



DAY 2
WORKBOOK

Build Your Momentum Into 2021 & Beyond...



ULTIMATE
REAL ESTATE SUCCESS



QUANTUM
SHIFT



PLATINUM
ACCELERATOR



Knowledge Source



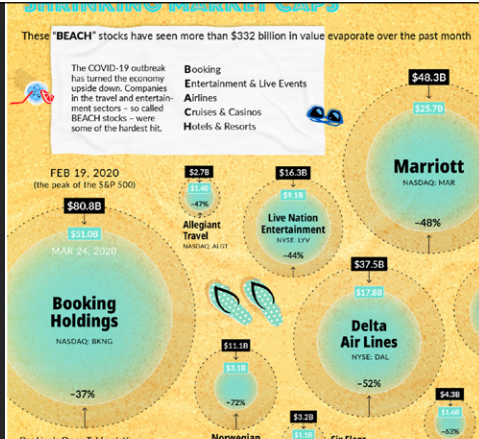
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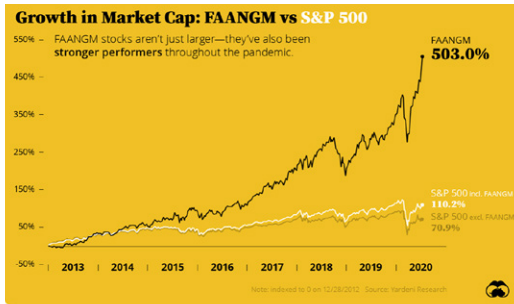
First up the Bad News

A lot of Industries have been hit hard

- Travel
- Tourism
- Hotels
- Hospitality



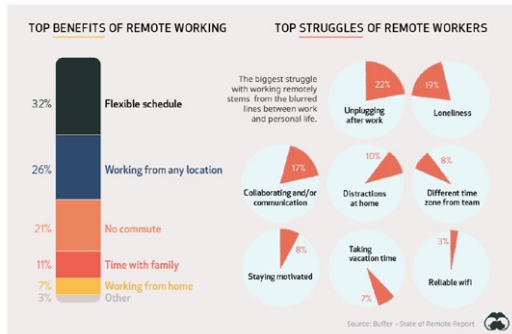
BUT - Not everyone was a Loser - Big Tech markets soared



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We have seen some Pro's and Con's from work from Home



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Underlying Fundamentals

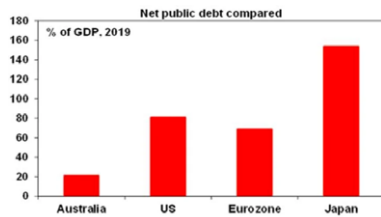
10 Fundamental Economic Drivers
+
2 Market Cycle Drivers



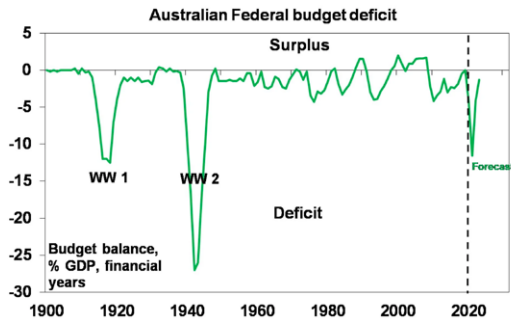
Underlying Fundamentals

1. We entered COVID with Low Debt Levels

Even though the Stimulus Debt seems CRAZILY HIGH – in fact we are much better off than most of the rest of the world.

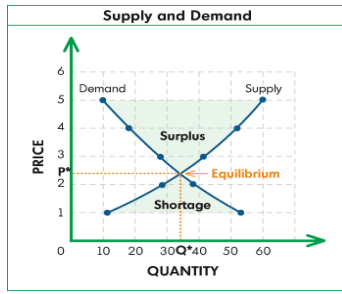


The budget deficit blow-out will add about 20% of GDP to public debt out to 2022.



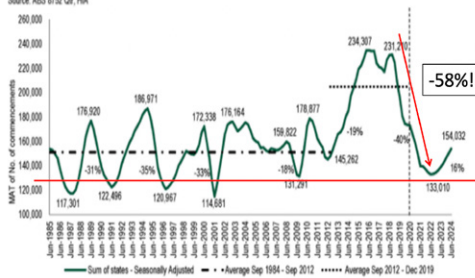
3. Pent up Demand

- We entered COVID in Under Supply
- WHY?
- Mainly due to an over zealous APRA in 2017 through to mid 2019
- This caused a down turn in the market – only returning to fundamentals in mid 2019
- And then COVID hit
- All the time building more and more demand and less and less supply



4. Undersupply of Stock

Dwelling Commencements / HIA Forecasts - Australia
Source: ABS 8752 Qtr. HIA



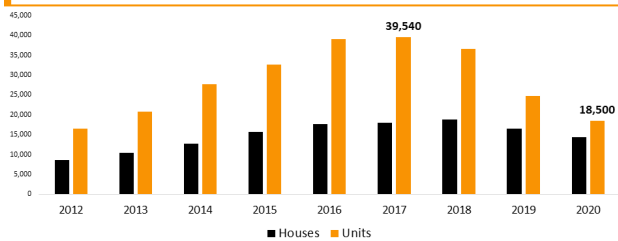
Only Just starting to turn the corner

And there is a lot of ground to make up



You see the effect APRA had on the Supply Chain

Home Building Down - Unit Boom Collapses (ABS year to June)



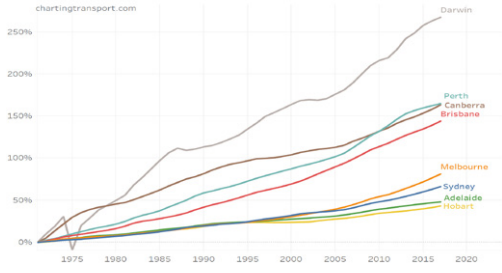
Dr. Andrew J. Wilson PhD, MSc, GradDipEco, BComEcon(Dist) MRICS



5. Population Growth will again be a contributing Factor in our Growth

ABS predicts by 2036, Australia's population is expected to be 32.4 M and, by 2056, 39.8M

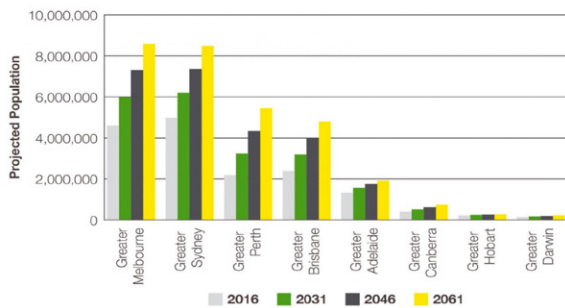
Population growth of Australian capital cities since 1971



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Long Term Population Predictions have not changed



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Immigration

- Immigration has been a major contributor to Growth in the past
- Short term – 6 - 12 months – Immigration numbers will be non-existent
- However - once restrictions are lifted – and they will be, eventually – it is reasonable to assume recent high levels of overseas migration will resume.
- In fact, **I believe net levels of overseas migration to Australia will rise,** and this is likely to continue for several years as the Government endeavours to expand the Economy to pay for COVID stimulus

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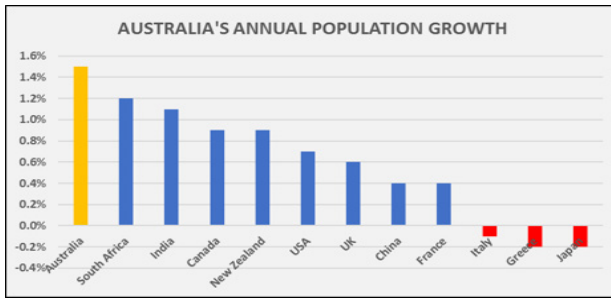
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Immigration Statistics

- The median age of a recent overseas migrant to Australia is 26 years old, whilst that number for an Australian citizen is just under 40.
- 61% of overseas arrivals to Australia are currently aged between 18 and 34 years
- Australia will need their tax dollars in order to pay for, and recover from, our current COVID Deficit.
- Interstate Migration is also likely to return to similar levels to the before COVID out break
- **Migration is historically quick to Respond**
- **Construction slower to respond** – hence a lag effect – hence upward pressure on housing

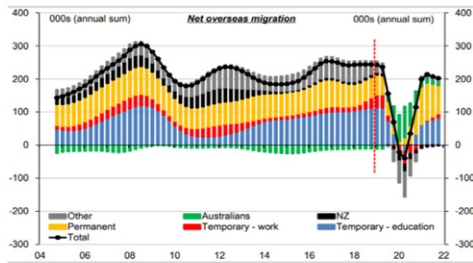


Australia's Population Growth compared to other Countries



Long Term impact still strong but Short Term Impact Negative

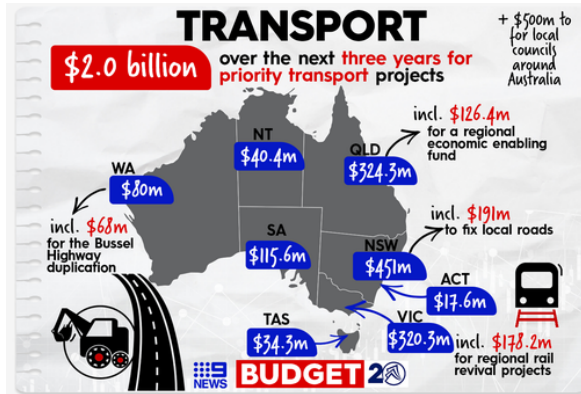
Figure 2: Travel restrictions are likely to see migration turn negative in 2020, before rebounding in 2021



Source: ABS, UBS

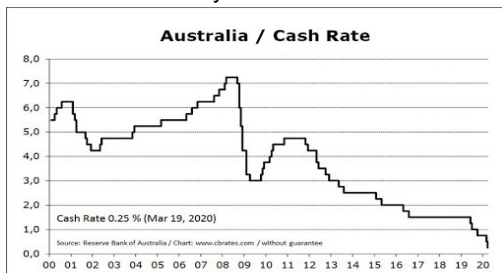


Transport Spending

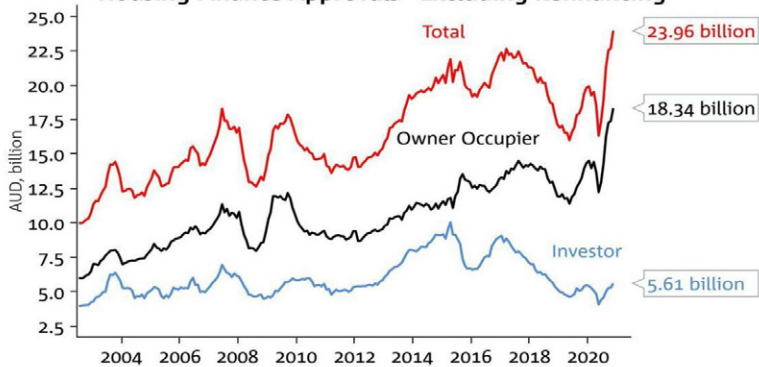


7. Cheap Money

- Cheap money is the medicine that governments the world over have thrown at the economy.



Housing Finance Approvals - Excluding Refinancing



Tips to increase borrowing capacity

It's a cashflow game – the more surplus monthly cashflow, the more you can borrow

- ✓ Keep your household expenses in check leading up to applying for finance
- ✓ Extend existing loan terms and consider reduced interest only terms
- ✓ Repurpose to deductible debt where possible
- ✓ Elimination or consolidation of any short term personal debt
- ✓ Closely examine existing property, especially if negatively geared
- ✓ Speak with your Finance Strategist regarding planned ownership structure
- ✓ **Look to increase your income where possible**



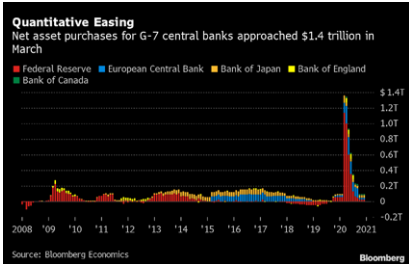
Contact us

loans@wizdom.com.au

1300 WIZDOM (949 366)

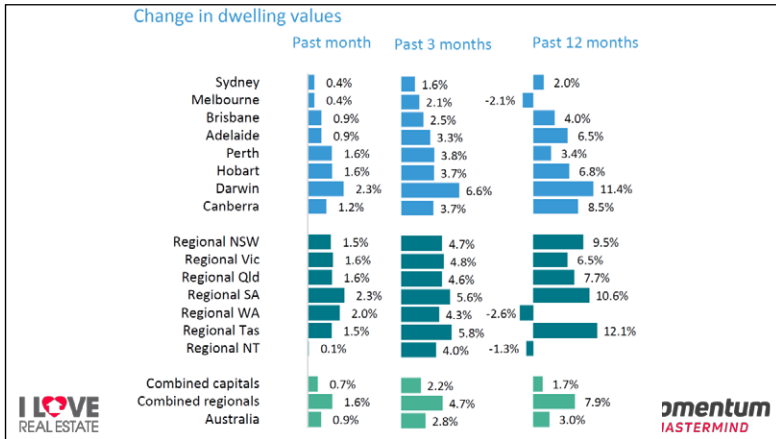


8. Quantitative Easing - Money Printing Helicopter Money



The US is printing presses are over heating





Capital cities – median house prices **Houses Only**

Capital cities	Median	QoQ	YoY
Sydney	\$1,211,488	4.8%	6.7%
Melbourne	\$936,073	5.3%	3.9%
Brisbane	\$616,387	0.8%	5.6%
Adelaide	\$574,264	2.1%	6.1%
Canberra	\$855,530	6.4%	9.1%
Perth	\$563,214	3%	6.3%
Hobart	\$564,091	6.1%	12.4%
Darwin	\$533,845	2.3%	3.6%
National	\$852,940	4.1%	5.8%

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SOURCE: DOMAIN HOUSE PRICE REPORT, DECEMBER QUARTER, 2020.

Capital cities – median unit prices **Units Only**

Capital cities	Median	QoQ	YoY
Sydney	\$729,840	0.2%	-0.3%
Melbourne	\$569,677	4.4%	2.5%
Brisbane	\$395,218	-1.1%	-3%
Adelaide	\$350,122	0%	13.5%
Canberra	\$485,410	3%	-1.3%
Perth	\$347,585	2.3%	4.4%
Hobart	\$432,552	1%	2.5%
Darwin	\$285,539	0.6%	7.5%
National	\$574,245	1.3%	0.9%

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SOURCE: DOMAIN HOUSE PRICE REPORT, DECEMBER QUARTER, 2020.

10. Changing Demo Graphics

- Smaller households are becoming the norm
- Multi-generational household will change as Millennials , making up one third of the property market require their own homes
- There will be a trend towards smaller houses for both Millennials and the booming 65+ demographic down sizing.
- Partly due to affordability, partly due to practicality and partly due to a change in life style
- More one and two people households means that we will need more dwellings for the same number of people.



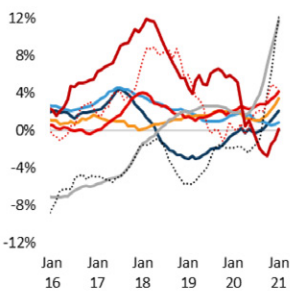
10. Changing Demo Graphics

- There will be more renters
- As the Millennials move through the age brackets we will soon have 40% of the population renting, partly because of affordability issues but also because of lifestyle choices.
- First home buyers are back with a vengeance, in part thanks to the government's scheme to encourage them, but also because of cheap finance and rising property values.
- As first homebuyer save to enter the market they will find the market will move faster than they can save, so they need to hop on board the property train as quickly as they can.

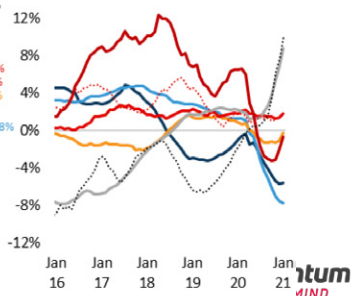


Bonus Fundamental – Yields are

Annual change in rents, Houses

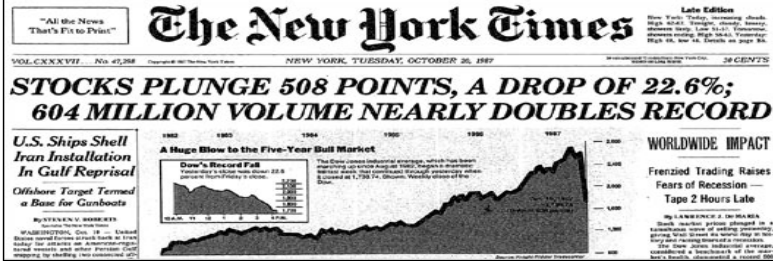


Annual change in rents, Units



2. Black Monday

- The 1987 'Black Monday' stock market crash was a negative shock, in which the Australian share market lost approx. 23% in a single day.
- Major share market losses and recession are not necessarily predictors of declines in housing values.

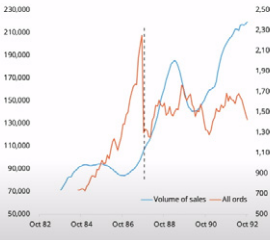


Black Monday Property Review compared to Stock Market

Black Monday Stock Market Crash (Oct 87)
Housing Values v Equities 5 Years Either Side



Black Monday Stock Market Crash (Oct 87)
Housing Volumes v Equities 5 Years Either Side



3. The Asian Financial Crisis

- June 1997
- At its heart, the Asian crisis was a *banking* crisis brought on by banks and their customers taking on too much foreign currency risk.
- Consequently it became a currency Crisis not a Property Crisis – in fact the opposite happened



Selected Asian Exchange Rates Against US\$
June 1997 = 100



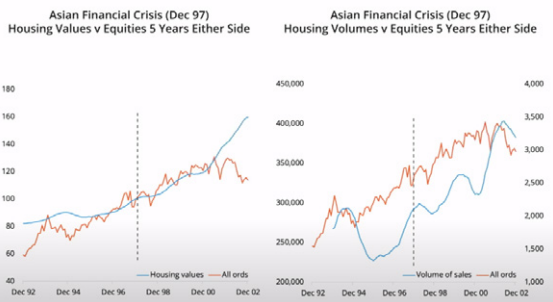
Table 1: East Asian GDP
Average annual percentage growth

	1987-1996	1997-1999	2000-2006
Hong Kong	5.2	-0.8	4.7
Indonesia	7.1	-6.4	4.9
Korea	8.1	1.0	4.6
Malaysia	9.5	-0.8	4.7
Philippines	3.6	1.4	4.6
Singapore	9.2	2.8	4.6
Taiwan	7.2	5.1	3.3
Thailand	9.5	-3.3	5.1
East Asia*	7.6	0.0	4.5

*Including China and Japan
Source: IMF, OECD, IBS

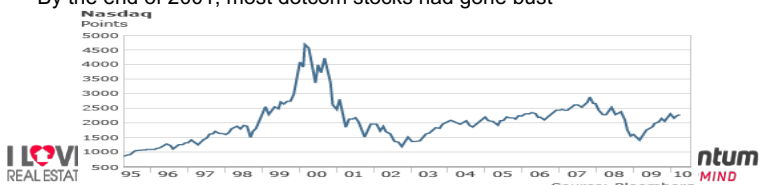


The Asian Financial Crisis and how Property responded compared to Stock Market



4. The Tech Wreck

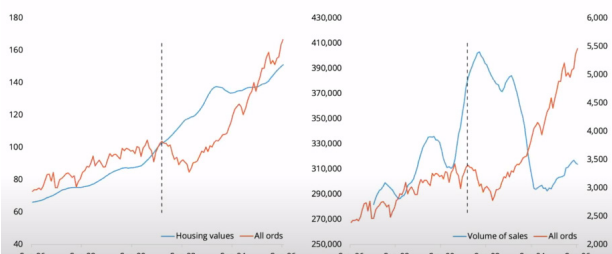
- The dotcom bubble, bull market in the late 1990s.
- The value of equity markets grew exponentially in the late 1990s with the technology-dominated Nasdaq index rising from under 1,000 to more than 5,000 between the years 1995 and 2000.
- In 2001 and through 2002 the bubble burst, with equities entering a bear market.
- The crash saw the Nasdaq, which had risen five-fold between 1995 and 2000, tumble from 5,048.62 on March 10, 2000, to 1,139.90 on Oct 4, 2002, a 76.81% fall.
- By the end of 2001, most dotcom stocks had gone bust



But look what happened to Property

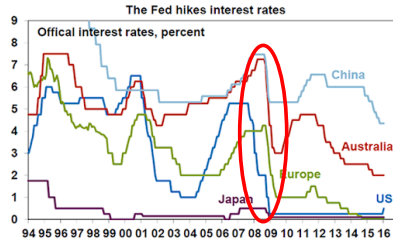
Tech Wreck / Sep 11 (Sep 01)
Housing Values v Equities 5 Years Either Side

Tech Wreck / Sep 11 (Sep 01)
Housing Volumes v Equities 5 Years Either Side

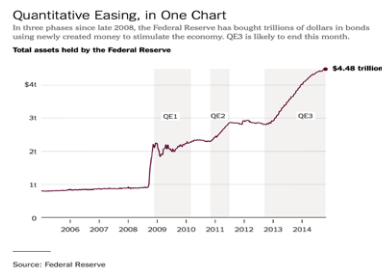
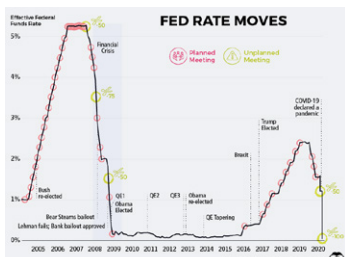


5. The Global Financial Crisis (GFC)

- The most recent of our Crisis s'
- Caused by irresponsible lending practices – Mainly in the US and Europe
- As The GFC hit the RBA, US Federal Reserve and other World Banks did 2 things
 - Aggressively cut interest rates
 - Implement Quantitative Easing



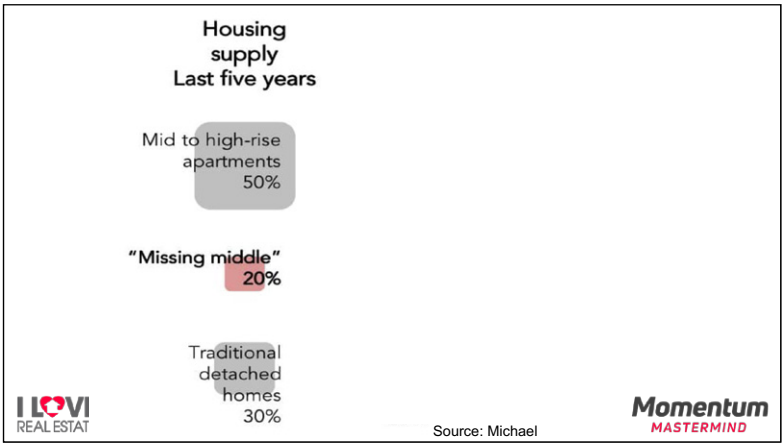
Federal Reserve pumped a massive \$4.48 Trillion into the Economy

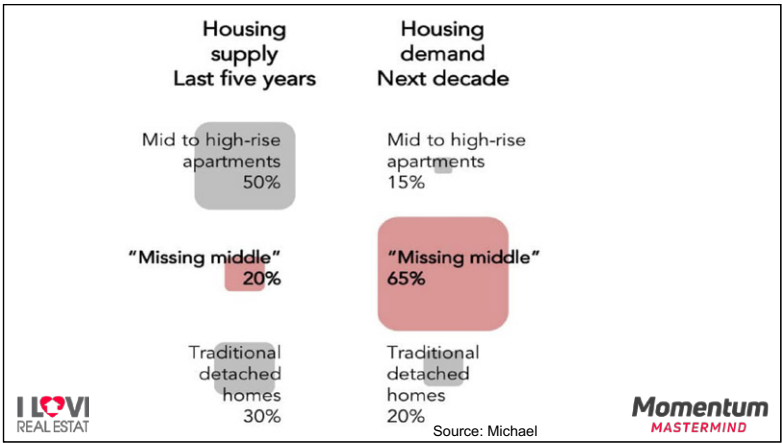


With the benefit of hindsight, this saved America from total financial collapse.

- Something weird started to happen though. With all that money slushing into the economy, real activity was failing to pick up.
- Unemployment remained high, GDP growth was unimpressive, and inflation was practically non-existent.
- All that money had saved the economy, but the real economy wasn't improving
- Where did all that money actually go?
- The answer is... **Hard Asset Prices**



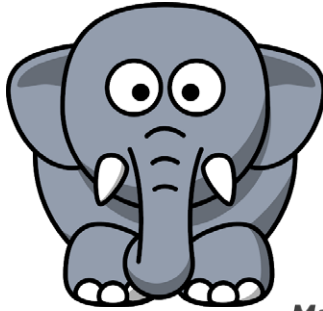






Let's Address the Elephants in the Room

1. Inflation
2. Unemployment



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Let's Address the Elephants in the Room

1. Inflation

PARADIGM SHIFT IN ECONOMICS RIGHT NOW

Old School of thought:

Money printing causes inflation. Always.



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1. Inflation

PARADIGM SHIFT IN ECONOMICS RIGHT NOW

Old School of thought

Money printing causes inflation. Always.

New School of thought (Modern Monetary Theory - MMT)

Money printing causes inflation...

... but only in sectors where capacity is constrained.

WHERE IS CAPACITY CONSTRAINED?

Not in production – therefore no CPI inflation

Asset Markets! – therefore asset price inflation

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**You will not be able to out save
this period of time in history**



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**You better get on your bike – and
start peddling HARD**



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Cos' Time is a Ticking



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