-occupiers. The most extraordinary survey insight was the fact that 45% of these investors sold in Queensland – the number one location by a long stretch.

PIPA knew this data was going to be eye-opening for the wider industry, consumers, and governments, so we commissioned independent expert analysis to extrapolate the potential impact on rental markets nationally and in Queensland, which showed 10% of rental properties had potentially been stripped from supply nationally and a mind-boggling 30% from Queensland.

Plus, in a sign of more rental stress for tenants to come, the survey also found that about 19% of investors are considering selling in the next 12 months, with the number one reason being the new Queensland land tax. With insights like this, it was clear that the new Queensland land tax had to go – and go it did!

It was wonderful to see so many members at the 2022 PIPA Melbourne breakfast seminar recently. The event was a huge success with attendees and our panel structure, including REIQ CEO Antonia Mercorella, appears to be one that we should replicate at future events such was the positive feedback from, and robust engagement by, everyone in the room.

Please keep an eye out for a survey in coming weeks because we'd love to hear what types of events as well as information and education you'd like to see from PIPA next year.

NICOLA MCDOUGALL
PIPA CHAIR

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.

realestate.com.au

How Queensland's 'ridiculous' new housing tax plan imploded

Queensland Premier Annastacia Palaszczuk has been forced to abandon controversial plans for a housing tax that experts warned would worsen the state's housing crisis.

Read the article

The Guardian

'A social calamity': record-high rents push tenants across Australia to breaking point

Interest rate hikes and lack of supply across Australian cities are leaving tenants exposed to ballooning rents and evictions

Read the article

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- BEN THOMPSON, *Empower Wealth*
- MARIA GIBSON, *ASPIRE Property Advisor Network*
- MICHAEL EVERINGHAM, *Performance Property Advisory*

Investors offload dwellings en-masse, but remain upbeat about year ahead

NICOLA MCDOUGALL
Chair, PIPA

Compared to last year, market and lending conditions are like night and day, with prices falling and interest rates rising, with the 2022 PIPA Annual Investor Sentiment Survey providing some profound insights into how investors are currently feeling.

While many investors still believe it is a good time to buy, a sentiment highlighted in last year's investor sentiment survey has come to pass and helps to explain the rental crisis currently under way around the nation.

Last year's survey found that 18% of investors were considering selling in the year ahead with a staggering 16.7% of investors committing to that intention and selling one or more properties in the past 12 to 24 months.

While there has been much conjecture about the rental market pressures over the past year, it is clear that investors off-loading their properties is a big part of the reason for the undersupply. This is especially apparent when you consider that 65% of respondents sold a property last year to an existing homeowner.

Using 2021 Census data as a baseline of 2.478 million private rental dwellings in Australia, this equates to a reduction of 268,975 properties from the private rental market over the two years to August 2022 – a potential reduction in rental supply of 10%.

The survey did find that 45.1% of investors sold a property or properties in Queensland – the number one location by a long stretch – over the past two years. This staggering statistic means that about 30% rental properties have been removed from the Sunshine state rental pool over the period.

Using 2021 Census data as a baseline of 553,432 private rental dwellings in Queensland, this equates to a potential reduction of 162,239 dwellings from the private rental market over the two years to August 2022 – a potential reduction in rental supply of nearly 30%

Some of the reasons why investors sold around the nation included positive selling conditions (47.1%) – especially for Queensland investors who may have being waiting for a decade for any significant price growth – to reduce total borrowings (30.8%), and changing tenancy legislation making it too costly or hard to manage (25.1%).

Unfortunately, in a sign of more rental stress for tenants to come, the survey found that about 19% of investors are considering selling in the next 12 months as well. If that comes to fruition, about 35% of investors would have sold one or more of their properties since the start of the pandemic.

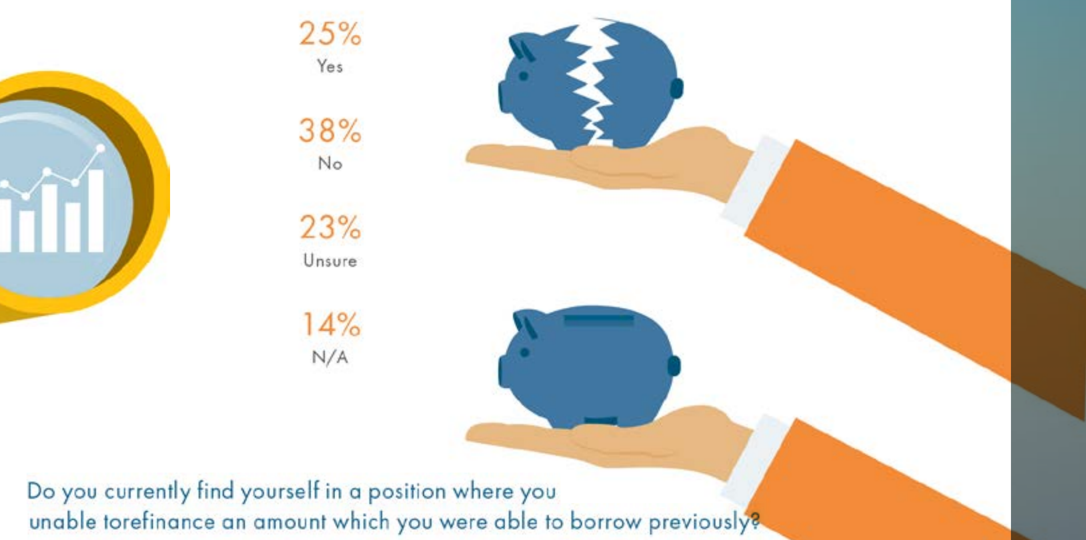
Tellingly, the reasons why investors are thinking of selling include Queensland's new land tax law that will penalise owners of property in other states/ territories (30.8%), changing tenancy legislation making it too costly or hard to manage (29. 6%), the threat of losing control of your asset because of new or potential government legislation (27.5%), and the threat of rental freezes being enforced by governments (23%).

Investors also reported a significant increase in expenses, with 88.7% of respondents indicating their holding costs had increased. However, 59% of investors said they were only passing on 5% to 10% of these higher costs to their tenants.

About 58% of investors believe that now is a good time to invest in residential property, which is down from 62% in 2021, and down significantly from the 67% recorded in 2020.

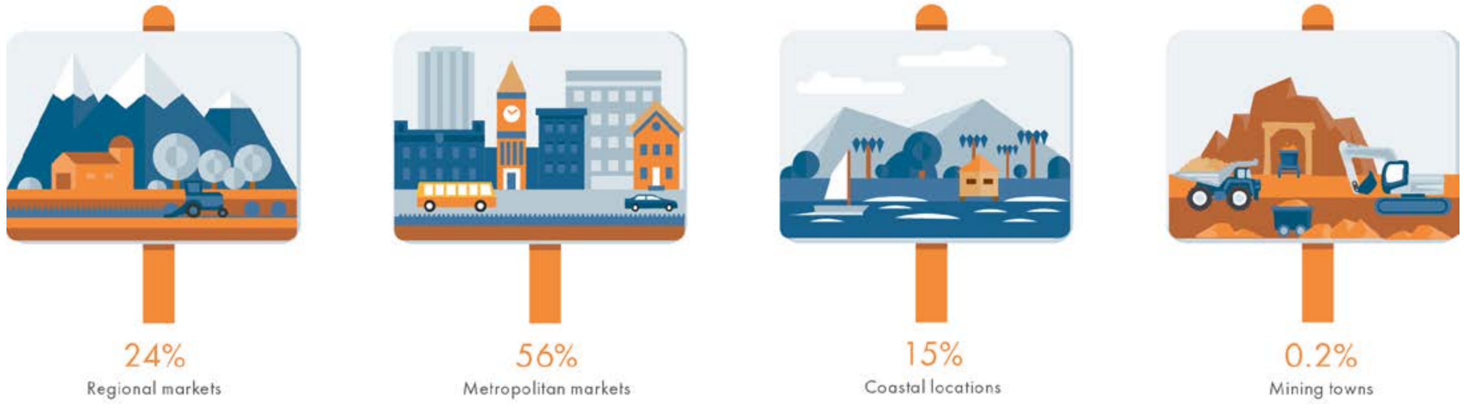
Virtually all (90%) investors continue to think that any provider of advice should have formal property investment training or education. Likewise, 75% of investors said a QPIA qualification would influence their decision to work with a particular property investment professional.

> ***the reasons why investors are thinking of selling include Queensland's new land tax law***



industry news

Where is the most appealing place to buy right now?



Summary of key findings

HUNDREDS OF THOUSANDS OF RENTAL PROPERTIES SOLD

Last year's survey found that 18% of investors were considering selling in the year ahead with a staggering 16.7% of investors committing to that intention and selling one or more properties in the past 12 to 24 months, according to the 2022 results.

INVESTORS FEEL THEY ARE NO LONGER IN CONTROL OF THEIR ASSETS

About 19% of investors indicated they may sell a property in the next year with the top reasons why being Queensland's new land tax law that will penalise owners of property in other states/territories (30.8%), changing tenancy legislation making it too costly or hard to manage (29. 6%), the threat of losing control of your asset because of new or potential government legislation (27.5%), and the threat of rental freezes being enforced by governments (23%).

INVESTORS DESERT QUEENSLAND

The survey found that 45.1% of investors sold a property or properties in Queensland – the number one location by a long stretch – over the past two years, followed by New South Wales on 24.1% and Victoria on 19.1%.

COOLING SENTIMENT

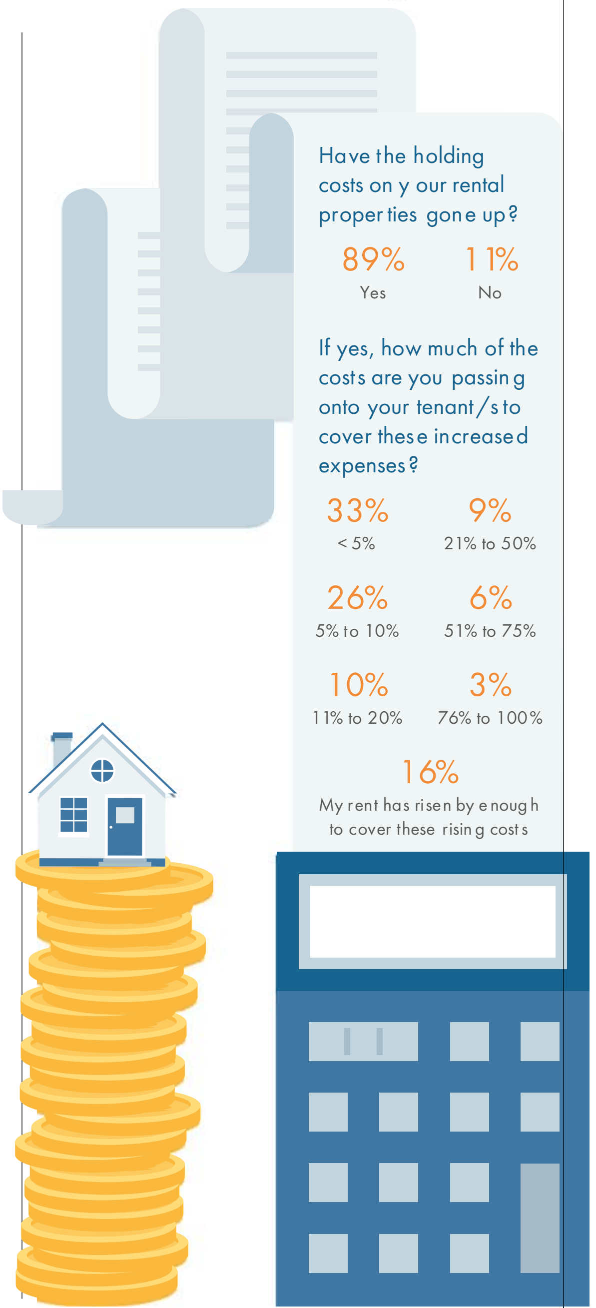
About 58% of investors believe that now is a good time to invest in residential property, which is down from 62% in 2021, and down significantly from the 67% recorded in 2020.

INVESTORS RETURN TO METRO MARKETS

The pandemic-induced pandemonium for regional markets is dissipating with nearly 56% of investors tipping metropolitan markets as offering the best investment prospects (up from 50% last year. Regional markets remained in favour with 23% of investors (down from 25%), with coastal locations falling to 15% from 22% last year.

INVESTORS ARE SEEKING OUT QUALIFIED ADVISERS

Virtually all (90%) investors continue to believe that any provider of property investment advice should have completed formal training or education.



INVESTOR SENTIMENT SURVEY

PROPERTY INVESTORS REMAIN MOSTLY OPTIMISTIC BUT FEWER LOOKING TO BUY

About 58% of investors believe that now is a good time to invest in residential property, which is down from 62% in 2021, and down significantly from the 67% recorded in 2020.

About 37% of investors purchased a property over the past 12 months, up from 29% last year and the year before.

Some 37% of investors are looking to purchase a property in the next six to 12 months, up from 35% in 2021, but well down on the 44% recorded in 2020.

The majority of survey respondents own one or two investment properties – in-line with historical averages. Nearly 22% of survey respondents own one property and nearly 25% own two. About four per cent of respondents had yet to buy an investment property.

That said, there was good representation from first-time investors. Of all respondents who purchased in the past 12 months, about 16% purchased their first investment property in the year – the same percentage as last year but well down on the 29% recorded in 2020.

Of these first-time purchasers, 96% purchased an existing property (up from 81% last year) while just 2% purchased new or off-the-plan (down from 19% in 2021) and only 1% had purchased vacant land over the past year.

Among the first-time investors, about 29% (down from 37% last year) identified as rentvesters, with 45% of all investors indicating they would consider rentvesting personally.

Around 31% of property investors have some form of idea, plan, or strategy around their investing, however, 22 per cent each said they had a "rough" or "fair" idea of their investment plans.

QUALIFIED PROPERTY INVESTMENT ADVISERS TOP THE LIST

Nearly 47% of survey respondents have sought, or are planning to seek out, advice from Qualified Property Investment Advisers (QPIA) – the top result in this year's survey.

Mortgage brokers were a close second on 46%, followed by buyers' agent/advocate (44%), accountant (39%) and property educator/coach with formal/professional qualifications (27%)

Of those that sought a professional investment advisor, about 57% paid the advisor a fee directly.

Of those that sought professional advice, about 48% (down from 55% last year) were provided with a written report or plan, but about 18% (down from 20%) weren't provided with a plan.

Investors continue to seek knowledge and education from a wide range of sources. In 2022, professional sources/advisors were the most popular source, followed by research and data providers, podcasts, internet searches, books, and webinars.

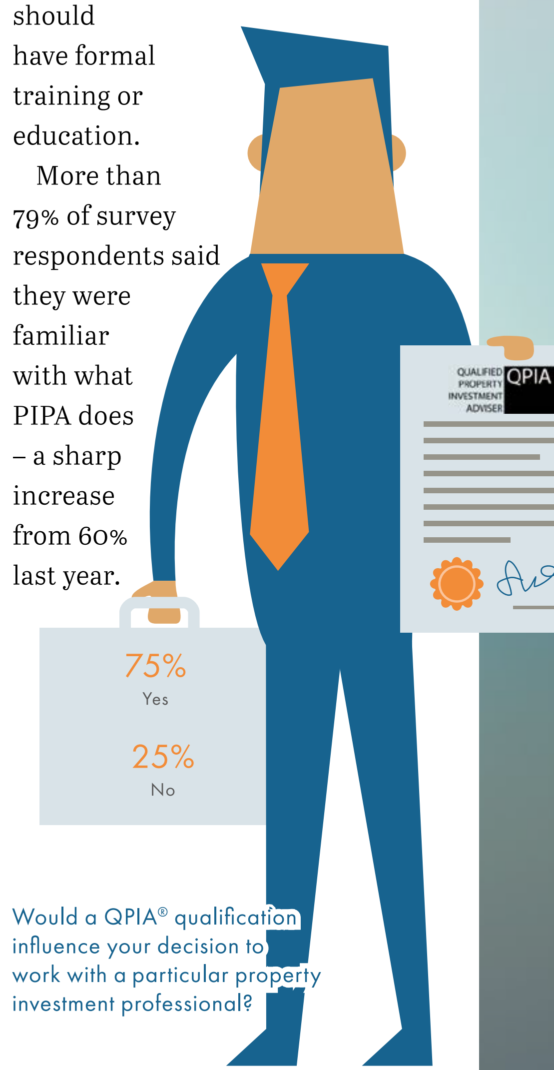
While many investors divested some, or even all, of their portfolio over the past two years, about 45% continue to have a hold and never sell approach (up from 39% last year) About 31% said they were considering selling down some or all of their portfolio (down from 35% in 2021).

INVESTORS WANT EDUCATED AND QUALIFIED ADVISERS

More than 80% of all investors continue to believe that more education is needed around the risks and benefits of investing in property.

Virtually all (90%) investors continue to think that any provider of property investment advice should have formal training or education.

More than 79% of survey respondents said they were familiar with what PIPA does – a sharp increase from 60% last year.



About 75% of respondents said a QPIA qualification would influence their decision to work with a particular property investment professional.

PROPERTY PRICES TO MODERATE

About 47% of respondents said changing market conditions had made it more likely that will buy an investment property in the next year, while about 55% said it would make then less likely to sell a property over the same period.

The vast majority of investors looking to purchase in the year ahead would buy a house (70%), followed by a townhouse or villa (4.8%), or an apartment or unit (4.02%).

When asked where property prices were heading in the next 12 months in their home state or territory, 40% said prices would stay the same, but 35% said they would be worse. A hopeful 25% indicated that prices would increase.

Last year, a staggering 76% (up from 41% in 2020) of respondents said prices were going to get better – and they were generally right.

Borderless investing continues to increase in popularity, with 43.5% of investors (similar to 44% last year) investors looking to buy outside the state they live in.

QUEENSLAND REMAINS NUMBER ONE, BUT SHINE IS LOST

Queensland has often been the top investment location in this annual survey, with this year no different, however, it is obvious that its shine is not so bright anymore in the eyes of investors.

Last year, Queensland emerged as the winner at 58% of survey respondents. In 2022, though, only 33% of investors selected the Sunshine State as having the best investment prospects – the lowest percentage for many years.

In another big change to previous years, WA has skyrocketed up the rankings to take out second spot, courtesy of 17.8% of investors – this was an extraordinary jump compared to last year's result of 9%

New South Wales was third at 17.07% (up from 16% in 2021). South Australia landed in fourth spot with 15.37% of investors liking its investment prospects. Victoria landed in fifth position – the lowest ranking ever – with only 12% of the vote (which was an improvement on the 10% last year mind you.)

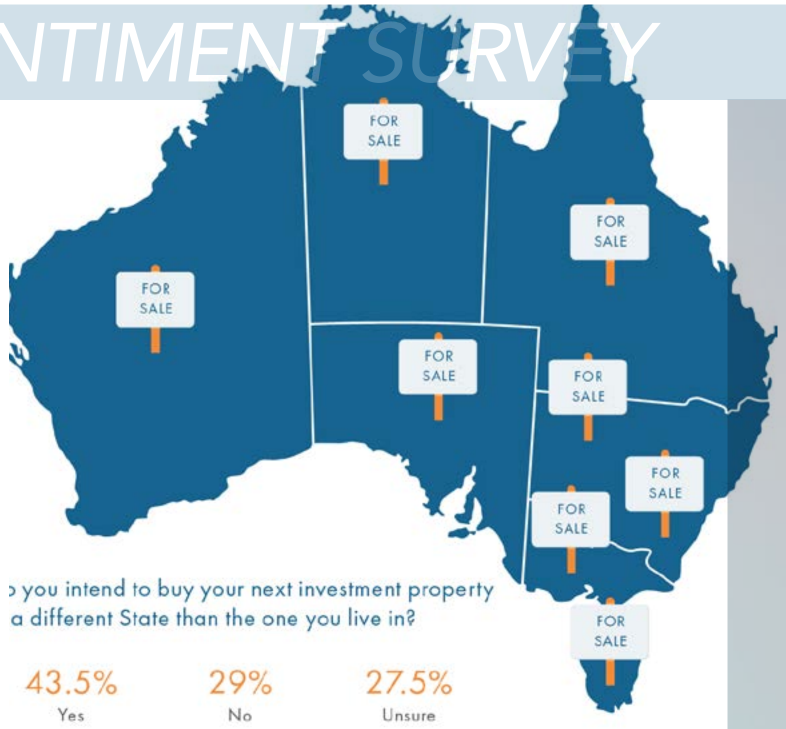
The number of investors who see Brisbane as the state capital with the best investment prospects was 35% – the top result – but, again, a significant reduction compared to last year's 54%.

Perth edged out Sydney to take out second spot with 17.7 per cent of the vote. Adelaide was also seen as having better prospects than the Harbour City with 16% of respondents.

Sydney and Melbourne landed in near equal fourth spot with about 13% of investor interest.

Most investors continue to tip metropolitan markets as offering the best investment prospects at nearly 50% (but down from 61% in 2020), followed by regional on 25% (up from 22%), and coastal on 21% (up strongly from 12% last year).

The pandemic-induced pandemonium for regional markets is dissipating with nearly 56% of investors tipping metropolitan markets as offering the best investment prospects (up from 50% last year. Regional markets remained in favour with 23% of investors (down from 25%), with coastal locations falling to 15% from 22% last year.



MOVING ON FROM THE PANDEMIC

While last year's survey showed a fair percentage of people who were thinking of moving because of the pandemic, this year that desire has either disappeared or they are happy in their new home loans.

Only about 2% of respondents who moved to another location during the COVID19 pandemic, are considering returning to their previous home location.

However, for those who are considering a return to their previous homes, some of the reasons why include missing the lifestyle in their former location (55%), missing living in their previous location (35%) and missing having family and friends close by (38%)

For those considering a return to their former homes, the number destination to return to was Sydney (34%), then regional NSW (21%), and Melbourne (17%).

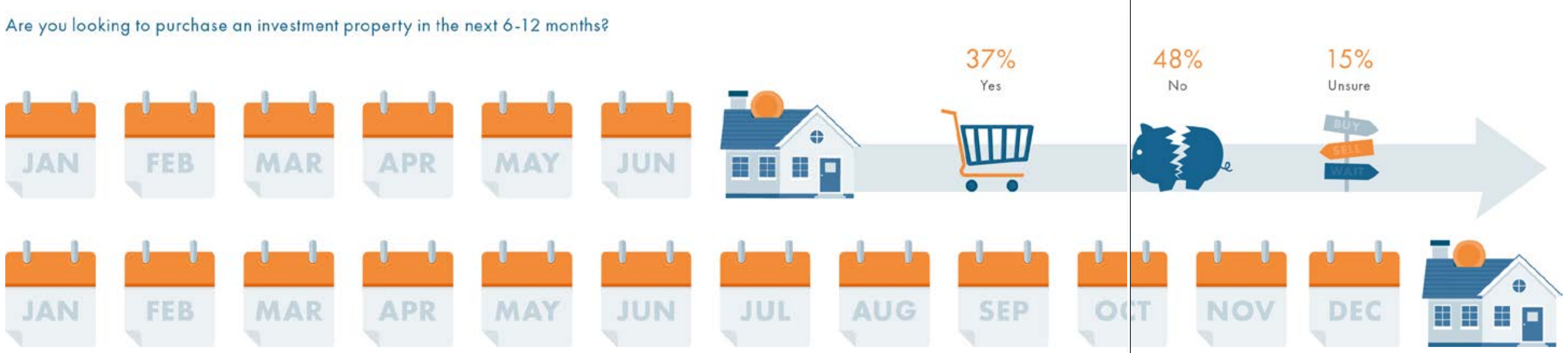
About 38% of investors say their property investment or portfolio is in positive cash flow territory. A further 26% of investors say their portfolio is cash flow neutral. Only about 30% of investors say their property or portfolio is negatively geared.

For those investors with negative cash flow, more than 50% believe their portfolio will become positively geared within five years.

You can access the survey report online via our website (PIPA_Investor-Survey-Report_2022_Final.pdf)

SURVEY SPONDENTS PROFILE

- Almost 38% of all respondents reside in NSW while 24% reside in Victoria, and 24% live in Queensland.
- 34% were aged 36 to 45, while 29% were aged 45 to 55.
- About 27% reported their gender as female and 72% were male.
- 20% of respondents had a household income of $150,001 to $200,000 while 17% had a household income of $100,001 to $150,000 – the same results as last year.



marketupdate

Prices continue to soften as rate hikes start to bite

KIERAN CLAIR
Co-Editor, PIPA Adviser

Since the previous edition we have seen the cash rate jump up by an extraordinary 1.75 percentage points to now be the highest level in nearly a decade.

The rapid increase in interest rates has clearly started to impact property markets with prices softening with each passing month.

However, the significant uptick in rates in such a short period of time has resulted in many borrowers – especially investors – not being able to secure lending to add to their portfolios – or even purchase one rental dwelling – which will create a further drag on markets in the months ahead.

In fact, many of these borrowers are stuck on the sidelines due to the servicing buffer of 300 basis points still being applied to lending applications – even though interest rates are significantly higher now than when APRA announced the measure in October last year.

Of course, there is an element of déjà vu about this situation, with a similar circumstance occurring when caps on investment lending as well as higher rates more generally for investors wiped out lending possibilities for many during the 2010s.

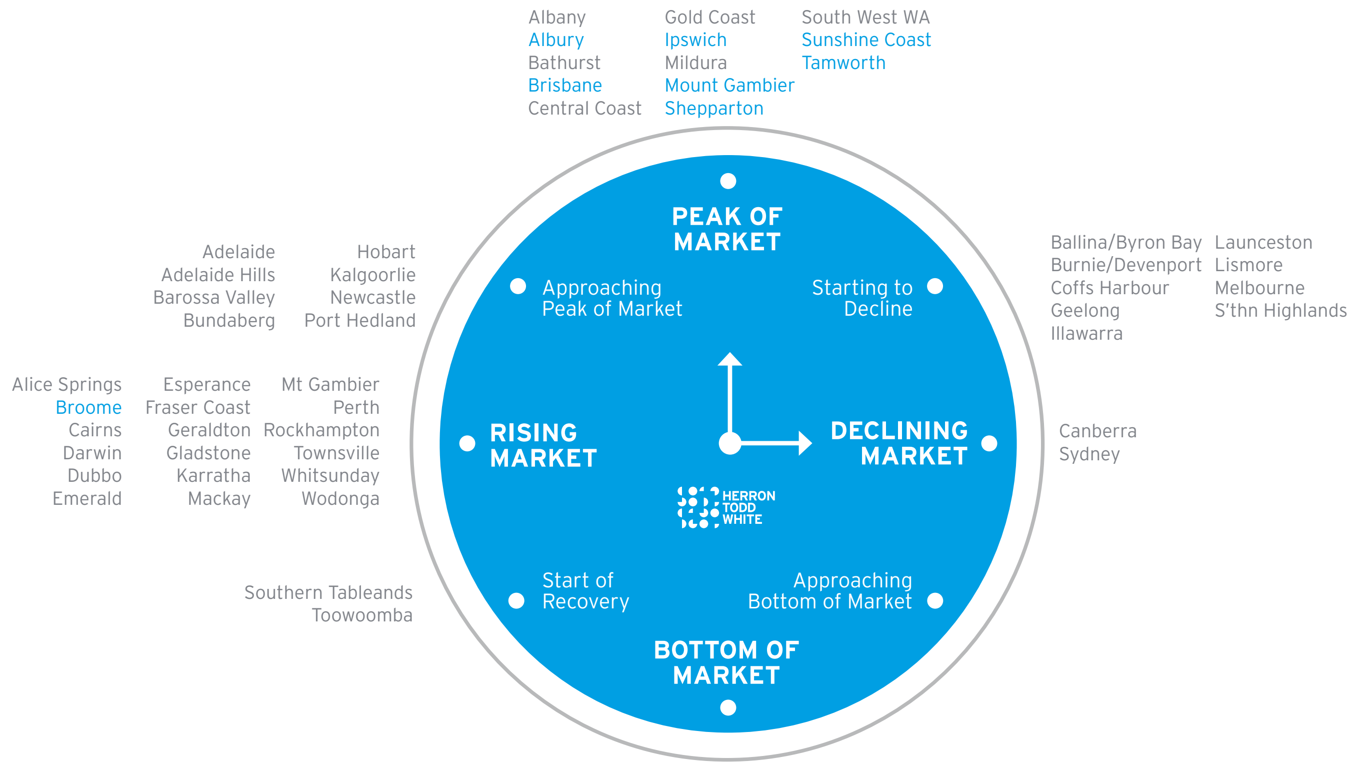
The flow on effect from that decision was the continued reduction in investment activity– especially from 2017 – which hit rock bottom at the start of the pandemic, when the percentage of investors active in the market was just 22.9 per cent compared to a long run average of nearly 35 per cent.

As has been widely reported, vacancy rates are at record lows around the nation, because the usual volume of investors were absent from the market for years, plus, as it outlined in the investor sentiment survey, a staggering 16.7 per cent have also sold at least one dwelling over the past two years.

While opportunities clearly exist for homebuyers and investors in the current market, it they are unable to secure finance then we are likely to see a further reduction in prices as well as sustained downward pressure on vacancy rates for some time yet.

National Property Clock: Units

Entries coloured blue indicate positional change from last month.



National Property Clock: Houses

Entries coloured orange indicate positional change from last month.

PIPA

market update

NSW

Kate Hill
Property Buyer,
Adviseable

The sentiment out there is really mixed among buyers and sellers. It's muted and cautious in some quarters because of the sharp and unexpected level of interest rate rises and it's buoyant and opportunist in others as people try to sniff out a bargain.

Low stock levels continue across the board and while there are still good attendances at some opens, others are reporting much reduced attendance numbers. It's like early pandemic days conditions.

Even in NSW, the now shelved Queensland land tax was a hot topic, with many potential property investment buyers and selling agents either worried that the NSW Government would follow suit or jubilant because it means that buyers will re-focus their attention back on NSW markets.

Many of the more prestige Sydney markets are struggling to drum up any real action, which is typical in the earlier stages of a flatlining market. First home owners and upgraders are also showing real hesitancy and sensitivity to the interest rate rises and as a result many advertised and marketed price guides are not being achieved.

Interestingly, there are still a number of investors who remain undeterred and know that there are now some real opportunities out there in property markets that show all the consistent and steady growth drivers. Many agents report that the July and August markets have been filled with keen and opportunistic investors.

Many properties are being passed in at auction and many auctions are being postponed. Private treaty and off market sales are far more likely as agents don't want to crash and burn their selling campaigns. Average days on market according to agents is about 20 days with it taking two sometimes three opens to sell.

The selling environment now is all about adjusting seller's expectations

The selling environment now is all about adjusting seller's expectations as there is reduced urgency from buyers and we have thankfully seen an end to last year's buyer frenzy and general FOMO.

With a wider softer sentiment creeping in, the biggest challenge for sellers is to understand what their price benchmark should be. They are having to benchmark property prices on what happened this week, two weeks ago or in the same month, rather than a couple of months ago and expecting to achieve the same or better result.

The rental space is transforming. Investment portfolios are shrinking across many property management businesses, because property investors have been largely ostracized from buying and borrowing for several years. We are seeing vacancy rates well below one per cent and rental yields increasing. This is likely to continue for some time to come, as demand is huge and forecast to increase as migrants start to stream back into Sydney and other NSW markets.

The unit markets that were so volatile during the pandemic have come back strongly, certainly in terms of vacancy rates, and show continued improvement on that front. The growth rates have slowed considerably though. Many agencies are reporting that they have about 30 per cent of their usual rental listings. While this is improving yields, it doesn't mean all properties are experiencing the same increases. Properties that held their value during the pandemic have remained consistent, while those that took a hit on price have come back 15 per cent or 20 per cent.

The next 12 to 24 months will be interesting to watch with many developers collapsing, construction slowing to snail's pace due to supply issues, and fewer properties being built as a result.

VIC

Cate Bakos
Buyers advocate,
Cate Bakos Property

Despite its relative underperformance last year when COVID lockdowns impacted Victorian markets (both positively and negatively for regional locations vs our capital city), our state has exhibited a reasonablye degree of resilience so far for 2022.

our state has exhibited a reasonabledegree of resilience expectations

Considering we have a war raging in the Ukraine, supply chain issues plaguing many industries we're reliant on, inflationary pressures biting, and most critically, interest rates rising, Victoria's rate of retraction has been surprising, and softer than expected.

While those who haven't ever experienced increasing interest rate environments remain jittery, more mature property buyers and investors alike have broadly remained committed to their property acquisition plans. The latter contingent are not all that surprising given investors often turn to bricks and mortar when stock markets fall, and 2022 offers more than just asset diversification to investors now that rents are rapidly rising, vacancy rates are tight, and tax legislation reform is like kryptonite for the Labour party since Shorten's demise in May 2019.

Our regions have held up remarkably, particularly considering so many regions exhibited record growth over a short period during COVID. For those who anticipated an elastic pull-back in values, our 'work from home' culture that was borne from COVID lockdowns has somewhat protected regional assets from price falls.

The star of the show for 2022, though, has been our quality inner-city apartment market. This LGA outperformed every other this year so far, (as at, September 2022) and it can be put down to the combination of our city appeal rebounding and regional escapees doubling up their housing options with a city pad in tandem with their country house.

Our recent cash rate increase of 0.25 per cent could signal the bell for some buyers who have been sitting it out, waiting for a sign of the market bottoming out. Without doubt, October is looking up.

QLD

Joanna Boyd
Buyers Advocate
Joanna Boyd

The Brisbane property market has officially settled down into somewhat "normality" but buyers are questioning do I buy now or wait until the market drops more?

Brisbane is still offering good capital growth and solid rental yields and it is somewhat a buyers' market with great opportunities being presented during this uncertain financial landscape.

The median values are trending downwards because of these changing market conditions, but prices are remaining relatively stable as Brisbane demonstrates a less volatile marketplace compared to other capital cities.

Brisbane continues to be a popular capital city with infrastructure being created for the 2032 Olympic Games, growth in job opportunities, and steady migration. As a result, we are starting to see an emergence again of interstate investors and buyers relocating to secure their slice of Brisbane.

Over the past months, we have observed what appears to be a "Mexican Standoff" between sellers and buyers. Sellers are still setting prices in their minds with figures that were being achieved six months ago, whereas buyers are not feeling as pressured to pay for a property above what they perceive to be the current market value.

buyers are making more informed decisions

The urgency and FOMO has been reduced and buyers are making more informed decisions through additional research and due diligence, however, the FOMO will return in the coming months with the usual interstate migration occurring over the Xmas/New Year period for jobs and schooling opportunities.

Differing market conditions are being displayed, dependant on the type of buyer and the type of property that they are wanting to purchase. Quality properties that have been renovated are hugely sought after and sell quickly whereas the ones that require some "TLC" are typically having longer days on market. Overall, we are seeing the quantity of buyer has declined but the quality of buyers is more solid and informed.

The RBA has announced more interest rate rises, of which the banks quickly passed onto their consumers. The answers everyone wants to know – is there an end to these big hikes nearing and when can we have more certainty to invest within the Queensland property market again with more confidence?

SA

Adam Hindmarch
Director & Principal Strategist
Prospa Property Advisory

The South Australia property market has remained strong over the current quarter however we are starting to see signs of things cooling, ever-so slightly.

CoreLogic reports a second consecutive month of negative price growth in September, something that we have not seen since the market started its upward climb in 2020. With a current median price of $651,000 in Adelaide, it is of note that the September price drop was only 0.16 per cent according to Proptrack. So, we are still looking at very minor drops and prices potentially stabilising in Adelaide.

The regional South Australia property market has continued to remain relatively strong, being the only regional market in Australia to have positive price growth in the last month. Pricetrack have recorded a 0.55% price increase in September, which is great news for regional investors.

Local real estate agents are still reporting strong buyer activity in Adelaide however buyers have certainly become a little more apprehensive than they had previously been. The days of receiving multiple offers over asking price seem to have subsided, with agents needing to negotiate a little harder to get sales across the line. The common theme still remained that renovated or brand-new properties were still attracting the strongest interest and achieving better prices.

A few agents have mentioned finance issues becoming more common, particularly where purchasers had negotiated a long settlement.

A few agents have mentioned finance issues becoming more common, particularly where purchasers had negotiated a long settlement. This can largely be attributed to the impact of recent interest rate rises, which have reduced many purchaser's borrowing capacity – a good reminder for investors to stay in close contact with your bank or broker when looking to make your next purchase.

For prospective renters, the elephant in the room has remained – in fact, it seems to have grown a second trunk. It is still extremely hard for tenants to find a quality (or even poor quality) rental property in Adelaide and the rental crisis is worsening.

SQM researched quoted Adelaide's vacancy rate at a super-low 0.3 per cent in August 2022, the lowest across Australia. The great news for landlords is that rental prices still remain strong, with new rental listings being snapped up extremely quickly and over asking price.

Many local agents are still reporting strong demand from interstate investors. And with massive rental demand, solid yields and affordable properties, why wouldn't you invest in Adelaide?

TAS

Paul Glossop
Managing Director,
Pure Property Investment

Well, the records that were getting broken quarter on quarter for the Tasmanian market over the past five years are now starting to turn the other way.

Undoubtably the Hobart, Launceston, Devonport, and Burney markets have well and truly still outperformed the Australian averages over the past five years – both on capital growth and rental yields – however, those heady heights of growth and increase cash flows look to be set to subside (at least on the capital growth front).

The state of the Tasmanian economy is still very strong

The state of the Tasmanian economy is still very strong and shows little signs of wavering over the coming years, but the biggest challenge for the state and subsequent property owners within Tasmania is not necessarily whether the economy will support the housing market but more along the lines of affordability issues given the strong 70 per cent to 80 per cent capital growth over the past five years.

Based on the most recent CBA and CoreLogic data, the average homebuyer in Tasmania is now contributing in excess of 40 per cent of their total household income to mortgage repayments if they were entering into the market based on average house price versus average household income. When you compare this to the long-term average of 30 per cent to 33 per cent you start to understand that many household budgets will start to become stretched with the recent interest rate cycle increase.

We expect that the Tasmanian market in general will go through a transitional phase over the next two to three years where it will see a decrease in value to the tune of five to 15 per cent and hold steady at that stage for the coming one to two years following.

Rental yields will still be strong and vacancy rates will still maintain the very low sub-one per cent position due to the very limited future supply coming to the market and the steady population growth numbers, which will mean that cash flow should still be relatively sound given there has been an average of 10 per cent annual rental increases for the past five years alone.

WA

David McMillan
Director,
Performance Property

The Perth property market, from a data perspective, is showing classic signs of a market about to go on a moderate and possibly sustained run in pricing.

Classic in terms of having the combination of a) massive affordability and b) a clear undersupply at the same time. The current Affordability Index (AI) in Perth is 23 percent – meaning that 23 per cent of the average wage is going towards the average new mortgage. This is almost as low as Perth gets, and in direct contrast to Sydney which is sitting at an AI of 66 per cent.

Looking forward, interest rates are set to rise further, and this is bad news for Sydney, however, it's highly unlikely to stop the positive momentum in the Perth market as it will still be affordable after these rate rises occur.

This massive affordability is being meet with a clear undersupply. The vacancy rate in Perth has swung from 5.9 per cent in 2017 to 0.6 per cent in the last quarter. This has resulted in rents increasing 30 per cent to 40 per cent since 2017. The undersupply is further evidenced by the downward trends in both the stock on market and days on market.

Moving forward, what we can see is the undersupply is set to get worse, this is due to the slow creation of new stock post COVID. This is being meet with a skills shortage in WA – with 60,000 vacant positions at the time of writing this article. With most of the workforce employed (current unemployment rate is 4.2 per cent) this can only mean the problem has to be solved via migration. This will push up wages, rents, and property prices.

Adding to this positive story is that when new stock needs to be constructed it needs to be created at current construction and labour prices – which are around 30 per cent to 40 per cent higher than pre-pandemic levels and are still trending upwards. This should drag up the cost of secondary housing, which is trending well below replacement cost in many areas.

From a property management perspective – properties are rented within a week, if not the day they become vacant. In many cases we are getting rental amounts higher than the advertised rents due to many renters missing out many times on previous properties.

Quality A-Grade properties are lasting less than five days on the market

From an acquisitions perspective – quality A-Grade properties are lasting less than five days on the market, if they are priced correctly. All these sales are in multiple offer situations – with an average of four to eight buyers for every property.

pipa profile

***Linda Johnson** and **Michelle Tucker** both had diverse careers before before combining their passions for property investment and property management in their Central Coast agency Spring Buyers Agency and Spring Property Management.*

CAN YOU PLEASE TELL US MORE ABOUT YOUR BUSINESS?

We are a premier buyer's agency, as well as a boutique property management agency, servicing the Central Coast, Lake Macquarie and Newcastle regions in New South Wales.

We are independent and exclusive, offering a range of property services to a variety of residential property buyers including owner-occupiers, investors, upsizers, downsizers, holiday homers, first home buyers, expats, and those utilising self-managed Superannuation funds.

Spring Buyer's Agency was founded in an effort to make a measurable difference for buyers; through seamless navigation of the market, unbiased property advice and the intention to make industry support accessible for all buyers, from first home buyers through to multi-million-dollar property seekers. Our priority is locating and leveraging the best properties, at the best prices, with the best terms for our clients.

Spring Property Management was designed to enhance our property buying services, as well as support other landlords in our service regions, in growing and effectively managing their property portfolios, whether it include one or many.

Our capabilities support each stage of the property investment lifecycle; from acquisition and management, through to portfolio growth and/or divestment.

In short, we connect people with their property and lifestyle goals!

MICHELLE TUCKER
Director and Buyers Agent

LINDA JOHNSON
Director and Buyers Agent

HOW LONG HAVE YOU BEEN A PROPERTY INVESTMENT PROFESSIONAL AND WHAT WAS YOUR PATHWAY INTO THE PROFESSION?

Michelle and I are the Founders and Directors of Spring and have over 40 years' combined experience across the real estate industry. We have operated in fluctuating markets, across various roles and senior leadership positions within most segments of the industry.

Michelle's real estate career commenced later in life following the sale of her successful retail business which she created and operated for over five years. Prior to this, her early years in the workforce were spent travelling the world and working as a flight attendant for Ansett Australia.

After having her three children, Michelle fell into real estate in 2007, as a casual receptionist, not realising at the time where this career path would lead. She quickly discovered her passion for real estate and spent almost a decade with LJ Hooker Terrigal, one of the company's leading offices, focused on marketing and selling high-end property.

Following this, she was a founding member and part of the senior leadership team at Central Real Property Development. Michelle's influence in brand creation, market positioning and successful marketing of luxury apartments contributed to positioning Central Real as one of the most recognisable property developers on the Central Coast. More recently, as Head of Projects for McGrath Central Coast, Michelle managed the marketing and sales process for all medium to large scale off-plan development projects.

Like Michelle, I also fell into the real estate industry. My background was originally in the beauty industry. I trained at the Ella Bache College and went to work as a beauty therapist in a salon, eventually became the NSW Business Manager for Ella Bache and then opened my own salon.

During that time, I also re-educated to broaden my knowledge and skill base, which led me to senior administrative roles in the motor and finance industries.

pipa profile

I relocated to Sydney, where a friend introduced me to her boss – the principal of one of the leading real estate offices in NSW at that time. As fate would have it, I then began my real estate career in residential sales and was fortunate to be mentored by an industry leader.

I spent over 10 years as a residential selling agent in Bondi Beach and regional NSW. I achieved a Master of Business Administration (MBA), then promoted to senior leadership positions functioning as Director of Operations with Raine & Horne Bondi Beach, where as part of my role, pioneered and managed the Property Management and Short-Term Rental divisions. Next, I progressed to Head of Residential Sales with LJ Hooker Lower North Shore (NKA. Ray White), and most recently General Manager with the Australian operation of LINK Business, the largest business brokerage firm in the world.

Michelle and I met in 2008 as selling agents. Whilst our careers lead us on different paths, our friendship has stood the test of time and we always knew we were destined to join forces in business one day.

Spring Buyers Agency was founded April 2020, amidst the COVID-19 pandemic and sparked by a pinnacle conversation, regarding our respective experiences with assisting people to buy property at that time.

As selling agents, we witnessed first-hand the frustration, disappointment and challenges property buyers face and the lack of un-biased, professional assistance available to them. Property management was always in our medium-term plan, however, a year later due to demand from our investor clients and finding the right people to join our team, Spring Property Management was born.

WHAT ARE SOME OF THE REASONS WHY YOU JOINED PIPA?

We feel it's important to be part of industry-related organisations that are relevant to the services we provide. PIPA is very relevant to the property investment arm of our business, and we want to ensure we are equipped with up to date information, support, and resources to best service our clients.

Purchasing an investment property requires a very different skill set to purchasing a home to live in. Being a member of PIPA, differentiates our business by demonstrating our experience and diverse capabilities.

Being a member also adds a sense of trust and credibility for clients to see the association, as there are service standards and a level of ethics.

YOUR BUSINESS, SPRING PROPERTY MANAGEMENT, OFFERS BOUTIQUE PROPERTY MANAGEMENT AND BUYERS' AGENCY SERVICES FOR THE CENTRAL COAST AND LAKE MACQUARIE AREAS. WHAT HAVE BEEN SOME OF THE HIGHLIGHTS AND CHALLENGES OVER RECENT TIMES FOR YOU AND YOUR TEAM?

There have been so many highlights in relation to our client property journeys. So many amazing stories we have had the privilege to share and continue to be part of.

Another highlight has been recognised as finalists in the REINSW Awards for Excellence 2022.

We were also invited to participate as panellists for the Real Estate Buyer's Agent Association (REBAA) conference.

Our main challenge is lack of awareness and understanding of our profession as buyer's agents, not only among the public but also other industry professionals. Our profession is more mature in other countries such as America and Europe. Although buyer's agents have been operating in Australia for over 20 years, exposure has mainly been in capital cities.

The process of buying property can be highly under-estimated. Most buyers only buy property once or twice in a lifetime and there are many common pitfalls, which can lead to costly mistakes and other enduring implications.

Buying property is becoming increasingly more complex and competitive, with vendors professionally represented by selling agents and buyers generally left to their own devices.

We are very excited to be part of a growing profession that compliments the property sales and investment process.

IT'S WONDERFUL TO HAVE PROPERTY MANAGEMENT PROFESSIONALS AS MEMBERS OF PIPA. WHY DO YOU THINK MORE PEOPLE WITHIN THE PROPERTY MANAGEMENT SECTOR SHOULD JOIN THE ASSOCIATION?

We believe that any real estate professional providing advice in relation to property and investment should be part of a leading industry body, to remain educated and connected. The professional network you build and wealth of experience you have access to is priceless.

There is often some stigma in relation to industry organisations, however, we believe you choose the level of involvement and interaction you feel comfortable with.

Participation should be about ways to add value to the group and create positive exposure, no other agenda. We have met some incredible professionals and created business opportunities through being active members.

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

We have a 10-year plan, which includes solidifying our position on the Central Coast by purchasing a commercial space and then scaling our business and opening in new strategic locations along the east coast of Australia.

We are passionate about keynote speaking engagements; to continue educating about our profession and the value we add to support buyers, investors, selling agents and other key property stakeholders.

Another keen initiative is to grow and diversify our own property portfolio and we will continue to grow our rent roll and build our team of professionals.... and who knows what other doors to opportunity unlock. We are very excited about the future!

> *We have met some incredible professionals and created business opportunities through being active members.*

TRISTRAM SAINSBURY
Research fellow, Tax and Transfer Policy Institute, Crawford School of Public Policy, Australian National University

ROBERT BREUNIG
Professor of Economics and Director, Tax and Transfer Policy Institute, Crawford School of Public Policy, Australian National University

What happened when we gave unemployed Australians early access to their super? We've just found out

One of the most well-established practical observations in economics is that when we give an unemployed person a payment, it tends to delay their return to work.

Rightly or wrongly, it is an argument used to justify a rate of JobSeeker one third below the pension.

How well does the finding apply if the payment is a A$10,000 lump sum delivered at the height of a pandemic, funded through a corresponding reduction in someone's retirement savings?

That is what we and colleague Timothy Watson at the ANU Tax and Transfer Institute set out to examine as part of new research.

THE EARLY RELEASE OF SUPER

By way of recap, the COVID early access to superannuation announced on Sunday 22 March 2020 was available to people who faced a 20% decline in working hours (or turnover for sole traders), were made unemployed or redundant, or received JobSeeker or related benefit.

These people were able to take out lump sums of up to $10,000 between April and June 2020, and a further $10,000 between July and December 2020.

The maximum $10,000 represented approximately 13 weeks of (effectively doubled) unemployment benefit, and eight weeks of the minimum wage.

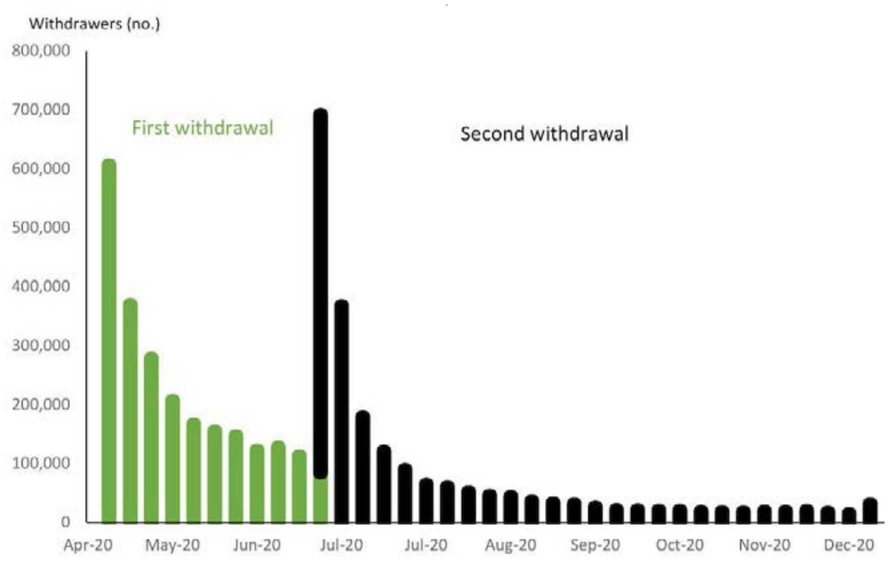
In essence, the government offered a bargain like this:

You know those superannuation savings you probably won't be able to access until your late 60s? Well, life's scary and uncertain. So here's a chance to take out $10,000! You can only make use of it in the next three months though. That said, there's a second chance in the next six months if you still qualify.

Three million Australians responded, close to one fifth of the population aged 16 to 65 with super accounts. Seven in ten took out the maximum $10,000.

This made the $38 billion withdrawn the second largest stimulus measure in 2020 behind the $88 billion JobKeeper wage subsidy, and one of the biggest stimulus measures in Australian history.

WEEKLY APPLICATIONS: A RUSH BOTH TIMES



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

WITHDRAWALS DELAYED THE RETURN TO WORK

We were given access to de-identified administrative records that link takeup of the offer to the length of stay on the unemployment benefit.

Focusing on the half a million Australians who arrived on payments as economic and social conditions deteriorated in the initial months 2020, we compared the length of time on benefits of the more than 230,000 who took advantage of early release with the 300,000 individuals who did not.

We calculate that the withdrawers who completed their time on benefits by June 2021 (about 162,000) spent about seven weeks longer on benefits than similarly-placed recipients who didn't withdraw.

The chart below shows the story. A big gap in the rate of exit from benefits opens up between those who took advantage of the opportunity to access their super and those who did not, with those who used more likely to stay on benefits.

The gap grows over the first 13 weeks on benefits, then narrows only slowly, taking 18 months to come close to closing.

Interestingly, those who withdrew are also those we would ordinarily have expected to spend less time on benefits.

They tended to have higher pre-COVID wages and superannuation balances, and were more likely to be married, male, and have children.

Factor in an extensive collection of population characteristics, and – after a battery of sensitivity and robustness checks – we found that the large lump sums had large effects in extending benefit tenures.

This isn't necessarily a bad thing. Being pushed into work too soon can push people into the wrong jobs. But we find no evidence that those who stayed out longer because of withdrawing their super found higher-paying jobs.

IMPLICATIONS

From today's standpoint, two years on, with unemployment the lowest in almost 50 years, it is clear that early access to super delayed rather than prevented unemployed Australians returning to work.

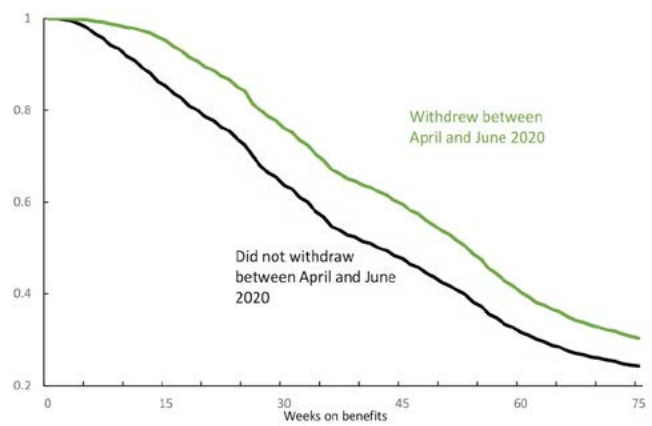
But that mightn't have been the case if the early withdrawal measure had been introduced at a different time, when the labour market wasn't about to pick up.

It is also clear that the measure helped people when they needed it, although it is too early to assess its impact on their rest-of-life incomes and super balances.

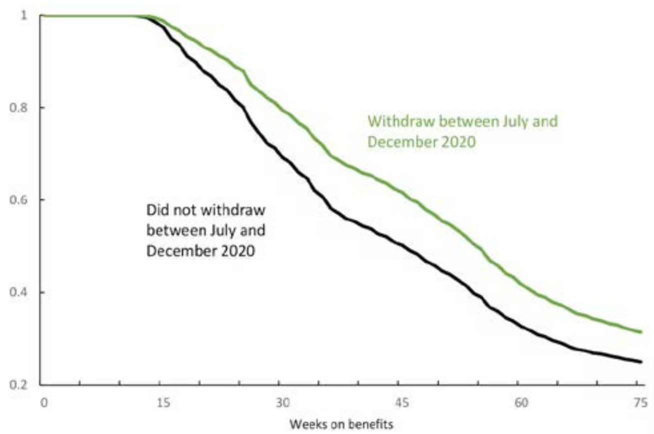
A further thing we can say is that early withdrawals should not be considered private "off balance sheet" matters without an impact on public finances.

A back-of-the-envelope calculation puts the cost of additional benefit payments to the 162,000 withdrawers we studied at $600 million, a figure that might climb to $1 billion if applied to everyone who used the scheme.

PROBABILITY OF STAYING ON BENEFITS, FIRST LOT OF WITHDRAWALS



PROBABILITY OF STAYING ON BENEFITS, SECOND LOT OF WITHDRAWALS



Choosing the right builder for your investment

It's been a challenging time in the construction sphere for both builders and property owners.

Government stimulus throughout 2020 and 2021 looked like a godsend. It boosted a building sector that was at risk of decimation under COVID-led shutdowns and economic inaction.

But the incentives did their job a bit too well. While demand for contractors and materials skyrocketed, supply couldn't keep up. Builders signed up clients on fixed-price contracts based on their usual margins and quotes. However, the price of the items needed to complete a home build rose substantially in short shrift.

And builders copped it in the hip pocket with their margins quickly eroded.

The results were inevitable with many builders in 2021 and 2022 going broke and shutting their doors.

Despite all this, I still believe new construction is a superlative property investment opportunity in Australia... but you must choose your builder and location wisely.

Here are my tips for getting the best outcome from your new-build investment.

Listen to your advisor

Smart investors rely on guidance from experienced advisors when devising a strategy, selecting a location and managing their ongoing journey.

But advisors who specialise in new-build investment have insider knowledge about most of the builders in their hotspots.

So, check-in with your advisor on which builder to use. They will know contractors with a track record of excellent service. The advisor's recommended builder will offer the best quality build, and it will meet your investment expectations. Given your advisor's presence in this market, quality builders will want to forge and maintain a strong relationship with them. This will include delivering top-notch attention to the advisors when it comes time to build.

Shoot for quality in the build

Repeat after me – it's not all about the lowest price.

Time and again I see investors try and keep their construction costs as low as possible, but this usually comes at the expense of quality... and that's a false economy when investing.

Quality construction will cost a little more at first, but the benefits over the life of the investment are well and truly worth it.

For starters, tenants will pay a rental premium for a quality build. It's a great way to maximise your returns.

In addition, quality builds require far less ongoing maintenance.

This article was originally published on ASPIRE PROPERTY ADVISOR NETWORK *Read the original article*

When better quality fittings and fixtures are used, and they've been installed by skilled tradesman, the chances of replacement or repair are greatly diminished.

Teamwork makes the dream work

There's another key element for success when it comes to building your investment property.

Remember that the end goal of the process is to have a great investment in an excellent location where you can enjoy good tenancy, sustainable rents and high capital growth.

To achieve this outcome you must work with your builder, not in competition with them.

Good builders spend significant time forecasting and planning to get the pricing right when quoting for your job – but there have been plenty of excellent experienced builders caught out by recent price hikes in materials and labour.

In most contracts, there will now be a price escalation clause. While some investors will baulk at this, they shouldn't.

If material prices rise and it triggers the clause, your good quality builder will open a discussion about how to adjust the contract. Don't let your first reaction be to say, "That's not my problem mate."

Why? Because if you don't find a suitable solution, your builder can't finish the job as they're now working just to make a financial loss. As a result, you won't get your investment completed on time. Worse still, if you go to a new contractor and get them to quote on completing the half-built property, I guarantee their costs will be higher.

In my experience, it is better to work with a good builder you have to find a beneficial answer to the problem.

You might even see some other changes in building contracts now, such as alterations to the drawdown schedule or even owners paying deposits on materials to lock in prices.

Under the right circumstances and with your advisor's guidance, these moves can be legitimate ways to ensure a suitable outcome.

Yes, building can be challenging, but that shouldn't derail your investment plans. By relying on your advisor and selecting a builder with a reputation for delivering excellent homes at a fair price, you can advance your strategy and reach your goals of financial security sooner.

Always review any property location research and investment analysis data, with a professional, QPIA (PIPA Member) qualified & accredited ASPIRE Property Advisor Network Advisor. Never rely on glossy sales brochures or property marketing information, ensuring a property is right for your strategy. Property Investing is about BUYING a property that matches your goals and aligns with your investment strategy, never be SOLD an investment, know your numbers!