



INTELLIGENT
PROPERTY INVESTOR

Lockdown Impact, Economy Above Trend, Builders Going Bust, Cheaper To Buy Than Rent, 60% Of HENRYs Are Broke

I LOVE
REAL ESTATE

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Welcome To The Intelligent Property Investor Masterclass

There are several reasons why I've put these updates together for you.

Firstly, I want you to be a smarter and a more intelligent investor as a consequence of reading this content.

The second reason why I've gone to great lengths to put this content together for you and keep you updated on a weekly basis is to not only make you a more intelligent property investor – but make you a more profitable investor as well.

The third reason is that whilst you may have some news or media outlets that you go to that help you with your investing, most of them are still very broad and not super specific to real estate investing.

So what I do with this series is give you the golden nuggets, cut through the media hype and deliver a series that builds upon itself.

Meaning that if you make this part of your weekly habit as we go through the year you will become a more intelligent investor. Guaranteed. And if you take action in the market place you're also more likely to become a more profitable investor as well. That's my goal.

The next three to five years really could set you up for the rest of your life, and that's why these updates are going to be so important to you.

There's a lot of hype in the media about where the market's going, and fear around COVID, and the vaccines and all of these sorts of things.

Well, I want to lay a lot of that to rest, because when we get down to the bottom line economics, what is actually happening starts to make a whole lot of sense.

Let's go through what I'm going to cover this masterclass.

I want to talk about the impact of lockdowns and what that means economically. Now, we've got a lot of data now from what happened with Victoria last time, what's likely to happen this time in New South Wales.

Then we will look at **why the economy is holding above trend... for now.**

Some builders are going bust in the middle of a boom. How can that be?

Now, this is something I really want you to take note of, because I don't want any of you getting caught part-way through a build if the builder goes broke. It's not a pretty sight I can tell you.

We will then look at **where in the country, it's cheaper to buy than to rent.**

So there's a fair bit to cover, and I've got a bit of a truth bomb I want to share with you as well and that is that **why 60% of 'Henry's' are broke.**

Look, I'm not talking about people named Henry, but you're going to have to stay to the end to work out what the heck I'm talking about there.

Let's get into the masterclass.



The Real Impact of Lockdowns

I don't think anybody that's alive today could recall a period of time like we are going through, with the lockdowns and everything else that's going on.

But what does it mean economically?

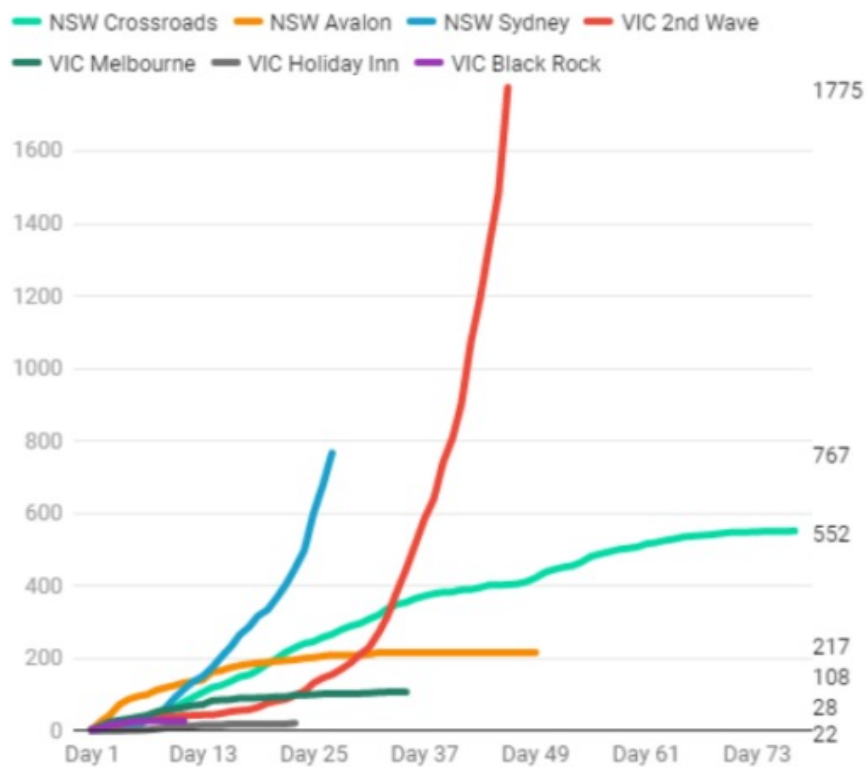
We can go back a hundred years to the Spanish flu, but the severity of what happened back then economically is not quite the same.

We're a far more advanced economic country now than we were back then.

I mean, from a medical perspective, the Spanish Flu was disastrous and we're much better off than we were back then.

But we've got enough data now to be able to see what's happened, not only in Australia, but across the world, with the lockdowns and what it means economically.

I think that's important to understand from a property perspective.



This chart here shows how much of an impact the lockdowns had on hotels and accommodation.

I mean, have a look at that red line. That is Victoria wave two. Victoria wave two saw a massive, massive surge.

Sydney has only just started that, but the reality is that it will go north and it'll look very similar, in my opinion, to what's happened in Victoria. The longer the lockdowns go on as they did last time in Victoria, the more of a negative impact that's going to have.

Queensland's not showing on the graph yet. At the time of publication they've only had seven days or something in part of the state, but it is likely to continue.

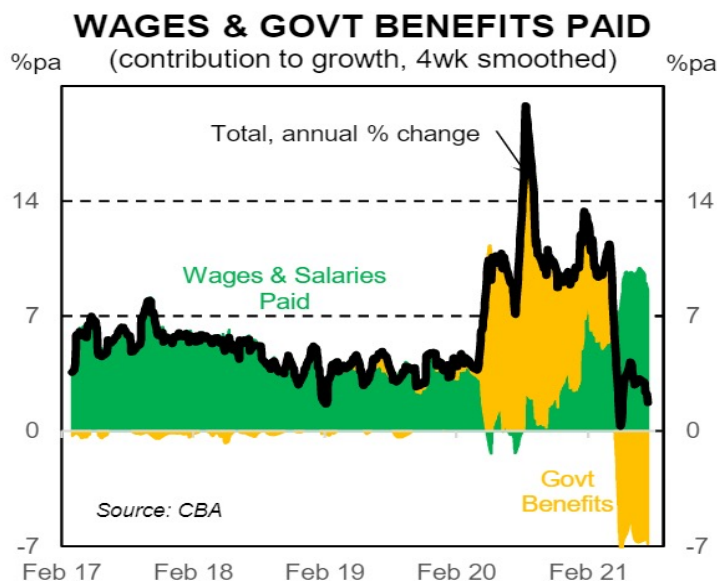
So how does this put us economically?

The Commonwealth bank economists are saying that they expect the third quarter of this year to be negative GDP.

Now, what that means is we have negative growth in the economy.

That's pretty startling considering where we were heading prior to this lockdown. They have taken a very negative view of what's been happening, and what's going to happen, particularly for New South Wales, and New South Wales is our biggest economy, seconded by Victoria.

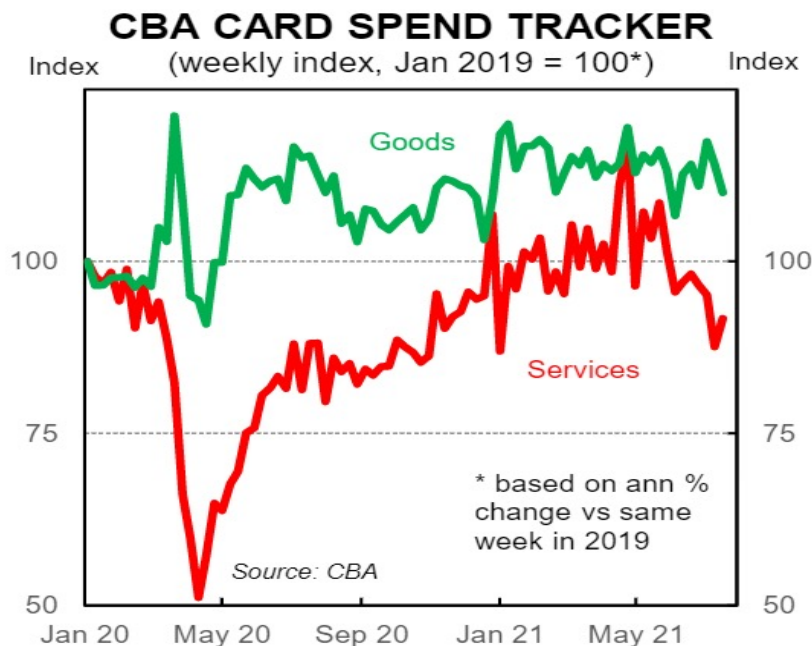
So that's going to have a pretty big impact.



This chart shows that last year when we had the massive downturn in 2020, we had very, big government support. This time it looks like we're not going to get anywhere near as much support federally. We might get a little bit on a state basis, but that's why the Commonwealth bank have come out and said, we're going to expect the third quarter of 2021 to be negative.

Now, just a reminder, and you've heard me say this before, when we have a recession, what is a technical recession?

It's when we have two negative quarters in succession. That is not the case here. They expect the last quarter of this year to be quite buoyant and the reason for that is the recovery points that we've already gained, like employment and other things, that have put us in good stead so they don't see it being a long-term recession for two quarters. But they do expect it to be one quarter. So that's something to certainly watch.



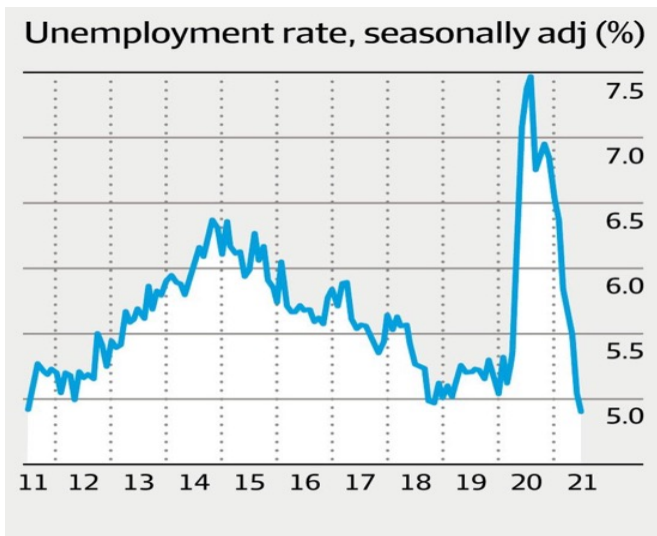
The other thing that came out with, and this was looking at, particularly at the services sector and how manufacturing has been up. It's great to see Australian manufacturing growing.

I've been out on the water for the last two months in our boat, and you see the big tankers going backwards and forwards and it's good to see the tankers leaving full.

Now you can tell they're full because of how much they're in the water and what their draw is in the water. So we're actually shipping out quite a lot as well.

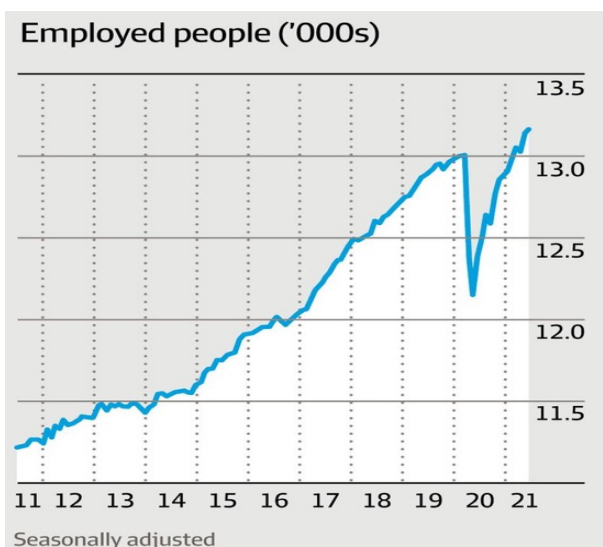
And that's a good thing and I'm not just talking about coal and phosphate and those sorts of things, we're talking about real goods. That is fantastic but the sector that is really suffering right now is the services sector.

So you can see that downturn that's happened and that is a direct result of what's happened with the lockdowns.



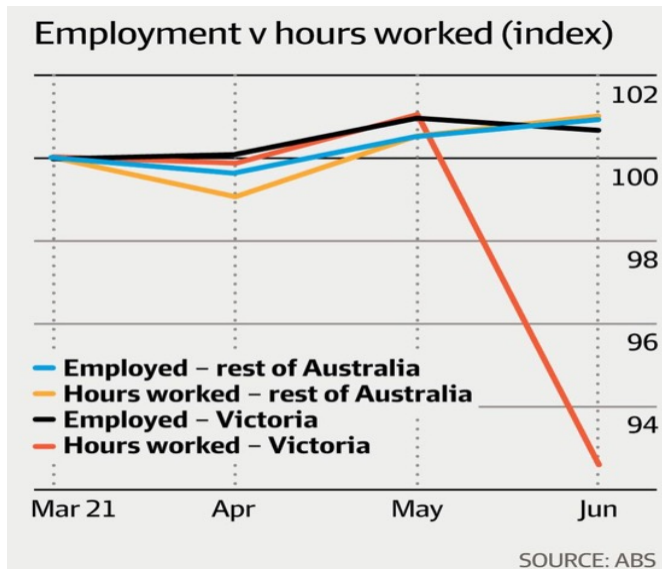
This is the good news story. Unemployment is still very low. We're down in the low fives. We're not below the fives yet, but we're down into the low fives and that's holding us in good stead, and these lockdowns so far, fingers crossed, haven't affected our unemployment figures.

I think, when COVID first came out in 2020, everyone thought they were going to have to put off all their staff. We're all going to go broke. Well, obviously we lived through 2020 and that didn't happen. 2021 is shaping up to be a volatile year, but our unemployment figures are good.



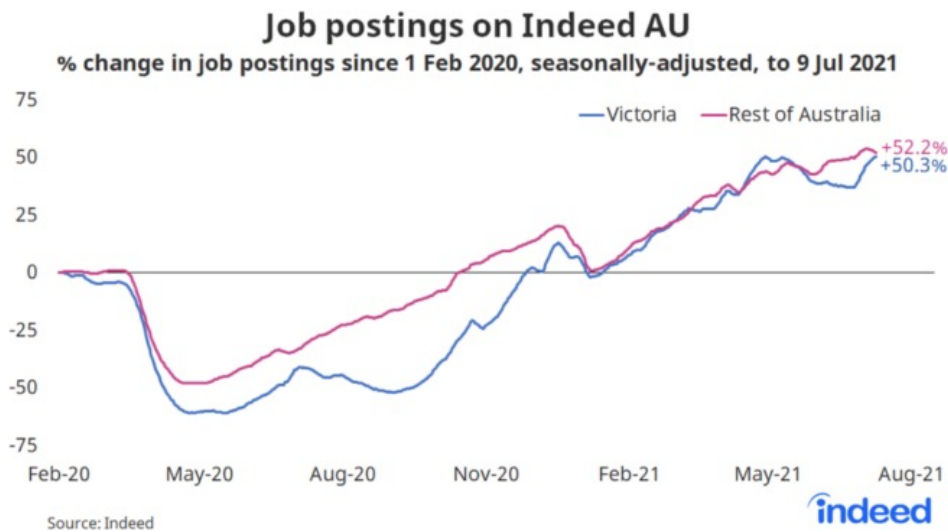
You can see the big drop off in people employed in 2020. And as I say, we've rebounded back up to trend.

So if you continue that upward line that you can see it continued to grow. We're still a bit under where we would have been had we not had COVID, but this is the real story.

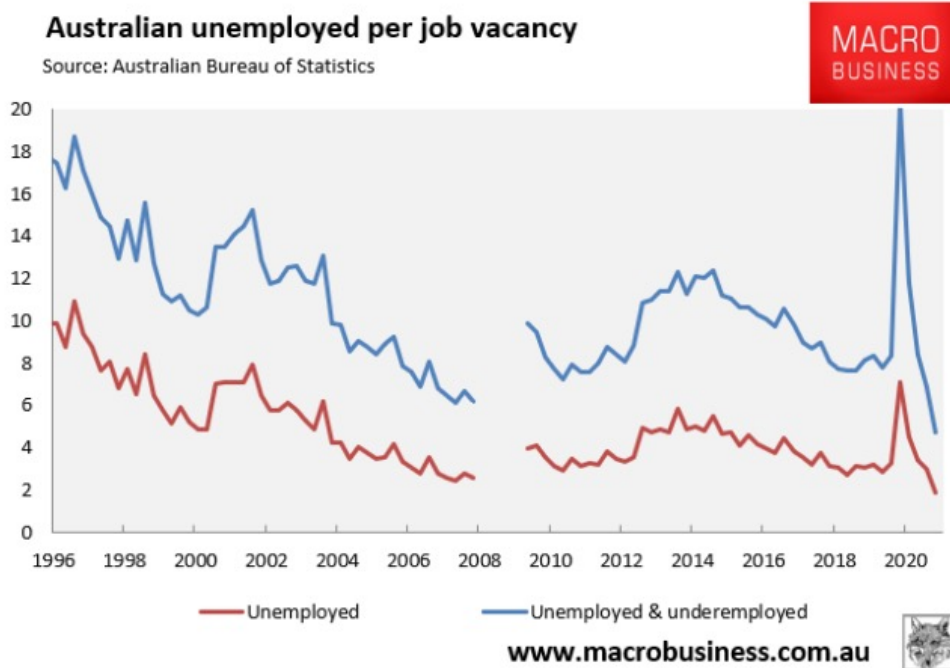


Now the Victorian experience, this shows what happened with jobs in Victoria through lockdown. Basically what it shows is that while most people kept their jobs, their hours were cut, particularly for the second wave. So that's the massive downturn there with the orange line. They kept their jobs, but their hours have been cut.

And that's what's going to be expected this time round as well, for both New South Wales and Victoria, and possibly Queensland as well.



This is bucking the trend. What this shows is Victoria, and the rest of Australia, are still posting lots of jobs vacancies. So, there's still lots of jobs out there. There's still lots of careers to be had and all of that kind of stuff.



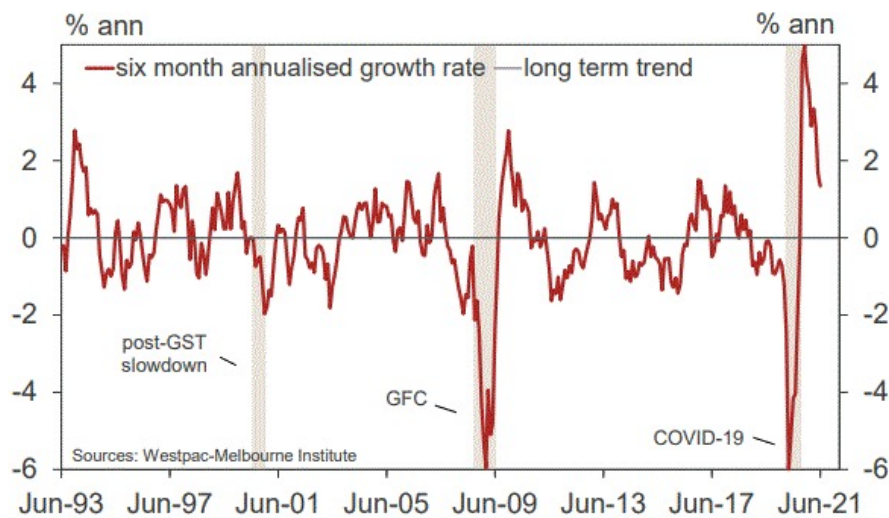
So that trend is continuing and the vacancy rates, we've got very low vacancy rates and we've got a lot more job ads and applicants for those jobs are the lowest they have seen since 1996. So that's pretty massive. That's a long time that we haven't had as good employment figures as we're experiencing now.



Australian Economy

So let's look at the economy as a whole. Westpac has come out with their latest figures for growth rate and it's dropped off.

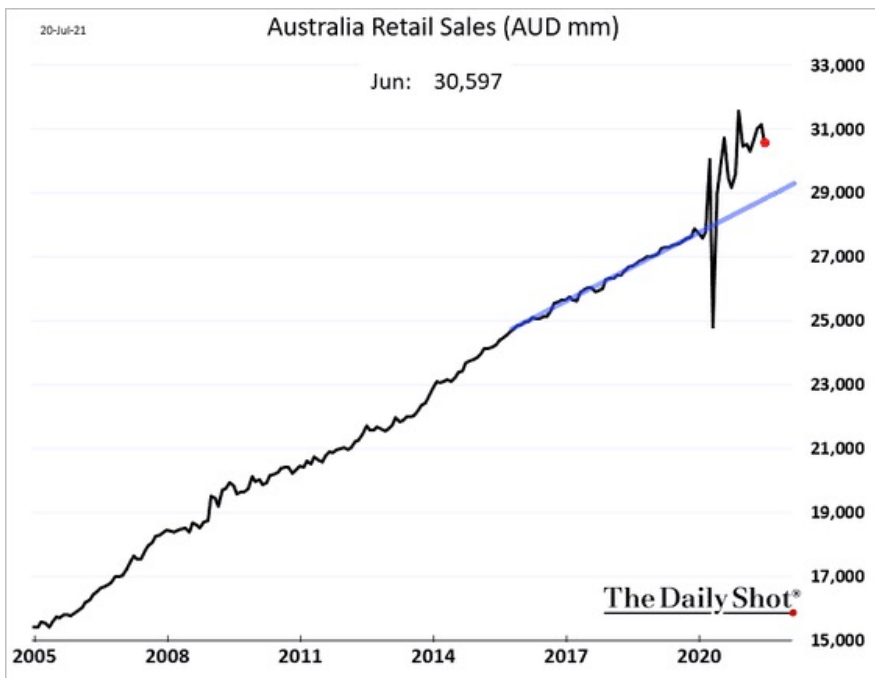
Westpac-MI Leading Index



The Westpac/Melbourne Institute (MI) Leading Index is a composite index based on nine economic indicators, which is designed to predict the direction of the economy. The data is compiled from economic indicators related to consumer confidence, housing, stock market prices, money supply, and interest rate spreads.



Business confidence is down and that's a bit more of a concern that it's trending down. However, I feel that once we get the lockdown sorted it's going to start soaring again, because we really have had a pretty buoyant year.



This continues to be the good news story. The monthly sales figures have come out and you can see retail sales, although they dropped a little bit for the month, they are still a long way ahead of trend.

You can see the massive drop off that we had with COVID and how we rebounded so strongly.

And look at that long-term trend of retail sales growth since 2005 through to 2021. It's been pretty even upward growth all the way along till COVID happened. Then everybody spent, everybody saved, everybody spent, it's really back to the trend. That blue line shows you how the progression would normally have been without any interruption, we are way ahead of that.

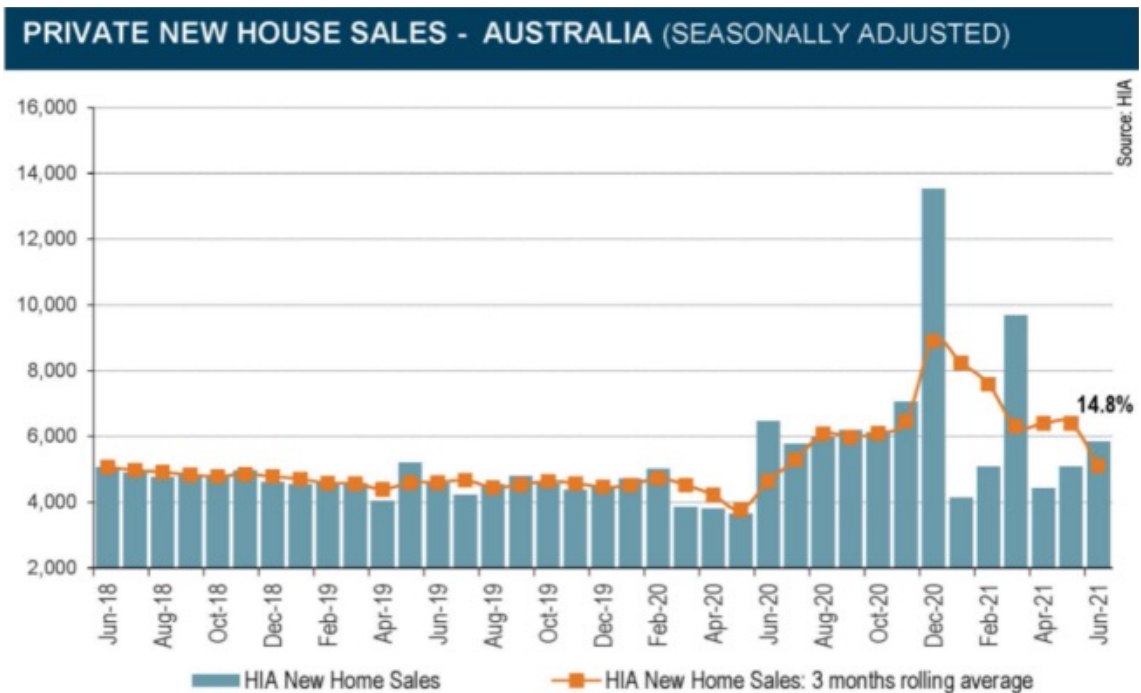
So that's a good thing. It's a good thing for retailers right across the board.



Residential building approvals have come off a bit and that's expected. It's really not a COVID thing.

It's more the changes to the government boost programs. They've stopped dishing out a whole lot of money for new homes across the board, and that's being reflected here. So that's to be expected.

You see how much they bumped up with the announcements of all of the incentives. We're back up to slightly above where we would have been back in 2017, before APRA got involved.



Private new home sales, you can see there that there's been a little bit of a drop off, but again, it's nothing to be concerned about.

We're above where we were back in 2018. So even though this looks bad, it's actually not. It's just coming back from the massive highs before the grants were stopped.

You can see the massive turnaround in December, but that was the cutoff for a lot of the grants that were being handed out by the government.

And then the cut back again at the end of March. So that's why we see those two peaks there.

So, it looks pretty good. It looks like things are chugging along pretty well and we're certainly above previous years at this time of year.

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Building material shortage – builders bust

18/06/2021



Timber, bricks and windows are just some of the building materials – now in short supply – that are leading to significant delays in renovations and new home builds.

Now, this is something that I really want you to take note of. Building materials have gone up massively in cost.

Let me tell you a little story, my son had a preliminary contract on a duplex and it was coming in at around about \$420k, but because of delays in subdivisions with the council the building contract had to be redone. He's just redone the building contract and it's come at \$470k. So you can see there, that's a massive increase from what it was and that's going to be the trend.

The reason for that is building materials are in short supply.

There's a number of reasons for that, with the big builders boost and everything else, but it's worse than that. If you looked at the American charts I've shown you in previous weeks, if you want to go back and look at my masterclasses, you'll see there that building materials are in huge demand in the US as well.

And what's happened is a lot of our building materials, our timber particularly, is being shipped off to the United States. So the lag time, to get anything to site has blown out from a month or two to six months.

And in some cases it's blown out to a year. Now, that's just crazy. So the costs have gone up.

What does this mean for builders? What it means is that a lot of builders have been caught short.

They're locked into contracts that were signed before the building material increases and they have to do those builds at the quoted pricing, but they're paying a lot more for the materials than what they quoted.

Many are going to get into strife and that's what will play out in the next 6 to 12 months. I'm predicting that we're going to see quite a few builders get into a lot of trouble because they're going to have these contracts that they're locked into, but they're losing money by building the property.

So please watch out for that as it's going to be a big headache for a lot of people.

GJ Gardner Homes franchise owner in East Gippsland, Michael Ellett, said that a four-bedroom house that previously took four months to build was now taking between six and 12 months to complete.

"We could have a house sitting there for two to three months with just a slab and nothing happening because we are waiting for frames," he said in the report.

Even though Mr Ellett is building twice as many homes this year compared to last year, he will make the same amount of money. He said that he is losing money on all the 60 homes his company is building due to unforeseeable material price increases that were not factored into customers' contracts and is also having to hire fencing, skips and portable toilets for longer periods of time.

"It is hard to explain to people that during a building boom builders are going bust. I am a reasonably sized builder and will be able to ride this out but I would not be surprised to see some builders going bankrupt."

A lot of the builders are going to go bankrupt. I've been in positions like this before and when you have huge growth in demand and then growth in costs, builders get caught out. It's not a good time to be a small builder that doesn't have buffers to be able to ride out the storm.



It is something to be very careful about, make sure when you're doing your builds, that you get current references and insurance and I really found it helpful to talk to the tradies.

See if they are being delayed in their payments, because if there's a delay in payments from their contractors it generally means that they're getting a little bit into trouble.

We're all in the market at the moment and it is something to be very conscious of.

This is why you need to get educated before you invest in property. There are things that can go wrong and the more you know, the better.



Free 60 Minute Real Estate Breakthrough Sessions

What I'd like to do now, before I go on with the rest of the masterclass, is to have a chat to you about how I can help you with this.

If you're enjoying the type of information that I'm putting out right now, I'd like to just take a couple of minutes before I go on and let you know how I can actually help you.

What I'm going to offer you guys is on a limited basis because I've only got limited advisors, but **I'm offering you the opportunity to actually have a 60 minute sit down appointment with my advisors.**

Now, what they're going to do is to help you as to where you're at and where you need to go.

They're going to have a chat to you about your goals, your dreams, your aspirations, and what you want to achieve.

Because myself and my team really recognise that these next few years are going to be very crucial to you, so you really need to be stepping up.

You need to be maximising your circumstances over these next few years, because, think about it, in somewhere around three to five years, you could have your income replaced. You could be debt-free on your mortgage.

You could be in a situation where you never have to work again a day in your life if you don't want to. Not that that's the end game, but it's about being in a position where you are comfortable so if anything should happen in the market or anywhere else, you're safe, and if there's anything that COVID has taught us is we need to be safe. We need to have buffers.

We need to have a passive income that if our job goes tomorrow, it doesn't matter. We're safe. We've got everything sorted.

In that 60 minute advisory call ... I'm calling it the [**I Love Real Estate Breakthrough Session**](#) (I thought that was a great title) ... they're going to talk to you about where you're at, where you want to go, and perhaps some of the things that you can do to actually accelerate your circumstances and how we can help you in that.

You can then make a very clear decision, an informed decision, intelligent decision about you, your future, and what it really looks like for you and what it means for you.

There's only a handful of them there. I don't have unlimited advisors.

You can make an appointment with one of my advisors and let's get you sorted. Let's get you on a path to replace that income and start to build a sizable wealth portfolio, because what's happening in the market right now is extreme.

And if you miss this period of time, you're going to be waiting a very long time before you're going to see this kind of opportunity again.

Fortunes are going to be made in the next few years, but you need to be ready for it and you need to be informed. You don't want to be buying the wrong kind of property.



There's a whole lot of crap out there that I see slushing around the market, but if you buy that sort of thing, you're going to be held back.

You're going to be jeopardizing the opportunity that's actually there for you, and that's why we want to help you guys.

Take up my offer to have a coaching call.

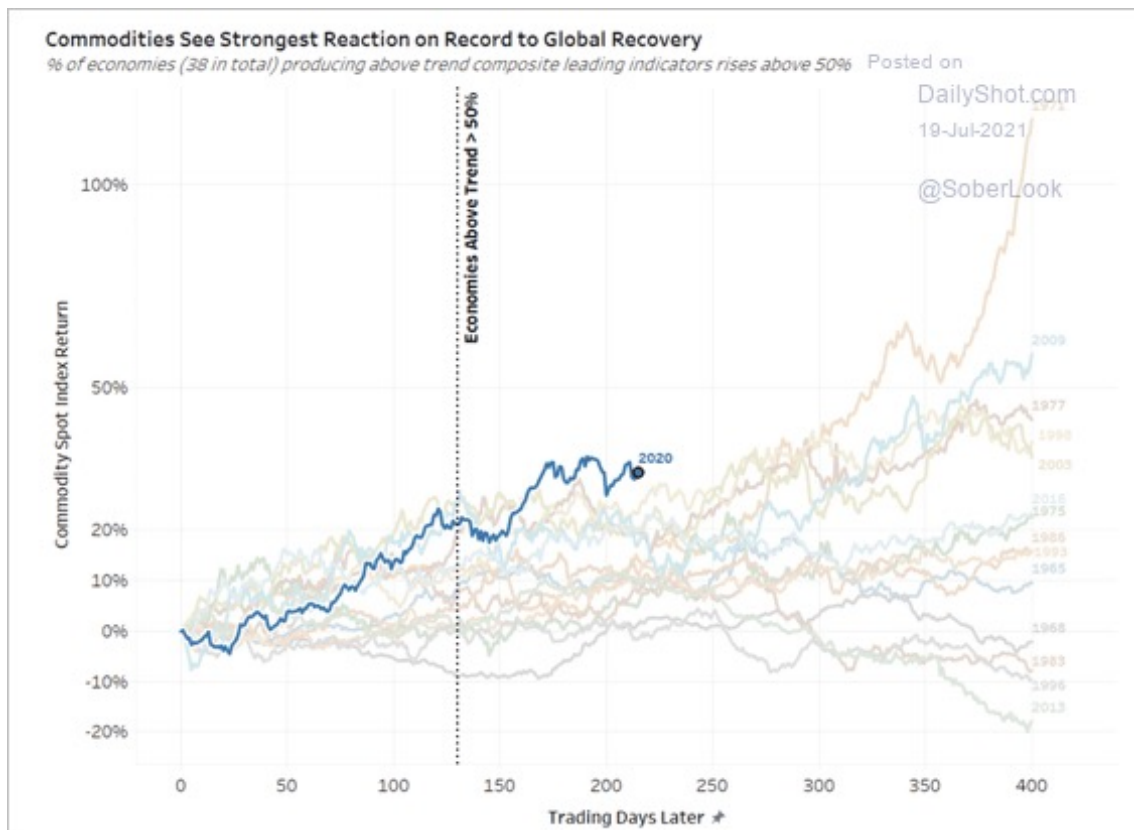
If you want to take up one of the I Love Real Estate Breakthrough Sessions, currently you can right here, right now by going to www.iloverealestate.tv/questions

The advisors can help you understand where you're at, where you want to go and what action you can actually take to get there.

Hope you take me up on one of my advisors' appointments for a I Love Real Estate Breakthrough Session.

OK. Let's get back to the masterclass.

Commodities



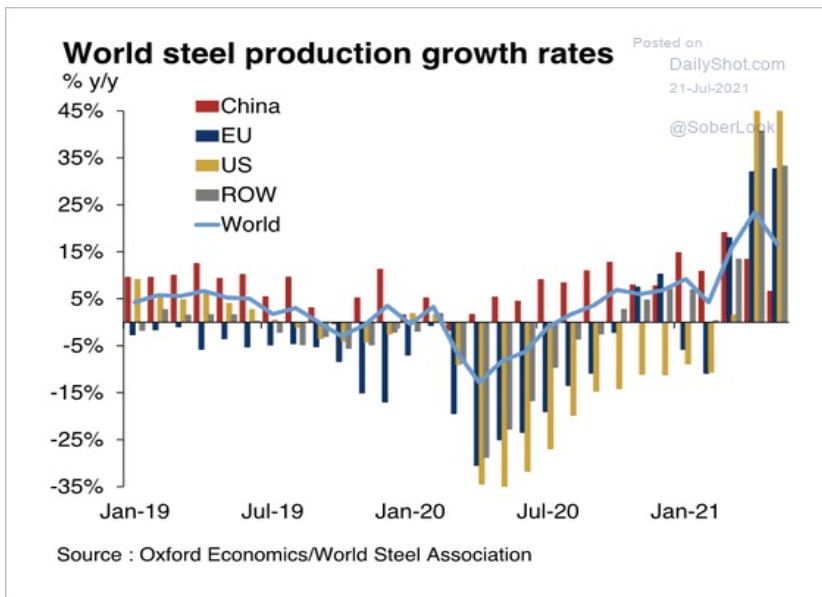
Commodities is a good news story.

You can see above that in previous times when we've had an economic upheaval, just how quickly things, have rebounded. And the commodities prices have rebounded.

That blue line is where we're trending this time round and we're well and truly bucking the trend. We are well and truly above where the rebound has been in previous downturns.

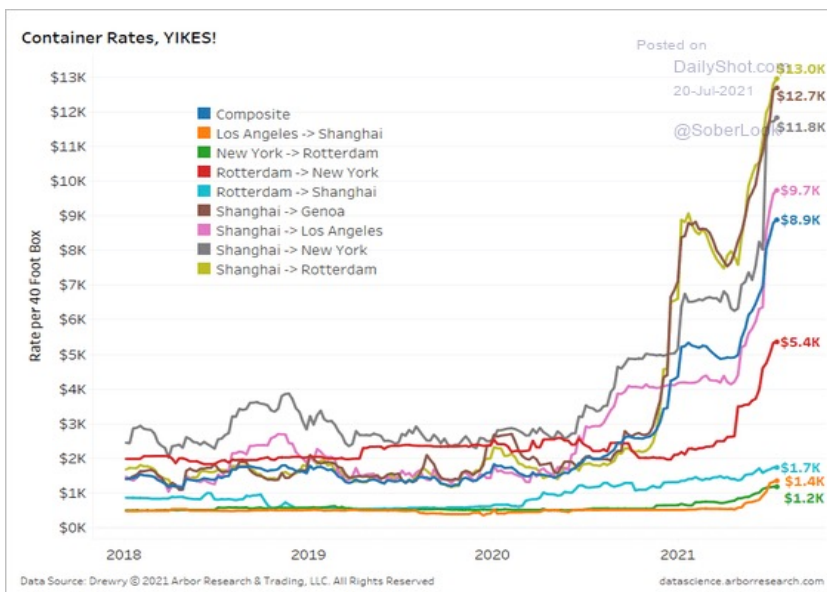
It's where our safety net is. We turn to resources, we turn to gold, we turn to iron ore, or we turn to steel.

We turn to all these things that are hardcore products rather than dot-coms and those sorts of things. Well, I they have a product, but it's different.



And one of the things that's a good news story for Australia is that steel production is up and it's not just China. In fact, China's production has probably gone down, but you can see there, the EU has gone up and the US has gone up.

Across the world it's gone up and that's great news for our iron ore exports as that's our biggest export and that's really good news for us because it opens up those markets, particularly the US and places like that, where we've got good relationships.



Something that is hurting right around the world is the cost of container ships.

Shipping and freighting. You can see how much it's jumped just this year, even towards the end of last year, when things started to recover, just look at the levels there.

Were talking 3, 4, 5 times what they were back at the start of 2020. 10 times what they were back then in some cases.

So make that a consideration if you are building or renovating. Is it orchestrated by the shipping companies?

I don't know. When freight goes up this much, it means is big manufacturers that export a lot, such as China, who seems to be copping the brunt of all of things COVID, rightly or wrongly, what that means is the cost of their products has gone up right around the world.

They're hurting now, they kind of cut their nose off to spite their face in a lot of instances by tearing up some of the contracts that they had with us, because now they're paying more for the same product as they don't want to buy from Australia.

One of the countries that is the closest for them to be able to get raw materials, they've ruined that supply chain, and the freight costs are really hurting exports from China, not just to Australia, but to the United States, Europe, everywhere.

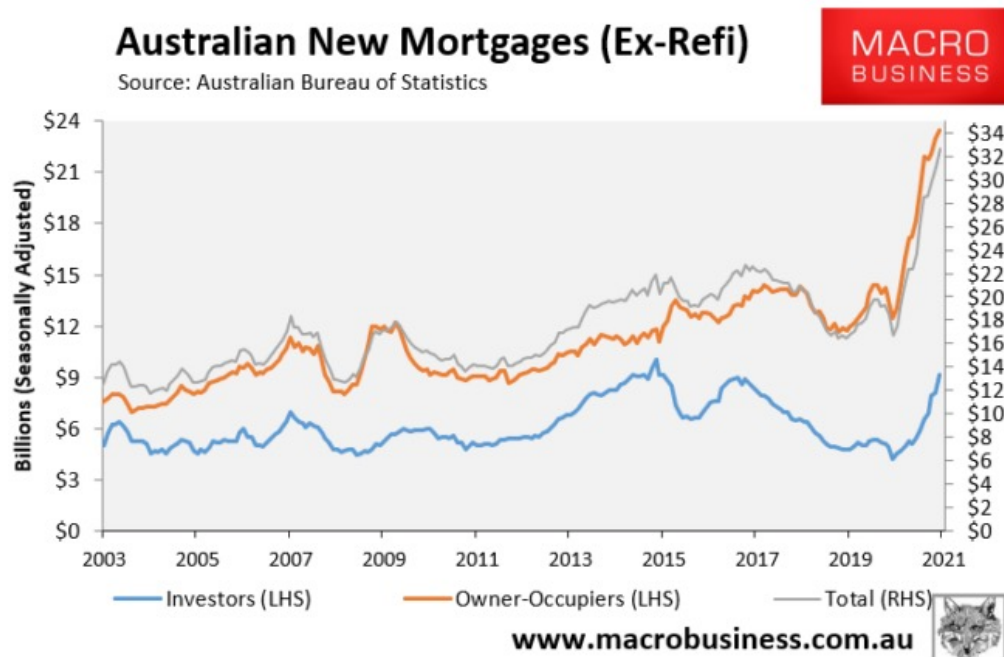
You can see on the graph the cost increase from Shanghai to New York, for instance, as well as other American ports, and it's showing just how much that's increased. So a pretty big thing.



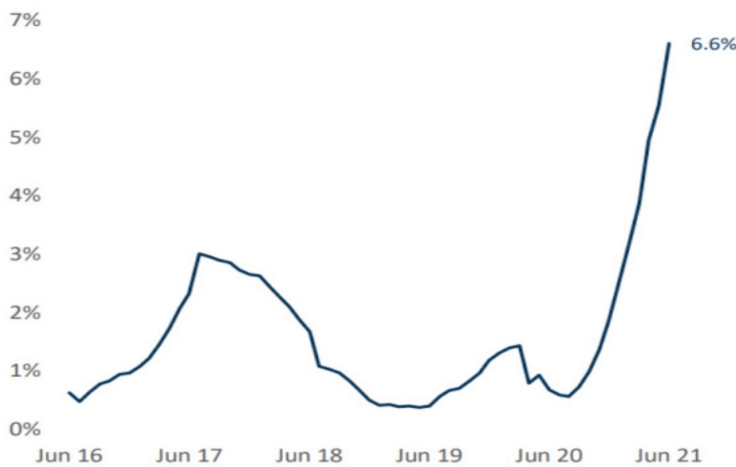
Australian Property Market

Let's have a look at the Australian property market now.

All right, well, mortgages are still up, there's still new mortgages being written and that's a good news story. A lot of it is refinancing of existing properties, refinancing of investment properties, as well as home loans and also new investments and loans that are coming out. So that's all good news.



Annual change in rental rates - National



Rents are up. Now, this is a story I've been telling you week on week. Up 6.6%, the June figures show in rents nationally. Now that's having a much broader impact. Just get a load of some of these figures.

Region	Median Rent	Change in rents (all dwellings)			Gross yields (all dwellings)	
		Month	Quarter	12 months	Current	12 months ago
Sydney	\$582	0.7%	2.0%	3.2%	2.56%	2.92%
Melbourne	\$444	0.4%	0.6%	-1.4%	2.83%	3.20%
Brisbane	\$476	1.0%	2.4%	7.3%	4.11%	4.37%
Adelaide	\$430	0.8%	2.3%	7.2%	4.23%	4.41%
Perth	\$472	0.6%	3.0%	16.7%	4.33%	4.38%
Hobart	\$499	0.7%	2.4%	8.8%	4.19%	4.71%
Darwin	\$548	1.8%	4.5%	21.8%	6.08%	5.86%
Canberra	\$620	0.4%	1.6%	7.3%	4.20%	4.68%
Combined capital	\$492	0.7%	1.9%	5.0%	3.12%	3.44%
Combined regionals	\$441	0.8%	2.7%	11.3%	4.51%	4.93%
National	\$476	0.7%	2.1%	6.6%	3.41%	3.73%

Have a look at Sydney. Sydney is only running it at 3.2% and the reason for that is because of the oversupply in units, apartments. Same thing in Melbourne, it's down because of that massive oversupply in units. If we took out the unit figures, those figures would be considerably higher.

Brisbane's up at 7.3%, Adelaide 7.2%. Look at Perth, 16.7% mind you! You do have to take into account that Perth's rents dropped dramatically with the downturn in the mining industry.

So too did Darwin, 21.8% increase there now. A lot of that increase is recovery as much as anything else.

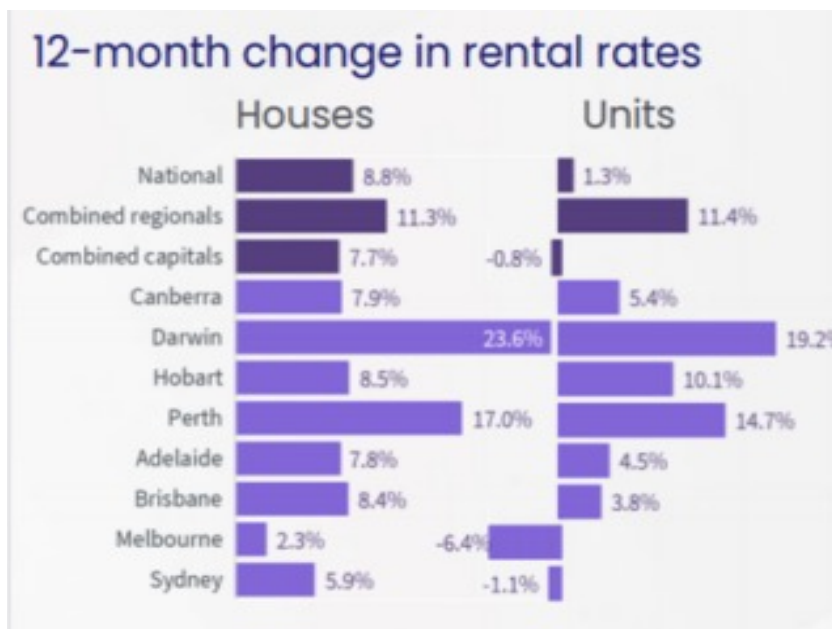
Hobart's running at 8.8% and Canberra is running at 7.3%.

So they're, massive figures and the yields on the properties have also gone up.

So you're looking at 2.9% for Sydney, 3.2% for Melbourne, 4.3% for Brisbane, 4.4% for Adelaide, 4.3% for Perth, 4.7% for Hobart, 5.8% for Darwin, and 4.6% for Canberra.

So rents are increasing and that only translates to more pressure on house pricing, because it becomes a more desirable investment.

Plus, wait for it becomes cheaper to actually buy than rent.



This is just another chart showing the same thing, but it breaks out the units from the houses, and as I said, Sydney and Melbourne are oversupplied in units. Melbourne's rents actually went up by 2.3%, but the rent on units went down by 6.4%.

Again, oversupply of housing in Sydney is not as bad, but still in that same kind of difference, 5.9% increase in houses, but only 1.1% in units.

As far as I'm concerned the apartment and unit market is a no-go zone. I don't like that kind of investment, I've told you that many times.

Cheaper to buy than rent in 3411 suburbs

Realestate.com, RP Data and CoreLogic came out and said, it is cheaper to buy than to rent in 3,411 suburbs around Australia. So, yeah that's a lot of suburbs, isn't it? One in three houses are cheaper to buy than rent. Not so much in the capital cities. It is mainly in the regional areas, which the report kind of went on to talk about.

Figure 1. Portion of properties cheaper to rent or buy

Greater Capital city or rest of state region	Portion of Cheaper to Buy	Portion of Cheaper to Rent
National	36.3%	63.7%
Combined Capital Cities	26.2%	73.8%
Combined Regionals	60.1%	39.9%
Regional NT	96.4%	3.6%
Darwin	86.5%	13.5%
Regional SA	79.4%	20.6%
Regional WA	79.4%	20.6%
Regional Qld	73.1%	26.9%
Regional Tas.	71.4%	28.6%
Perth	59.6%	40.4%
Brisbane	55.3%	44.7%
Hobart	50.2%	49.8%
Regional NSW	48.2%	51.8%
Adelaide	47.4%	52.6%
ACT	43.6%	56.4%
Regional Vic.	43.6%	56.4%
Melbourne	7.3%	92.7%
Sydney	4.9%	95.1%

Source: CoreLogic. Mortgage assumptions used were an 80% loan to valuation ratio (i.e. it assumed the buyer had a 20% deposit saved), an interest rate of 2.4% (based on the average new lending rate for owner occupiers reported by the RBA at May 2021), and a 25 year loan term. No mortgage fees or transaction fees are assumed. The Loan value is derived based on the individual property value estimate. Rental repayments are based on the CoreLogic rental estimate of the individual property.

But you can see there, the proportion of properties that are cheaper to buy than rent, is 36% nationally. When we look at places like Sydney and Melbourne, much, much smaller percentage 7.3% and 4.9%.



Whereas if you look at Brisbane, or Hobart, or Perth for that matter, you're looking at 59% of places are cheaper to buy than rent in Perth.

55% in Brisbane, 50% in Hobart, 47% in Adelaide.

It's expected the flow on effect from the increases in building material costs to house prices, will make that turnaround at some point, but when rents are going up as well, it's going to prolong this period where it's cheaper to buy than rent.



Truth Bomb Of The Week

So my truth bomb for the week is 60% of Henry's are broke.

What's a Henry? A Henry is a **H**igh **E**arner **N**ot **R**ich **Y**et. That's what a HENRY is.

Well it turns out 60% of them are still broke. 60% of people on really high incomes are living beyond their means.

☰ 🔍 **FINANCIAL REVIEW** *Newsfeed*

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Six in 10 Millennials earning \$134,000+ live pay cheque to pay cheque

Bianca Healey

Jul 14, 2021 - 7.22am

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There was a report that was done in the U.S. These are in Australian figures, but it came out and said that 6 in 10 millennials earning AUD\$134,000, which was US\$100,000, live paycheck to paycheck.

That's not good guys. My big call to action is to resist the lifestyle drift. I've seen many students over the years come into I Love Real Estate, and they might be earning \$200,000, but claim they can't afford to save for a deposit.

That's ridiculous. It's absolutely ridiculous. You've got to start looking at your expenses and your income. Come back to the basics.

Look, we do a lot of training and support work at I Love Real Estate to get people, A, into their own homes, and B, into investment properties.

To that end, what we've done is we've put out a **60 minute I Love Real Estate Breakthrough Session** with one of my advisors.

You can book in for that at www.iloverealestate.tv/questions/ It is free. There is no obligation at all. You can book in for one of those appointments.

All I ask is that after you book in for an appointment, you turn up, because I'm paying my advisors to be there, to help you to get into the market, to see what can happen for you from an investment perspective.

We will talk to you about your goals, about what you want to do, and basically how we can help you.

We don't sell property, but we'll show you how to get into property.

We'll show you how to invest in property. We'll show you how to do a PPR deal that's income tax free.

We'll show you how to actually make money in the market, regardless of what the market's doing and to avoid the negative gearing traps, that a lot of these marketeers are propounding at the moment.

Even if they say they're positive, they're really not. There's a lot of rubbish on the market. Let me tell you that.

We will show you how to do it for yourself. We are not going to sell you property.

Intelligent Property Investor

We don't do that, but we'll show you how to structure your investments for maximum return, how to set it up properly and your first step is to get on one of those free, **60 minute I Love Real Estate Breakthrough Sessions**.

So that's your next step. That's what you should be doing. Jump on there.

The place to go to get one of those appointments is www.iloverealestate.tv/questions/

So that's it for me for this Intelligent Property Investor Masterclass. I hope you enjoyed that.

I 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 out to you every single week and you'll always be on top of the latest information.

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

Yours in success,



Dymphna Boholt

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