



INTELLIGENT
PROPERTY INVESTOR

**Low Unemployment, Bullish Business, Hot Property,
Negative Gearing On Decline & A 12% Market**

I LOVE
REAL ESTATE

Disclaimer

The opinions stated in this report are Dymphna Boholt's personal views and are not intended to be a text on the legal and financial aspects of property investing and should not be relied on as such.

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This report is not meant to provide legal or financial advice and should not be relied on to do so. Readers are urged to seek appropriate advice from appropriately qualified professionals for their individual needs.

All figures and statistics recorded in the book are accurate at the time of publishing, however may be subject to change.



Welcome To The Intelligent Property Investor Masterclass

Look, why am I doing these Intelligent Property Investor Masterclasses?

I'm doing this to make you a more intelligent property investor.

You see the more you know about what's happening in the economy and everything like that, the better decisions you're going to make, and ultimately the more money you're going to make out of those decisions.

Because that's what it's all about, isn't it? That's why we're property investors.

The timing right now is particularly important because we are now entering a boom cycle.

Now, remember I am an accountant and I am an economist. And this cycle that we're entering right now is going to be very, very crucial for you and your financial futures, as well as your family's futures and potentially for generations to come. That's why this cycle will be very, very important for you.

The last time that we had massive increases in property prices like we are seeing now, you have to go back to the end of GFC.

It bottomed out in 2010, then really took off from 2012. What did you do then? How many properties did you buy for those next few years? How much did they increase in value?

Because those are the kinds of times that we are entering again.

In fact, I could also take you back to the mid-cycle slow down in the early 2000s. Think about the pricing then (if you're old enough), think about what those prices were.

What did you do then? How many properties did you buy? What happened?

If you are even older, think about back in the early '90s when we had the last proper recession.

So what did you do then? Sydney prices back then were \$194,000. That was the median house price in Sydney and other cities were similar.

How many properties did you buy? What would they be worth today?

The reason I'm being so hard on you right now is because I really want you to understand the importance of this period of time that we're coming into.

I put this information out on my website too, which is iloverealestate.tv so you can get all of the previous Intelligent Property Investor masterclasses that I do on a weekly basis.

You can go back and listen because it tells a story. And the more that you go through and listen to the story, you can see how it's developing.

I also put it out on my [YouTube channel](#) and I also put it out onto [Spotify](#) and onto [iTunes](#), but I really, really encourage you to, to jump onto my website, iloverealestate.tv and get a subscription to these master classes that are all free.

I don't sell properties. This is all about knowledge and making intelligent investment decisions.

This issue we are looking at some interesting new information.

Let's get into the Masterclass. Now, what are we going to be covering today?

First up, I'm going to look at **why the number of unemployed have fallen to record lows.**

We're going to be looking at why **Australian businesses are the most bullish they've been in years**, and how we ended up with the **fourth hottest property market in the OECD.**

That's going to be interesting.

We will look at **why negative gearing is on the decline**, and **which markets have grown 12%.**

Not in the last year, but in the last three months! Isn't that incredible. And some markets are even doing better than that, and I'll share that with you as well.

Let's get into it.



The Australian Property Market

So let's start with the Australian property market. Where are we at with that?



FINANCIAL REVIEW

Newsfeed

Aussie house prices rise at fourth-fastest rate in OECD over 20 years

John Kehoe *Economics editor*



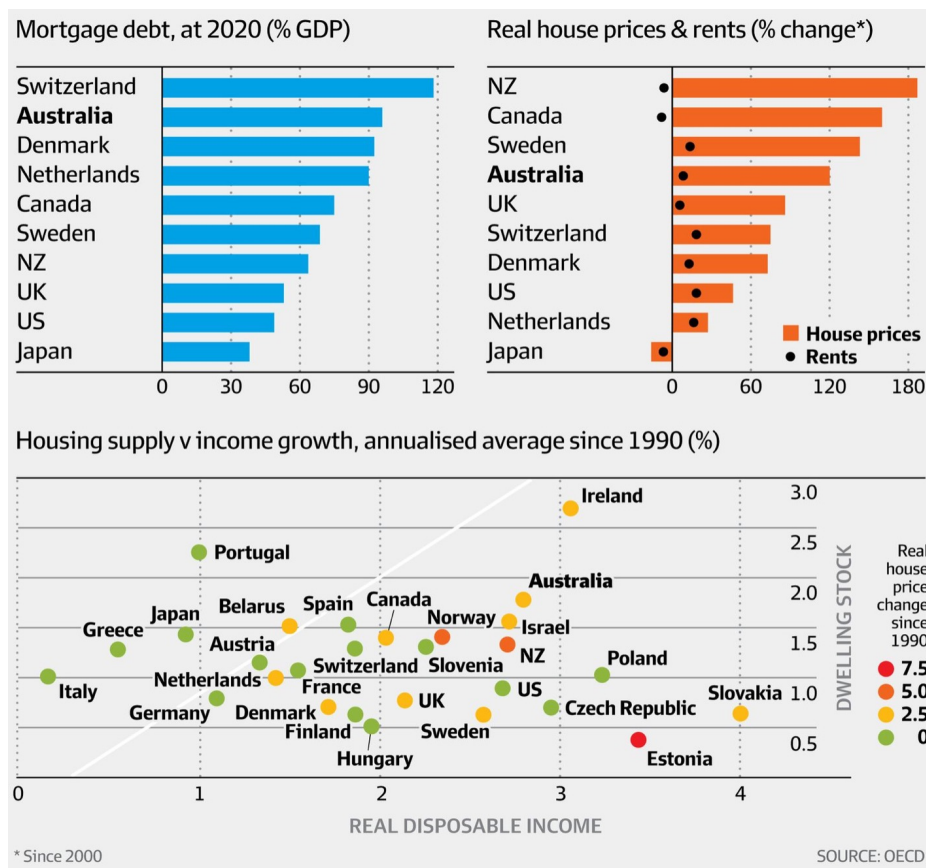
Jun 14, 2021 - 7.00pm

 Save  Share

Planning and zoning restrictions are a key problem behind Australia recording the fourth-fastest house price growth out of the world's advanced economies over the past 20 years, according to a new report by the Organisation for Economic Co-operation and Development.

Local households are the second-most indebted in the world and it takes six years longer to afford a home in Australia: 16.4 years of disposable income for a 100-square-metre dwelling versus 10.4 years for the OECD average.

This was an article published in the Financial Review on 14th June 2021 and it talked about how Aussie house prices rose at the fourth fastest rate in the OECD over the last 20 years.



What this has meant is that we've ended up on the top four.

You can see there on the top right chart that New Zealand is number one with the fastest growing house prices and rent increases. They're followed by Canada, then Sweden and then Australia.

Below us we have the UK, Switzerland, Denmark, US, Netherlands, and poor old Japan – it's actually gone backwards.

The other chart on the top right of the graphic shows that Australia has the second highest mortgage debt as a percentage of our GDP. This was at the end of last year. We are carrying fairly high levels of debt, even though our prices are really, really soaring.

And you can see in the chart down the bottom Housing Supply vs Income Growth on the world stage too.

The cross-country analysis exposes how expensive Australian homes have become in the past two decades and that restrictive state and local government regulations are exacerbating the price pressures.

Paris-based OECD director of policy studies in the economics department, Luiz de Mello, said low interest rates had contributed to rising house prices.

But restrictive regulations were also a leading reason why the supply of new housing had failed to keep pace with demand from high population growth and strong immigration levels before the pandemic, he said.

They put the Australian house price rises mainly down to our planning and zoning restrictions.

This is because we have so many restrictions at a council level, and then we've got state government restrictions, and then we've got federal government restrictions.

The Financial Review article went on to talk about why these restrictions are affecting things. And one of the things that came out is that the restrictive state and local government regulations are exacerbating the price pressures. This is making it hard for builders and investors and developers to be able to get properties out onto the market.

Now, this is something that I've been talking about for years. One of the things to come out of this, is that it's not just our fees and charges and those sorts of things, but it's also the way that we insist on things being done.

Now, look, I'm all for safety, don't get me wrong, but some of the things that we have to do from a building perspective are off the charts. And the thing is, every time something new emerges, we tend to regulate it and then we have a council fee attached to it.

It's got to a ridiculous stage where for everything we do there's a piece of paper

to fill out and that piece of paper will take you half an hour to fill out.

Then you've got to submit the piece of paper.

Then somebody else has got to read the piece of paper. And it's going to cost you money to submit the piece of paper.

Then you've got other regulations as to how quickly they can get back to you and whatever else. It's just got out of hand.

We seem to overregulate everything. I think we need to get rid of some of the stupid laws that we have. Some of the things are totally over-regulated. We never seem to go back the other way.

Over the last 100 years, we've just regulated and regulated and regulated, and it has gotten more and more and more expensive.

What that means is that we've cut out a lot of the ease with which we can develop, the ease with which we can get houses off the ground.

We entered COVID with a massive under supply and over demand for housing, and nothing's changed. We are still massively under supplied.

And these are the things that are pushing up our pricing, because what we're seeing is that we can't actually get the housing out of the ground quick enough in order to cope with the demand that's there.

And this has been the case for a long time.

Australia has grown on our immigration. Now, even though we don't have any immigration at the moment, I can tell you what, when they open up those flood gates, it's going to pour in. And when it starts pouring in, it's going to exacerbate the situation that we're already in with pricing and housing and the total lack of supply.

So I plead with the regulators, particularly at the council level and state level, to lift some of the restrictions.

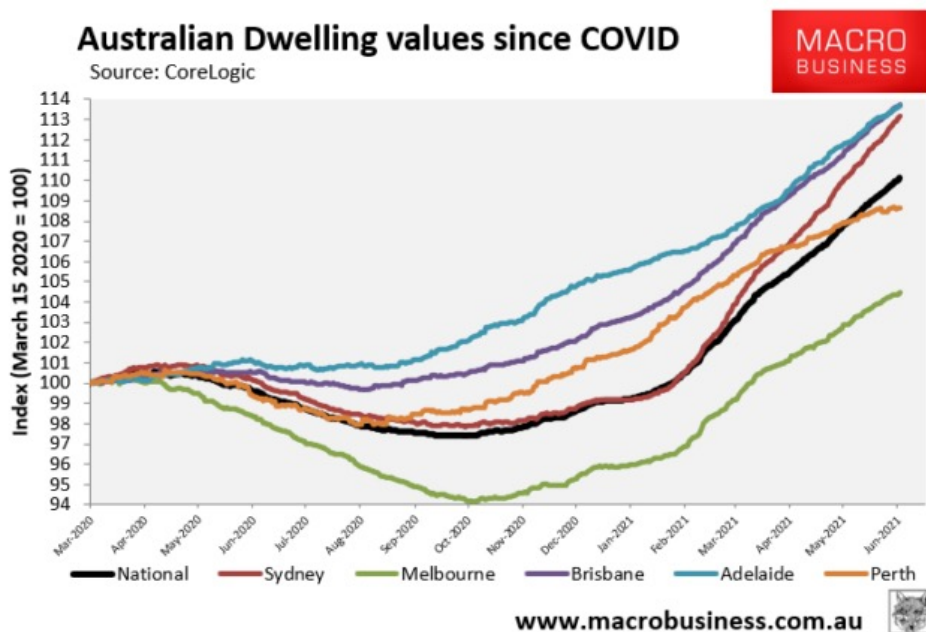
There's a lot of excess in government and there's a lot of wasted money. If we

can get on top of that, then we might be able to ease some of the fees and levies to actually make housing more affordable.

I know with interest rates where they are right now, we are the most affordable we have been in a long time, 40 years in fact.

But the reality is that that's not enough, because interest rates will go up. And when interest rates go up housing is going to get more and more unaffordable.

The Financial Review article went on to talk about these fees and charges, and how this with our growing population is putting the supply chain at risk when we can't get housing out of the ground quickly.



Let's look at pricing. This shows the dwelling prices in Australia from the beginning of COVID at March 2020. You can see how dwelling prices have responded since the beginning of COVID. Adelaide barely went down at all but you can see where their pricing is compared to where they were pre COVID.

Even Melbourne has recovered. Melbourne is now slightly above where it was pre-COVID, and that's with all its lockdowns as Melbourne really got hit the hardest. Sydney was probably the next, and it's screaming right now. It is soaring.

Growth in stratified hedonic dwellings index (3 months)



If you look at these charts here, they've divided the housing industry into three categories, the low, the mid and the high. The dark blue is the high.

Now look at the first one there, that is Sydney. So this is the last three months. Sydney dwelling prices have risen 12%.

Now, that's at the high end of the market, because what typically happens, particularly in places like Sydney where there's a fair amount of wealth, when the higher end of the market goes up, it really goes up, but when it falls, it really falls. So massive volatility at the top end of the market in places like Sydney where you've got a lot of a lot of wealth.

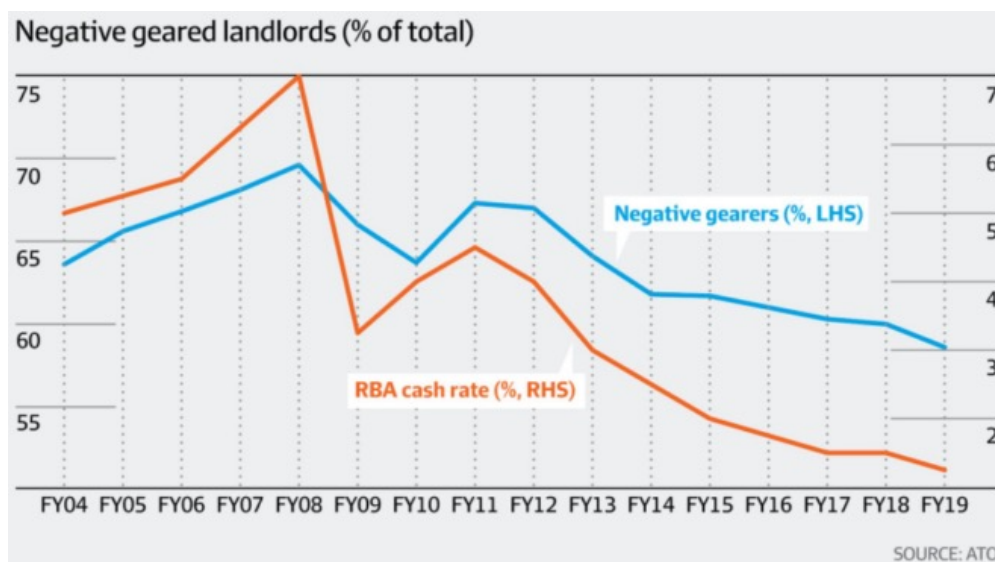
Now, Melbourne is kind of following suit, but it's not quite where Sydney is because it's had so much to recover from.

Brisbane the same kind of story. Not that it's had anything to recover from, it's just a slower market.

Adelaide as you can see there. And then you've got the reverse happening in places like Hobart and Darwin. Why is the bottom end of the market actually increasing more than the top end of the market? And this comes down to demographics.

The reason is that the majority of the population is not at the wealthier end of the scale. The majority of the population is at the lower end of the scale from a wealth perspective. So it's the more affordable housing that are really being pushed up in those areas.

Perth is a little bit of a misnomer there, because it's a little bit more even across the board. And that's what those results are actually showing there as well. And again, ACT is following Sydney and Melbourne because there's a lot of wealth there. There's a lot of wealth at the top end of town and that's reflected in those better, well not so better housing, but the more expensive housing, the more expensive locations.



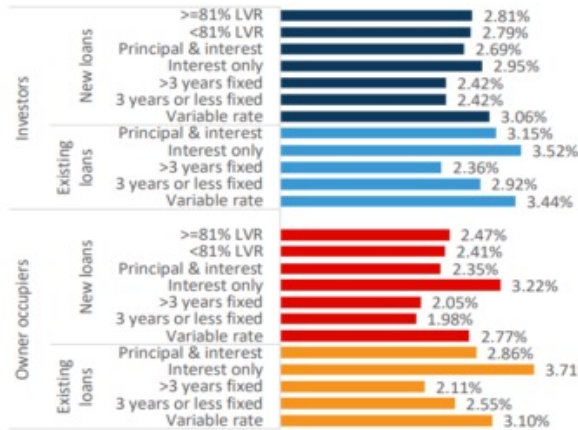
This data above was released by the ATO at the end of 2019, but the recent data (I'm sorry I don't have a chart for it) shows that this trend has continued, and that there is less and less negative gearing on properties being presented on their tax returns.

Now, that's mainly due to the fact that we have low interest rates. Low interest rates and roaring rents are making a lot of the previously negatively geared investment properties now positively geared. But a lot of them are just on the tetering border, where a bit of an interest rate hike could actually swing it the other way.

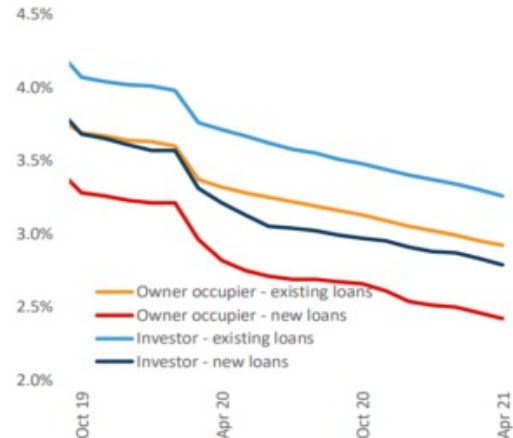
Average home lending rates continued to decline through April

Average housing lending rates for new loans have declined 4 basis points for owner occupiers, and 4 basis points for investors through the month of April

Average borrowing costs by borrower and loan type, as at 30 Apr 21

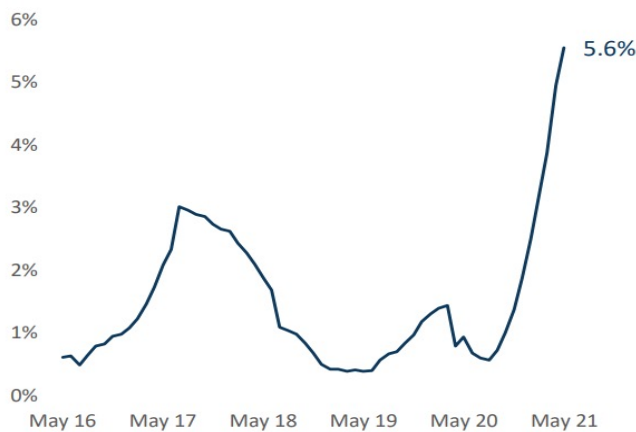


Average borrowing costs by borrower and loan type, as at 30 Apr 21



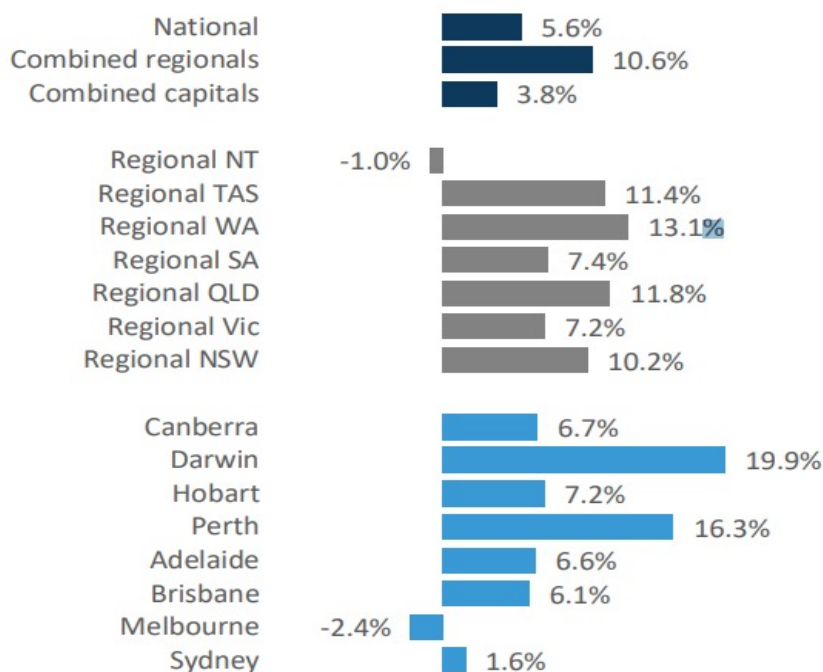
And again, this just shows the average home lending rates continuing to decline. And consequently, that means that the yields on those properties are actually getting better.

Annual change in rental rates - National



And the other side of it, of course, is that rents are going up. And you can see there in the month of May, this is incredible. In the month of May, across the country, rents rose by 5.6%. And even if you look at the year to date, so that's May 2020 through to May 2021, you can see there the percentage increase in rental returns. And that's right across the board, including the regional areas.

Annual change in rental rates to May 21



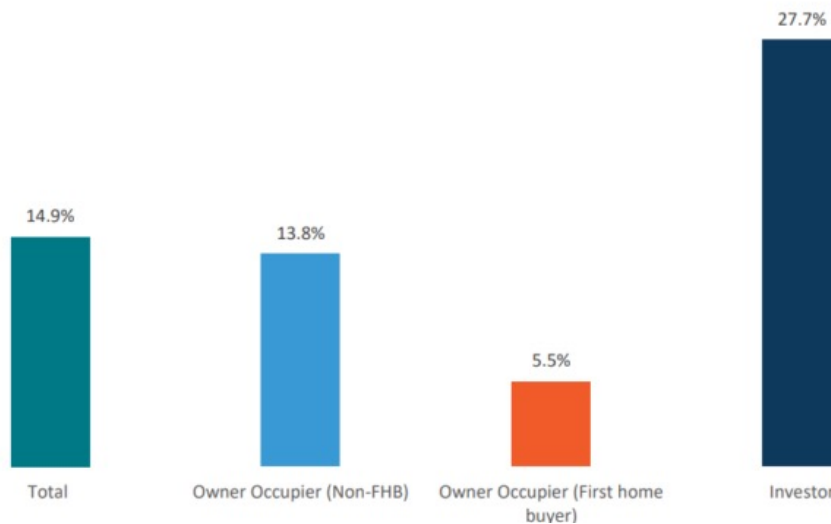
So it's really only Melbourne where rents have gone down. Now I've spoken about this in previous podcasts. And the reason for that is because there is a massive oversupply of units, apartments in Melbourne. Because there's a greater supply, that is actually bringing rents down.

Now, that is not the case housing, but it is the case for rental units.

So something to watch there. And it will swing. It will swing as the take up in the apartment market we start to get some demand in that area. But it really won't take hold until we start to get an increase in migration, because that's typically what takes up a lot of that market anyway.

Watch that space there in Melbourne. I'm particularly bullish on housing in Melbourne but not so much on the units. Not yet anyway. I'm never really bullish on units.

Change in lending for the purchase of property - three months to January 21 vs three months to April 21



This chart here shows you that the investors are back with a vengeance. So what we see here is that in the last three months ending April, there's been a lot more investor activity than there has been owner-occupier activity. And that's including the first homeowners.

So this has been a big swing around from the last quarter that we had, because obviously the last quarter was very much buoyed by the HomeBuilder grants. So everyone was jumping on there and trying to get into their first home through the HomeBuilder program.

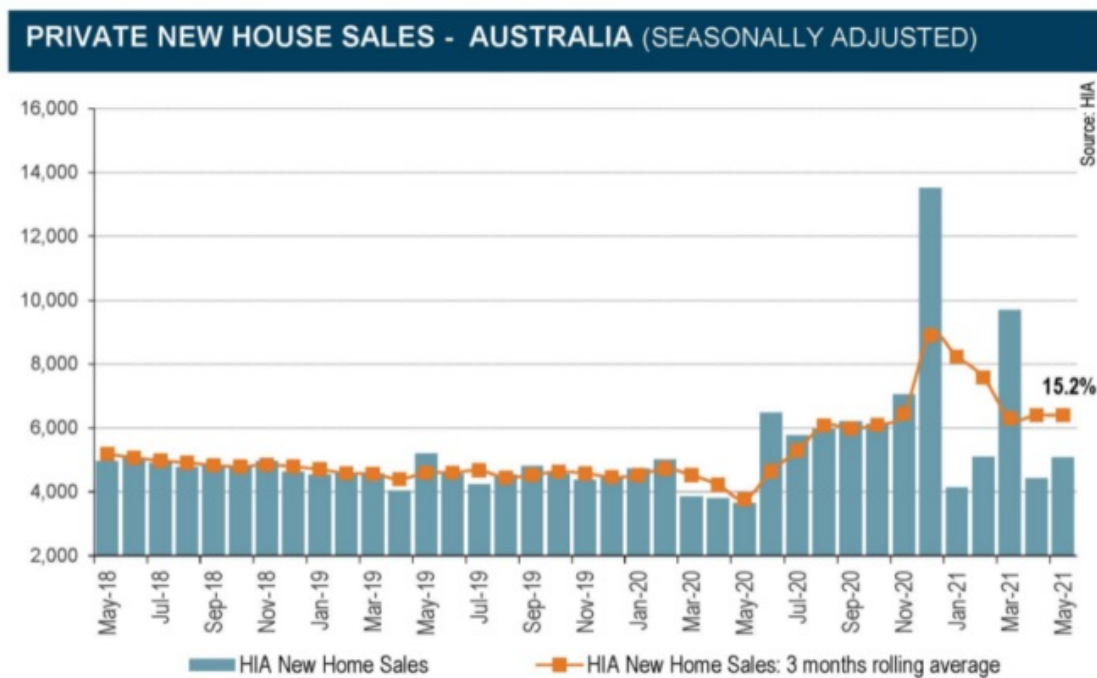
Vacancy Rates - May 2021						
City	May 2020 Vacancies	May 2020 Vacancy Rate	Apr 2021 Vacancies	Apr 2021 Vacancy Rate	May 2021 Vacancies	May 2021 Vacancy Rate
Sydney	29,416	4.0%	23,422	3.1%	21,936	2.9%
Melbourne	18,499	3.1%	25,050	4.0%	22,910	3.7%
Brisbane	8,780	2.5%	4,780	1.4%	4,435	1.3%
Perth	4,167	2.0%	1,860	0.9%	2,016	0.9%
Adelaide	2,293	1.2%	1,409	0.7%	1,316	0.7%
Canberra	880	1.3%	486	0.7%	433	0.6%
Darwin	727	2.3%	167	0.5%	123	0.4%
Hobart	386	1.2%	164	0.5%	148	0.5%
National	86,398	2.5%	66,411	1.9%	62,144	1.8%

The other thing when we talk about rents going up is of course is vacancies. And vacancies are very, very low. Now, you can see there, Sydney is at 2.9% and Melbourne is the highest at 3.7%. Brisbane's 1.3%. All the rest are under 1%.

You can see Darwin there at 0.4%. Hobart at 0.5%.

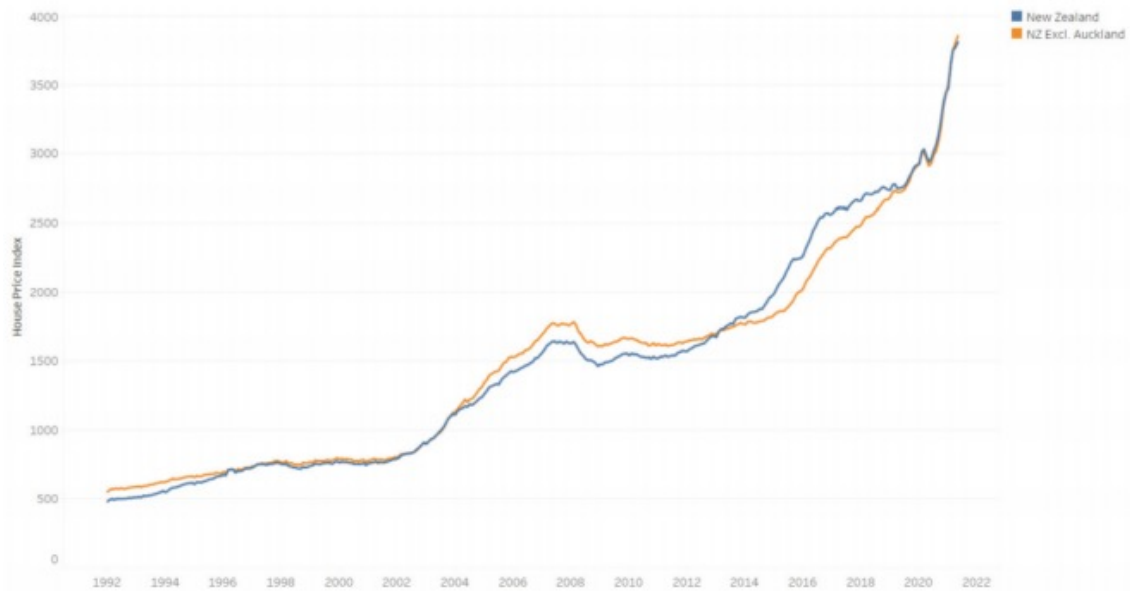
And that also is pushing up that lower end of the market from an affordability perspective. Those figures that I showed you with the house prices in those cheaper areas. Affordability is dropping.

Vacancies are down from where they were in March. So from March to May, you can see Sydney's dropped from 4% to 2.9%. Melbourne's gone up. And again, that's because there's oversupply in apartments. And all the rest have really come down considerably. So the average has gone from 2.5% down to 1.8%.



Now, this chart shows you seasonally adjusted private new home sales. And what we're seeing here is that we're not producing enough. That's what it says. We're not producing enough new homes. Consequently, there is upward pressure on pricing. And that's what we're seeing right through the market, right around the country.

What I feel we're doing is following in the footsteps of New Zealand.



And you can see there on a year on year basis. New Zealand house prices have grown by 32% in 12 months. That's pretty incredible.

Australia is heading in the same direction, we tend to follow New Zealand with at least a six month lag for Sydney, and some of the other cities a little bit more than that.

And that 32% is actually even after New Zealand government put into place a few restrictions around negative gearing and capital gains tax. Property prices have gone up there despite increased regulation.

I really super encourage you guys to step up to the property market now.

So what I've decided to do, is to offer you a **free 60-minute advisory session**. I'm calling them Real Estate Breakthrough Sessions.



I Love Real Estate Breakthrough Sessions

These advisory appointments are free, and I really encourage you to lock in one of those hour long appointments. I know it's going to help you enormously to achieve some major goals over the next three to five years.

We've got an incredible time ahead of us, but we need to be very smart about it, because there's a lot of rubbish out there. And making a mistake at this particular time, in this stage of the market, can have dire effects for you.

But making the right decisions can really help you achieve your goals and possibly replace your income and have a massive portfolio by the time the market actually does go into correction.

Now, I'm predicting that to be around about the mid 20s. But you've got to get on your bike because there's a long way between here and there and there's a lot of information to take in and take advantage of.

Now, we don't sell real estate. I think it's fundamentally wrong for me to teach you how to do things and then go, "Oh, look, I just happened to have one of those." But we will help you to achieve your goals.



And that's why I'm offering you these free 60 minute advisory calls ... I'm calling them the **[I Love Real Estate Breakthrough Sessions](#)**.

I've only got a few spots so make sure that you book it in. They are free.

You can have 60 minutes with one of my advisors where you can go through your goals, dreams and aspirations. Where you're at, where you want to go, what it all means, how to get there and a way forward for you.

Go to **iloverealestate.tv/questions/** where you can lock in one of those appointments.

Make sure that you do that. Make sure that you actually set the time aside. Write it in your diary so you don't miss it as their time is limited.

Make sure that you turn up on time because they're going to be there waiting. You'll get 60 minutes to talk about your situation and what you can do to maximise these next few years. And it's free!

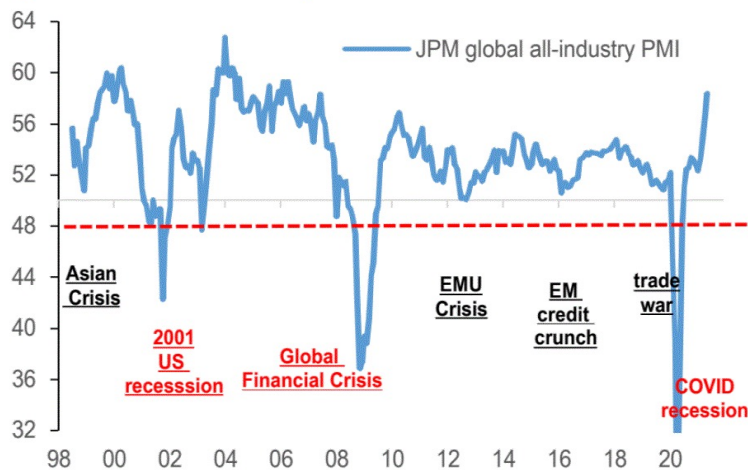
Now, let's get back to the rest of the masterclass.



The Global Wrap

Now, one of the things that we need to consider is the world market.

Figure 1: JPM all-industry PMI



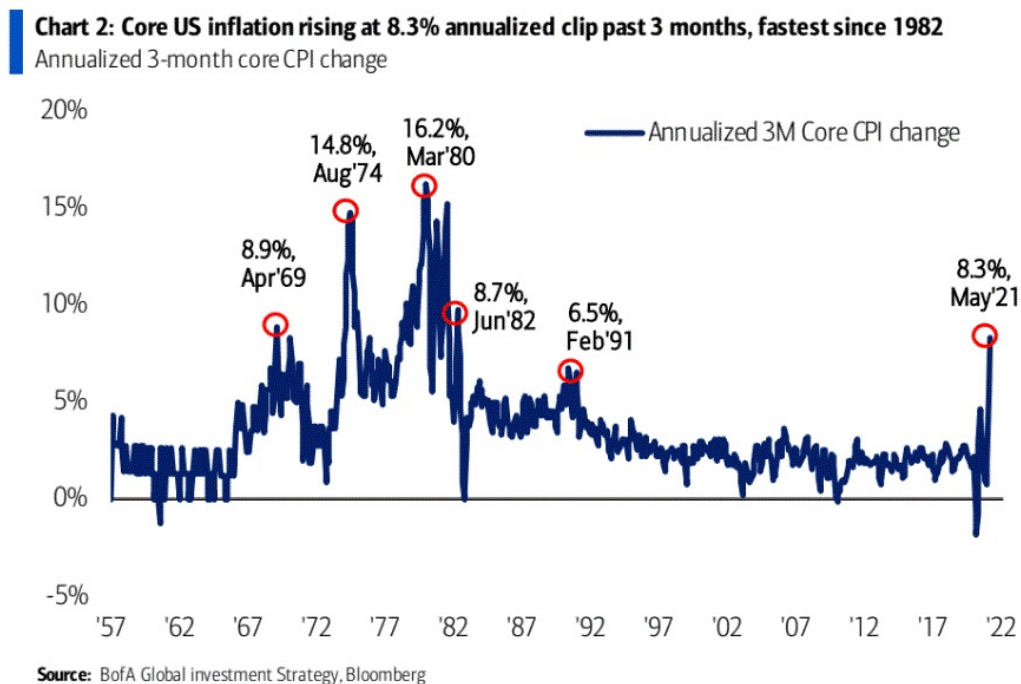
Source: J.P. Morgan.

Now, this is the PMI index, which is has been put out by JP Morgan. What is the PMI index? It's the Purchasing Managers Index. The PMI is an index of the prevailing direction of economic trends in the manufacturing and service sectors. Because that's what makes our economy go round.

And you can see in this chart how deep the COVID recession really cut into us. We even eclipsed what happened in GFC. But look how quickly we've responded compared to GFC. So it was a quick dip and we're back out of it very quickly.

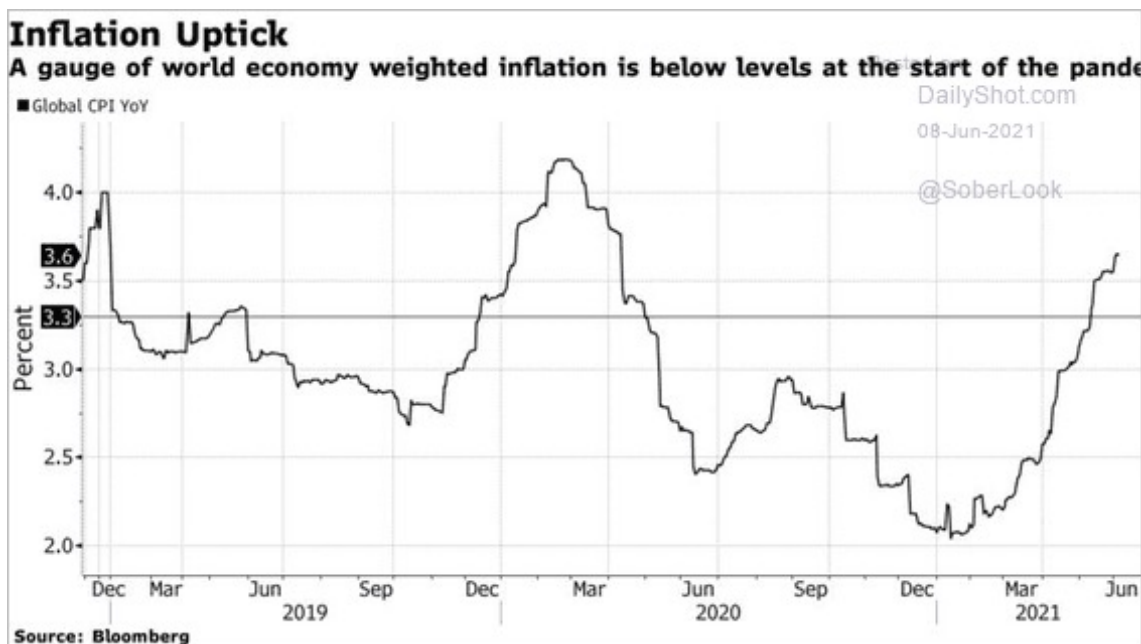
You can see there where that index is at now, we're back up to the buoyant times that we saw through the early 2000s, and how that period of time really soared from a property perspective as well as an economic perspective. We're back into that kind of market again.

Now, that's causing a bit of angst around inflation, because as we purchase more and we start to increase the services sector and manufacturing sector, the side effect of that is inflation. And whilst it's not happening here in Australia, there's a little bit of concern about it in America.



And you can see that jump up in May's inflation figures in the US. But when you really look at it, it's not that concerning.

And the reason for that is most of that came into play as a result of people and businesses buying cars, trucks and restocking their capital equipment across the manufacturing industry in the US. Now, they're not going to do that month, after month, after month.



So they've had a bit of a surge in the US, but this chart is really pretty telling because what it shows is that inflation in the US is nowhere near where it has been even pre COVID.

They're not even up to levels through 2019 or back earlier than that. So we've still got a long way to go. It's not something to be concerned about and it's not something that's being reflected into Australia. We're a much more slower moving market than this.



The Australian Economy

Let's have a look at the Australian economy. Well, the first thing is the good news about the unemployment rate.



Unemployment is down again for another month, we've gone from 5.5% to 5.1%. So we're nearly cracking that four in front, which is where the Treasurer and the Government is wanting it to go.

And the Reserve Bank of Australia are really backing this push. They're keeping the economy running very hot and they've indicated that they are going to continue to do that until the unemployment rate is down into the low fours.

That's pretty good.



As far as jobs are concerned, look at this, this is huge.

In the month of May, we put on an extra 115,000 new jobs. And most of them were in a full-time basis.

So that's really good news, because what it means is there's more money in people's pockets, there's more money for paying rent and living and going to restaurants and all of those things to keep more people employed.

What that also means is that unemployment is coming down.



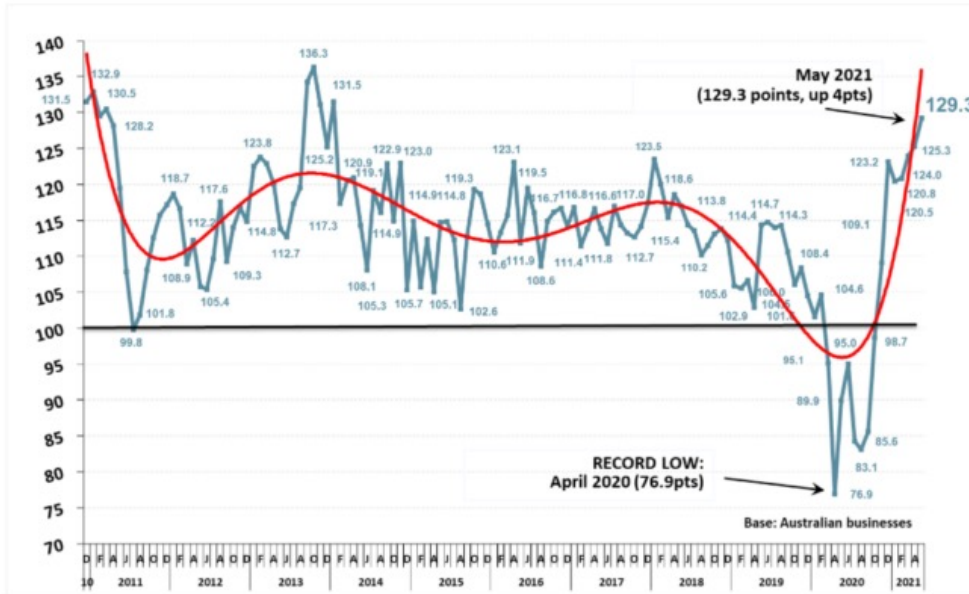
There are more job vacancy ads being put out there and unemployment is definitely coming down.



One of the things that I find quite encouraging is the hospitality sector. Even though we had the lockdowns in Victoria, it's actually the hospitality sector that is really driving a lot of the employment.

And that is mainly, I feel, due to the fact that we don't have as many migrant workers coming in because we haven't got our borders open. And what that means is that a lot of jobs being created are being taken up by Australians.

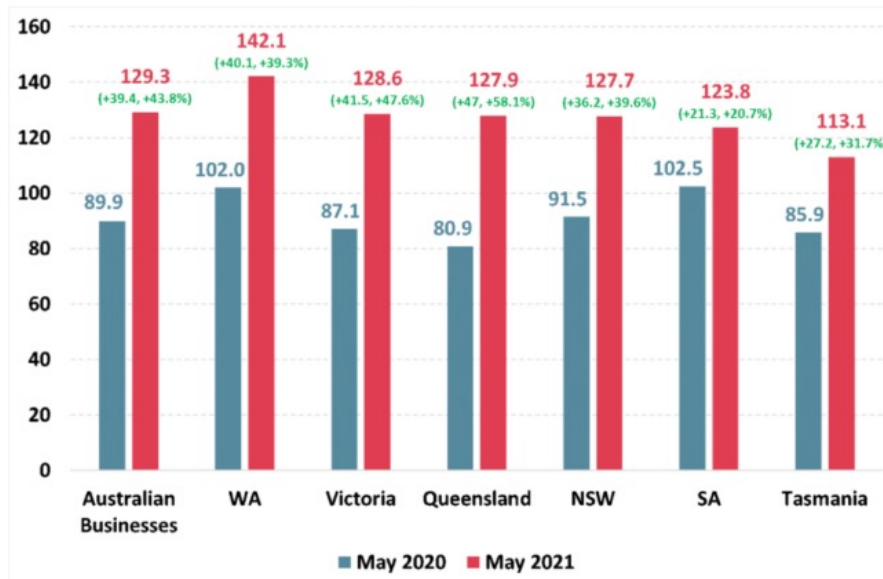
Roy Morgan Monthly Business Confidence -- Australia



Source: Roy Morgan Business Single Source, Dec 2010-May 2021. Average monthly sample over the last 12 months = 1,323.

Business confidence is very high across the board. This chart is put out by Roy Morgan. You can see there that business confidence is up. And that's right across the board.

Business Confidence by State in May 2020 vs. May 2021



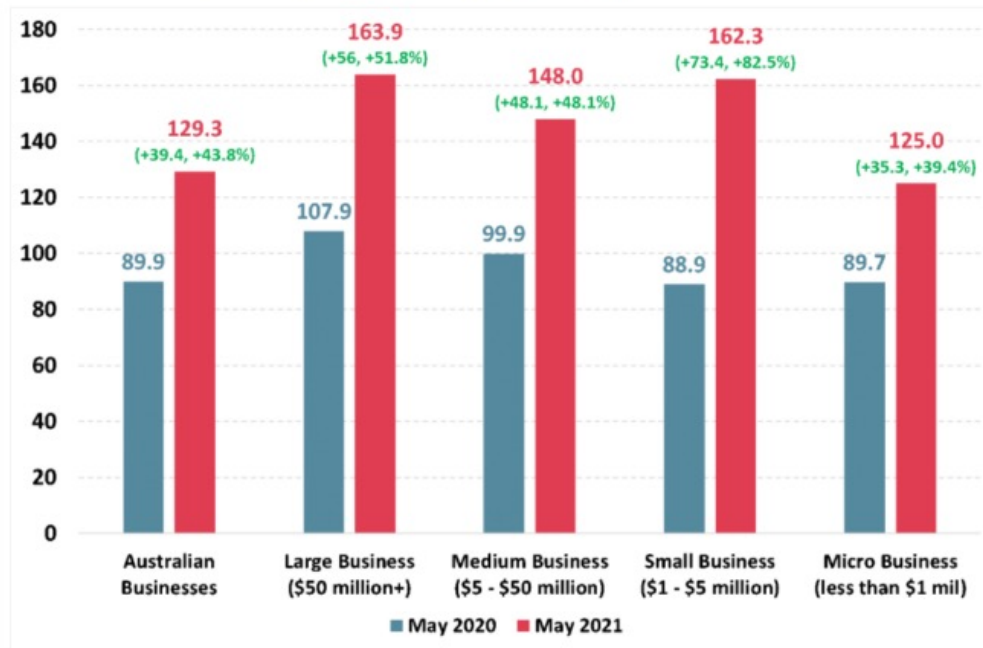
Source: Roy Morgan Business Single Source, May 2020, n=1,749, May 2021, n=1,388. Base: Australian businesses. Note: *The figure for Tasmania is a comparison of Mar-May 2020 and Mar-May 2021.

You can see across all of the states, even Victoria is up. Because Victoria has been smashed the most. If you listen to my previous podcasts, you can gauge my opinion on that.

Particularly the last State Government budget that they put out was pretty poor in my opinion and could affect things in the long term for Victoria.

But confidence is definitely back there, which is a good thing.

Business Confidence based on annual turnover size: May 2020 vs. May 2021



Source: Roy Morgan Business Single Source, May 2020, n=1,749, May 2021, n=1,388. Base: Australian businesses.

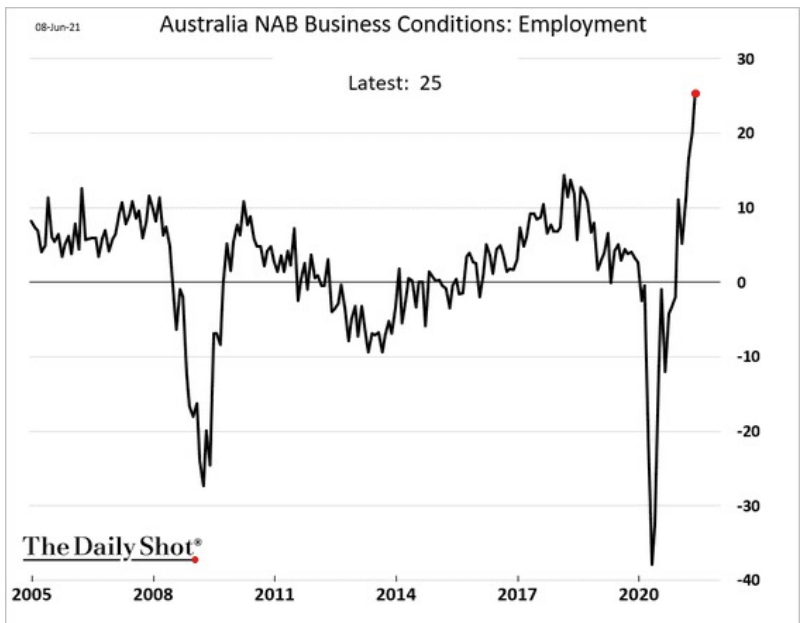
And you can see above, this goes across the small, medium and large businesses. It's confidence right across the board. It's not just one sector.

It's not just the big boys going, "Yep, we've ridden this through, we're going to do well."

It's confidence right across the board.



Even NAB index shows that confidence is up.



Employment is up too, which is great. And it looks like going even further.



What's the Big Idea to encourage tourism in Regional Areas?

Something I'd like to finish off with is: What's the big idea to encourage tourism to the regional areas? With big money being thrown at it.

That's going to come as a bit of a surprise. But it's actually Silo Art.

Now, I've been tripping around and one of the conversations that I had with somebody sitting in bar (not that I sit at a bar a lot), but anyway, was about silo art and how it's making a big resurgence.

And a lot of the regional towns are offering a lot of money. In last year's budget, I think there was \$4.9 million offered for the Mallee Art Route in Victoria to create more silo art.

I told him I did a little bit of painting myself, and the guy I was talking to said, "Oh, you should put in for one of these grants to do silo art." And I actually couldn't think of anything worse than trying to paint a silo. I'm nowhere in that league, I can tell you on that scale.

I've got a few pictures for you of some of the silo art around the place.



There are opportunities in regional areas and this helps them attract more visitors. So that's just a bit of fun to finish this report off on.

That's all for this Intelligent Property Investor. Now, remember, I have a few free spots available for you to jump on and have a free [Real Estate Breakthrough Session](#) with one of my advisors.

Intelligent Property Investor

These are very valuable because they'll talk to you about where you're at and what your goals are, and how we can actually help you achieve those goals.

This crucial period of time might go down as one of the greatest money-making opportunities of the century. You need to be doing everything you possibly can to maximise your position and we can help you with that.

So take up one of those sessions. They're free. Jump onto iloverealestate.tv/questions/ and lock one in for yourself because they are limited. Put your appointment in your diary and make sure you turn up on time because my advisors will allocate a time slot just for you.

I also encourage you to go across to my website www.iloverealestate.tv and subscribe to my weekly updates. That way you're going to get these coming to you every single week and you'll always be on top of the latest information.

Jump on board. Be part of the Intelligent Property Investor Masterclass Series. Better information gives you better decisions, which gives you better results.

Bye for now,

Dymphna.



Dymphna Boholt

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