

Why property is always in the news

The sheer amount of media coverage that residential property generates is astounding. Depending on what you read, markets are booming one day and crashing the next, leaving investors confused. Shares aren't in the headlines every day, so why is property?

WHY is residential property constantly in the news? Real estate markets are discussed in the media every day, leading many people to feel overwhelmed, fatigued and confused about how and where to invest.

Why is this the case? The answer is simple: property is the single-biggest industry driving Australia's economy. It is also the largest component of Australia's wealth.

Property can be divided into residential property and commercial property. According to CoreLogic, residential real estate alone underpins Australia's wealth, with the asset class worth \$7trn, seven times as much as commercial real estate, which represents about \$1trn.

By comparison, Australian

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listed stock represents \$1.8trn and total superannuation savings represents \$2.3trn.

This partly explains why everyone talks about residential real estate while there is much less coverage of commercial real estate. The other reason that ensures that residential property is prominently in the news is that it affects pretty much everyone individually, whether a property owner, a renter or an investor.

By contrast, commercial real estate is not front and centre in the lives of most people.

Overall, the real estate industry, including property-related financial, professional and construction services, contributes \$180–\$200bn to the national economy each



financial year, equating to around 11% of GDP.

As a whole, the property industry provides more than 1.4 million jobs Australia-wide, according to a recent report by AEC Group, knocking healthcare and social assistance off the perch as the nation's biggest employers. Furthermore, the property industry is growing: between 2013/14 and 2015/16 the number of jobs in the property industry grew by 22%.

To summarise: property is our largest industry, our largest employer, our largest economic driver, and it's growing. This means there are

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REAL ESTATE WEALTH

Residential real estate underpins Australia's wealth. The asset class is worth more than \$7trn.



Residential real estate
 \$7trn



Australian superannuation
 \$2.3trn



Australian listed stock
 \$1.8trn



Commercial real estate
 \$1trn

Source: Multifocus

hundreds of 'vested interests' in real estate, all trying to shape public opinion. Each is trying to profit in their own way, whether it's through assisting people in buying, selling, investing, building, financing or renovating their properties. As a result, there is a steady stream of news, reports, surveys, studies, success stories and more flooding the media on a daily basis.

When property is 'in your face' all the time, it becomes very wearing. People often don't know what to believe or who to trust, and they don't know how to sort real news from phoney headlines; they become so overwhelmed that they freeze, procrastinate or

even back away from the idea of investing altogether.

This is a real shame, because when you invest the right way,



Clear the e-clutter

Firstly, you need to filter out the noise so you can focus on your

Property is the single-biggest industry driving Australia's economy. It is also the largest component of Australia's wealth

property has the potential to set you up financially for a secure future.

If this currently resonates with you and you are wondering what step to take next, I have a few suggestions for you.

own situation. If your inbox is cluttered with e-newsletters, unsubscribe from the ones that don't serve you, especially the controversial or alarmist ones that dish up stressful headlines.

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Take a step back from the hype

Be wary of the 'too good to be true' offers, or advertising with a sense of urgency – the 'Hurry! It won't last!' type of aggressive approach.

Similarly, be wary of success stories of investors on very low incomes who manage to build multimillion-dollar portfolios. There is usually missing information that explains their achievements, or it may be that these stories are not quite true.



Review your strategy

Sit down and review your strategy: where you are at currently and where you want to go. This process implies that you know your numbers. Remember that investing in property is a numbers game.

It is not about owning real estate. It is about making money by investing in a particular asset class. If you are unsure how to structure your portfolio and



finances, how an investment property delivers a profit, or how cash flow works, then seek advice from a professional.

Until you understand your numbers you can't make a plan or devise a strategy.

The end goal is to generate capital growth, but you also need to ensure the cash flow of the property will not cripple you financially.

This is especially important if you intend to build a property

PROPERTY STATE OF PLAY

9.7 million

Estimated number of dwellings in Australia

51.6%
hold our household wealth

1 million jobs
in the healthcare industry

1.4 million jobs
in the Australian property industry

478,000 jobs
in the social welfare industry



Source: Multifocus



portfolio. If you borrow 80%, it is not too hard to find properties that grow in capital and are cash flow positive, providing you do not make mistakes in terms of location and type of property you are buying.

For example, did you know that your cash flow will be significantly different if you buy a brand-new property compared to buying a one-year-old property? This is because of the impact of depreciation.

On a one-year-old property you will not be able to claim plant and equipment depreciation, which means that your claimable depreciation is reduced by about 50% compared to a brand-new property. For a \$500,000 property, this can make \$3,000 to \$4,000 difference to your yearly cash flow.

This is only one example. Understanding your numbers

will make the difference between a successful strategy and a lame one.

Once you have a good grasp of the numbers you can then create a plan to ensure you're on track towards your next goal. Does this mean buying a property in 2018, or is this year about managing and refining your current portfolio?



Get focused

The most successful property investors are those who take consistent action towards their goals, regardless of what the broader market is doing. Whether it's paying off credit cards, building a deposit, or actively searching for your next investment, taking concrete steps towards your goal is a powerful antidote to those feelings of confusion and weariness that can get you down. [YIP](#)

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WANT TO LEARN MORE?

Contact Philippe at Multifocus Properties & Finance and get a jump-start on your portfolio with expert advice.

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