Update

Summer 2022 | Issue 5

By the Property Investors Council of Australia

Today's market

Read our summary on today's market

Investor sentiment survey

Find out what other investors are thinking

PICA
PROPERTY INVESTORS
COUNCIL OF AUSTRALIA

Update magazine is brought to you by the

Property Investors Council of Australia

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The Property Investors Council of Australia (PICA) is an association set up to provide a single voice for the two million plus property investors in Australia. It is a pure not-for-profit association, run by property investors, for the interests of property investors. PICA aims to advocate on behalf of property investors to government, industry, and consumers.

As the peak association for Property Investors, PICA has established a five point charter:

1. Advocate on behalf of all property investors
2. Play an active role in educating property investors and those looking to invest
3. Engage with the Government, regulators and the community to ensure property investors receive appropriate representation in matters which directly or indirectly impact them
4. Engage with the Government, industry and businesses to ensure property investors' consumer rights are protected and free from dishonest, deceptive and misleading conduct in light of the industry being unregulated
5. Help inform and promote the financial and social benefits of a vibrant and sustainable property investment marketplace

PICA membership starts at just $5. Join today at www.pica.asn.au/join

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Diary

The PICA board's first meeting for 2022, to be held this month, will set out the program for this year's webinar series, meet-ups and advocacy events. The calendar of events will be available to members as dates are locked in.

Stay up-to-date

Make sure your contact details are correct to ensure you receive important information on upcoming events in your inbox.

Also, join our PICA Facebook group to stay up-to-date on event dates and other educational opportunities too.

Chairman's message

Welcome to our Summer 2022 issue of Update.

Last year proved one of the most extraordinary on record with incredible value growth and strong rental demand across most population centres.

Regardless, the challenges we've faced since early 2020 remain dogged. What should have been a joyous summer celebration of families getting back together was instead been marred by high COVID case numbers and fatalities. It's a terrible state of affairs and we send our support to everyone who's been impacted.

This year will prove interesting – and that's saying something given how the past two years tracked.

For starters, expect further political and community action in response to the pandemic in 2022.

In addition, financial regulators will be closely watching the property market's progression, and I have little doubt they'll implement policies that will make it more difficult to secure investor finance.

And don't forget there will be a federal election this year. Property investment was a hugely important factor in the previous election, so it's crucial that we keep our agenda front and centre as voting day approaches.

This is where you and yours can help. The more members we have, the greater our influence. If you know of anyone who could benefit from PICA's work – whether they be current or aspiring investors – ask them to join the association.

We're also keen to hear from anyone wanting to volunteer their time or skill to help. All assistance will be greatly appreciated.

Another way to assist is to donate. PIPA is entirely volunteer run, and your dollars go directly towards resourcing our operations. Every investor profits from your generosity.

I hope you all have a wonderful, profitable 2022, and that when the end of this year rolls around, we can relegate COVID to being a secondary issue.

Ben Kingsley

Investor sentiment survey

The Property Investment Professionals of Australia (PIPA) completed their annual investor sentiment survey late last year, and it helped paint a picture of investor intentions heading into 2022.

PIPA Chairman, Peter Koulizos, has given us his summary of outcomes.

2020's survey foreshadowed the property price growth that lay ahead – and it seems even more investors believe prices will keep rising this time around, too, according to the 2021 PIPA Annual Investor Sentiment Survey.

Our national annual survey, which gathered insights online from nearly 800 property investors during August, found that more than 76 per cent of investors believe property prices in their state or territory will increase over the next year – up strongly from 41 per cent in the previous year.

Few people believed the positive investor sentiment in 2020's survey, even though history had showed the resilience of real estate time and time again.

When we think back to 2020, which was a time of much fear and uncertainty, it's clear that property investors and the market in general weathered that turbulent period better than anyone dared to hope.

That said, 2020's survey did forecast the strong property price growth that was since experienced, it's just that not many people believed it would happen at the time.

Investors remain positive

The 2021 survey found that nearly 62 per cent of investors believe that now is a good time to invest in residential property, which is down from 67 per cent in 2020, and may be due to the high property price growth as well as significant lockdowns taking place at the time of the survey.

Nearly 21 per cent of respondents (up from 17 per cent in 2020) said the pandemic made them consider moving to another location with the main reasons being improved lifestyle factors (78 per cent – same as previous year), working from home in the future (42 per cent down from 46 per cent in 2020), and housing affordability (36 per cent down from 40 per cent from the previous year).

However, about 25 per cent of respondents said their motivations to move included not wanting to live in crowded cities anymore as well as wanting to live somewhere that had fewer coronavirus cases and lockdowns.

Queensland on top

2021's survey also produced the biggest ever margin when it came to the property investment location that investors believe offer the best potential over the next year.

Queensland has certainly emerged as the winner in a serious way, with a staggering 58 per cent believing that the Sunshine State offers the best property investment prospects – up from 36 per cent in 2020.

New South Wales was second at 16 per cent (down from 21 per cent in 2020) and Victoria was third at 10 per cent, which is down significantly from 27 per cent in the previous year.

The number of investors who see Brisbane as the state capital with the best investment prospects has also soared compared to the previous year's results – up to 54 per cent compared to 36 per cent in 2020.

A buying trend that began in 2020's survey appeared to be gathering momentum, with investors looking more and more outside metropolitan markets.

According to the survey, while nearly 50 per cent of investors say metropolitan markets offer the best investment prospects this was down from 61 per cent in the previous survey.

Regional markets continued to be in favour with 25 per cent of investors (up from 22 per cent), while interest in coastal locations soared to 21 per cent from 12 per cent.

Fewer investors selling

However, while investors remain upbeat about the market, about 29 per cent of investors say the pandemic has made it less likely they will buy a property in the next year – up from 21 per cent previously.

Likewise, lingering impacts of the global health emergency – as well as the robust price growth over 2021 year no doubt – means fewer investors are looking to sell a property going forward – at 59 per cent in this survey as compared to 71 per cent previously.

Part of the reason for the uplift in property prices in 2021 has been continued low levels of supply in most locations around the nation.

Investors seeking qualified advisers

One of the most important results in this year's survey was the fact that 92 per cent of investors continue to believe that any provider of property investment advice should have completed formal training or education.

About 73 per cent of respondents said a QPIA qualification would influence their decision to work with a particular property investment professional.

Investors continue to use the services of specialised professionals with mortgage brokers, accountants, and lawyers/conveyancers the most employed advisors, according to the survey.

About 35 per cent of investors have sought the services of Qualified Property Investment Advisers or QPIAs.

Investors are seeking property investment advice most commonly from QPIAs (51 per cent), followed by buyer's agents/advocates, and mortgage brokers.

Of those that sought professional investment adviser, about 62 per cent paid the adviser a fee directly.

Of those that sought professional advice, about 55 per cent (up from 53 per cent from the previous year) were provided with a written report or plan, but nearly 20 per cent (up from 16 per cent) weren't provided with a plan.

Investors seek knowledge and education from a wide range of sources. In 2021, professional sources/advisors were the most popular source, followed by research and data providers, podcasts, internet searches, books, and webinars.

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

Finally, more than 60 per cent of survey respondents said they were familiar with what PIPA does with most indicating they would recommend a PIPA member they had worked with to a friend.

National Wrap:
January 2022

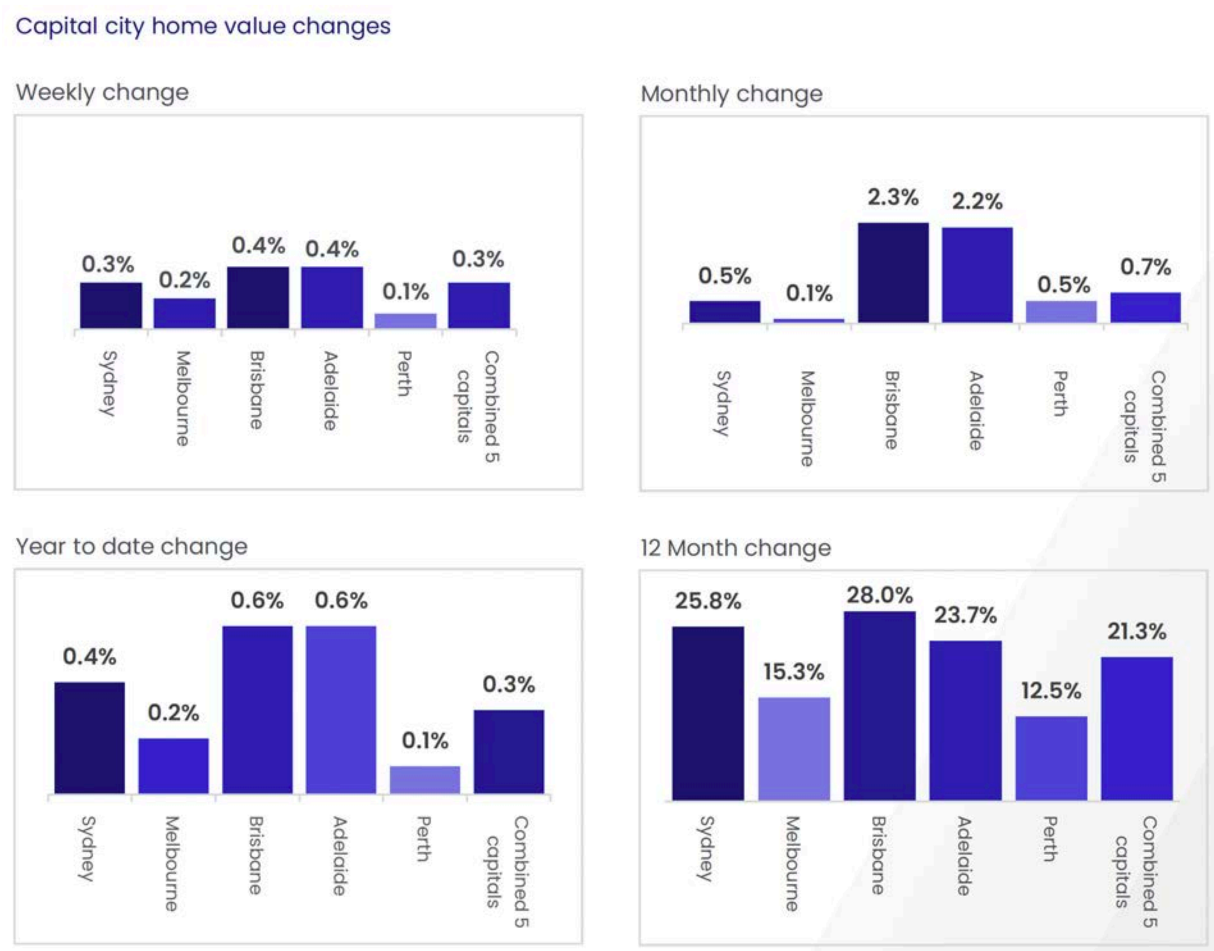
Keiran Clair (PICA Board Member)

Change is in the air... or is it?

As we head into a new year, many of us naturally look back and ponder what happened in the previous 12-months and consider what it might mean for the coming annum.

Property stakeholders everywhere currently feel as if they're taking a little more stock and digesting the extraordinary run of value gains delivered throughout 2021. What were the reasons for this strong uptick and how long can it be sustained for this year?

CoreLogic analysis to the 9th January shows just how far we've come in terms of price rises:



Source: CoreLogic

The datahouse's Home Value Index has seen a continued positive swing with a value increase of 21.3 per cent across the combined capitals over the previous 12 months.

But perhaps what's of greater interest is the monthly index chart. It reveals that despite a 0.7 per cent gain in values over the month, the rate of growth is slowing – down from 1.1 per cent last month which was also a drop on previous months.

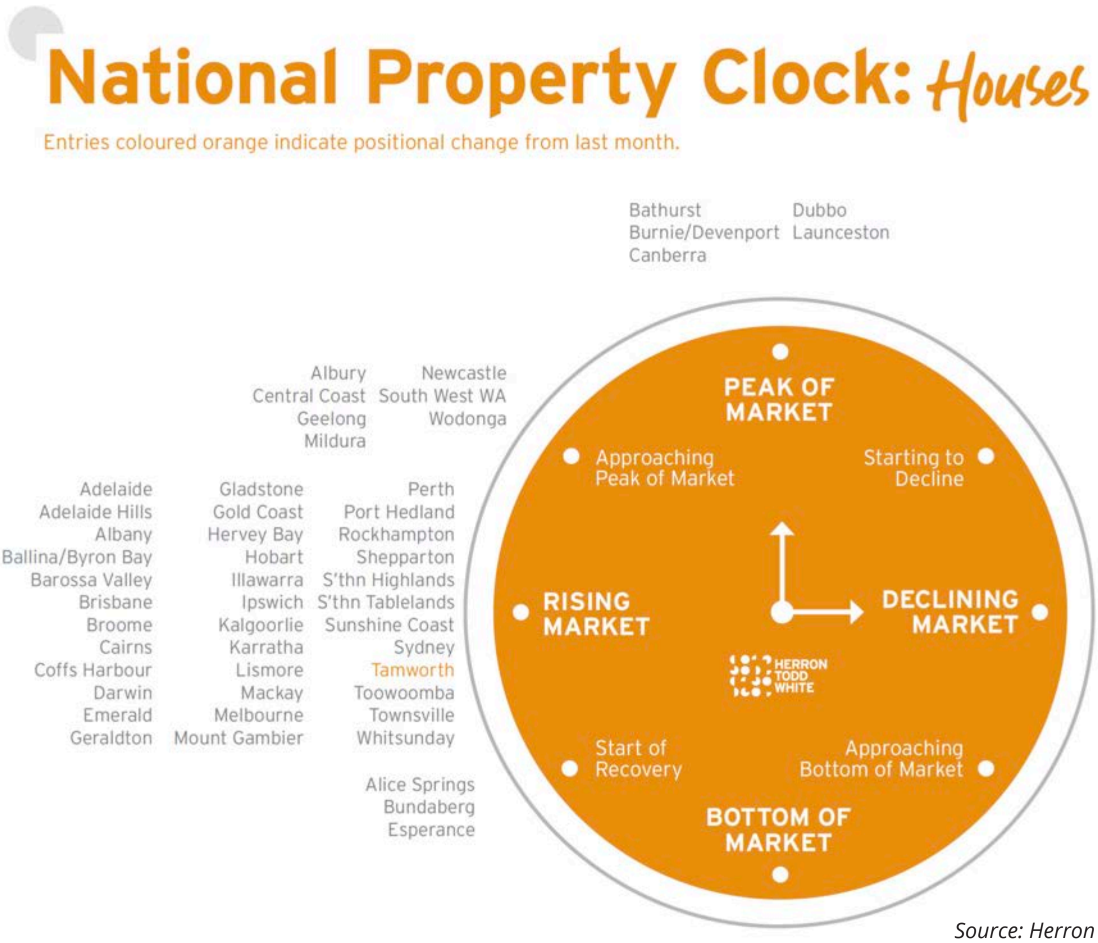
What's behind this cooling of enthusiasm?

Well, it's likely a combination of factors has taken a little steam out of the FOMO kettle. APRA's moves to increase the serviceability buffer, combined with noises that interest rate increases may arrive a touch sooner than first predicted would all be at play here.

Also, let's not forget the drivers of our free market. Huge value rises tend to stimulate supply – more buyers come out, keen to cash in. That means we have probably seen more listings on the portals, particularly in our larger metro centres.

In addition, on the ground observers have suggested there's been a little less desperation (just marginally mind you) at open homes and auctions.

Despite this, Herron Todd White's Property Clock remained stubbornly bullish in December:



Source: Herron Todd White

So what does this all mean?

Well, most smart analysts seem to agree 2022 will continue to see rising prices, but the gains will be a little less enthusiastic in many centres than was experienced in 2021. There could also be a notable shift in the capital growth leaders board, with Sydney slipping back and smaller cities moving up as the year progresses.

Much of this hinges on how 2022 unfolds. A federal election, changing rules around finance, emergence from the pandemic, reopening of borders… there are still plenty of unknowns.

The one thing most of us would say with some confidence, however, is that Australian real estate remains the best possible asset to hold going into the new year.

The states of our nation

Our good friends at PIPA have shared their state-by-state market reviews gathered from experts toward the end of 2021.

New South Wales

Rich Harvey – Founder & CEO, Propertybuyer

Listing volumes were extremely tight during the lockdown period which made it incredibly challenging for buyers to have any kind of real choice. With such limited stock available it meant prices were consistently rising due to high competition. During the last few weeks of early November, we saw a significant shift in market sentiment. The number of people at open houses has dropped off considerably and the number of bidders at auction has also dropped, which has seen the frenetic and exuberant bidding activity at auction fall away. This is being reflected in the auction clearance rates for the last couple of weeks dropping from above 80% down to around 70% level. Vendors that wanted to capitalise on the peak of the market have missed their chance, but the good news for buyers is that there is now significantly more properties coming on the market. I don't expect to see a sudden drop in prices but more a stabilisation as the balance is slowly restored to the market. Because of the lockdown period dragging on so long this year we are seeing a strong run up of auctions all the way to the week before Christmas and, in fact, we'll see a peak number of auctions over December.

Once our borders are fully reopened and there's a significant flows of tourists, expats and others coming to our shores, I expect to see a significant rise in rents and predict there'll be a rental crisis within about two years as we are not building enough properties to satisfy future demand.

Sales agents will be looking forward to the Christmas season for a rest in what must have been a record year of sales volumes.

The property market is likely to kick off with a reasonable momentum in mid-January as many vendors will be keen to get their property plans into motion – and buyers can capitalise on rising stock volumes.

Victoria

Cate Bakos – Buyers' advocate, Cate Bakos Property

Melbourne does feel like a city in social recovery. Our State Government's have-fun-in-the city stimulus offering diners a 30 per cent rebate off their bill has even a dreary Tuesday feeling like a party.

Our property market, however needed no stimulus at all. As restrictions eased, agents' regained the ability to take buyers through properties. As we exited out of a long, grim winter our market continued to defy earlier predictions. Houses have continued to soar in value, with many buyers suffering heartache in the face of strengthened competition. Even the prudential regulator's efforts to calm the rate of asset price growth hasn't really dented buyers' ability to spend hard. Stock on market numbers, (including apartments) remains tight – although late spring is showing signs of a slightly eased buyer:seller ratio given listings are abundant and quite condensed as vendors make up for lost time. We can anticipate a tougher January for buyers with agents exhibiting a dogged determination to sell their stock by Christmas as they head into a much-needed summer break.

And this time, we can expect our property market to be dormant for the first half of January. Not a single soul in the industry feels like working through Christmas this year.

Queensland

Melinda Jennison – Managing Director, Streamline Property Buyers

The Brisbane Property Market is bucking the national trend, gaining further price growth momentum in recent months. Over the last quarter we have seen property price records being broken throughout the city every weekend.

CoreLogic Data shows that sales volumes have increased 51.5 per cent over the 12 month period to October 2021 in Brisbane. Total listings are still down -31.1 per cent compared to 12 months ago, but there is hope with new listings up 11.2 per cent in the four weeks ending October 31st 2021. With the current buyer demand we will need to see a much higher level of listing activity before our market finds its equilibrium level again.

Across the quarter, Brisbane House prices have increased 7.1 per cent compared to unit price growth of 3.3 per cent. This provides an indication of the market segment that is in higher demand right now throughout the city. We have seen houses outperform units in terms of monthly growth in Brisbane every month since September 2020. The median house price in Brisbane is now $731,392 and the median unit price is now $437,086, both at record highs for our city.

There is still a lot of FOMO in the Brisbane market. Some buyers are taking big risks just to be competitive with their offers on properties that become available for sale. The pace of the market is still very fast and at this stage we are not expecting to see any slowdown in buying conditions based on the number of buyers we are observing throughout the city. It is a good time to off-load poor quality properties as there seems to be a buyer for every property, but buyers need to be prepared to compete for quality assets – there are simply no bargains in Brisbane right now.

South Australia

Peter Koulizos – PIPA chair (Program Director, Master of Property, The University of Adelaide)

The South Australian market continues to grow strongly. According to CoreLogic, over the last 12 months Adelaide's dwelling values have increased by 20 per cent and the rest of South Australia has grown a very healthy 16 per cent. Regional South Australia has experienced a significant increase in demand as evidenced by the huge decrease in median days on market; from 111 days to 52 days!

This growth in both regional and metropolitan South Australia is set to continue. The restrictions on the South Australian borders have been lifted and the influx of people into the state has been phenomenal. Due to this increase in demand, you can expect to see rents and property prices rise significantly, especially in the next quarter.

If we look beyond the next three months, the South Australian property market continues to look good for a couple of reasons. Firstly, the increase in population from interstate and overseas migration will continue. Secondly, South Australia has some of the most affordable property in the country and it is gaining the attention of many interstate investors and those wishing to relocate to cheaper areas, even though their work might be based in another state.

Western Australia

Damian Collins – Managing director, Momentum Wealth

We continue to see a strong performance from Perth's residential property market as we approach the end of 2021, with historically low sales stock and sustained buyer demand continuing to place upwards pressure on property values in investment-grade suburbs. Data from the Real Estate Institute of Western Australia shows that listings for sale have now almost halved from their peak of 16,969 in November 2015, with just 8513 properties listed for sale according to October weekly averages.

At the same time, Perth remains one of the most affordable capital city markets across Australia to purchase property. This, combined with the second highest rental yield across the nation at 4.4% (CoreLogic), is underpinning a rise in interstate interest in the Perth market, especially with the Sydney and Melbourne markets facing increasing affordability concerns.

Looking forward, the need to fill WA's high number of job vacancies – which stood at 52,100 in August according to the Australia Bureau of Statistics – is set to place further upwards pressure on demand when interstate borders re-open. Combined with continued low levels of stock and the State's rise in mining activity, this is resulting in a strong outlook for the Perth market in 2022.

Tasmania

Simon Pressley – Head of Research, Propertyology

Tassie real estate is the gift which keeps giving.

Over the last 7-years, a standard house or apartment in Hobart has increased by 120 percent, miles ahead of the second-placed capital city, Sydney (75 percent for houses and 45 percent for apartments), and nearly three-times higher growth than Brisbane (45 percent for houses, 5 percent for apartments).

Local owner-occupiers, particularly upgraders, continue to be the dominant buyer demographic. According to the most recent data from REIT, buyers from the mainland only represented 18 percent of sales over the 12-months ending September 2021. Sales to investors was a low 19 percent.

Both Launceston and Burnie had a later start to their cycle. Each location produced circa 60 percent growth over the last 5-years, better than every capital city and they are still roaring. And rents are going nuts.

Record low resale supply, record low rental supply, eight consecutive quarters with the state economy ranked Number One by CommSec, online real estate enquiries from mainlanders currently through the roof, borders re-opening... Tasmanian real estate is a very rare and treasured commodity.

Looking ahead to 2022, whether there are a couple of interest rate rises or not, money will remain dirt cheap for years to come. Tassie's economy will continue to lead the pack and internal migration will crank up. Screw what the banks and economists have said, we anticipate property prices will grow by a further 20 percent or more!

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Simon Pressley – Head of Research, Propertyology

Advocacy Corner

A central tenet of PICA is to advocate on behalf of Australian property investors.

As a collective, investors make up a substantial proportion of the voting population. Unfortunately, a previous lack of co-ordinated representation and funding means our interests are often drowned out by other advocacy groups with contrary agendas.

To this end, PICA has come forward as a representative voice for the nation's approximately 2.3 million property investors.

Since our inception we've been successful in pushing the investor message. This has included affiliating with state's based real estate institutes when necessary to highlight disproportionally unfair of tenancy law changes, as well as participation in exploratory groups at the highest political level. We also coordinate formal responses to legislation proposals, and utilise media opportunities to highlight the important role property investors play in Australia's economic and housing supply markets.

In 2022, PICA's advocacy work will be more important than ever. There are several events this year where we need to make our presence felt, including:

- Tenancy law reforms in Western Australia
- Stamp Duty reforms in New South Wales
- Land tax changes proposed in Queensland
- The federal election where housing supply, affordability and taxation will be central discussion points.

All these instances have the potential to penalise hard-working Australians like you who simply want to secure their financial future through property investment.

So... what can you do to help?

There are four simple actions you can take that will assist immensely with this work.

1 – Help build our membership.

As our numbers grow, so our voice becomes more difficult to ignore. If you know of friends, family and associates who invest in property (or even aspire to owning an investment), tell them about PICA and encourage them to join up. For $5 per year, they can be part of the movement.

2 – Make noise.

Take the opportunity to submit responses in relation to political reform and legislative changes. Make your opinions known and hold our leaders to account.

3 – Volunteer.

PICA is a volunteer-based organisation. If you believe you can help in pushing our agenda, contact the association.

4 – Donate.

We run a lean organisation with no outside funding or additional support beyond membership fees. If you are so inclined, please consider a small donation to help keep the wheels of PICA turning.

PICA is a voice for you – run by property investors, for property investors. Get involved, provide support and you'll discover PICA membership is the best investment you can make in 2022.