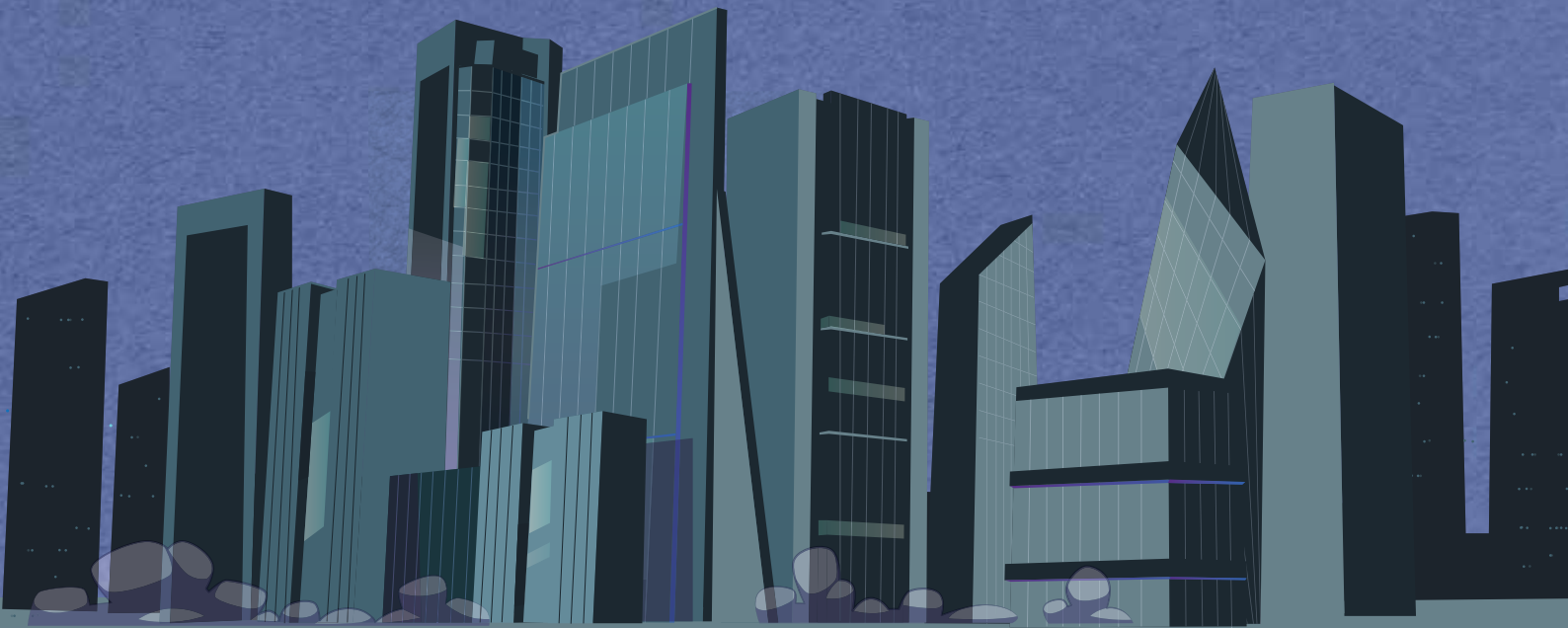


GLOBAL INVESTMENT GUIDE

Building Your G.O.L.D.M.I.N.E ©



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So much has changed in the last two years. Coronavirus lockdowns and restrictions have necessitated a shift in priorities, forced businesses to innovate, and transformed office work as we know it.

What this crisis has also highlighted is the unwavering essentiality of shelter to humankind. Where offices and retail have had to close their doors to prevent the spread of infection and death, home is safe. Where the initial onset of Covid exposed the volatility of stocks and bonds, it also highlighted in stark contrast, the resilience of residential property. Even now, as the world adjusts to the new norm, the long-held belief that property is one of the safest investments in the world has never rung more true. The pandemic has shown that home is a place to live, play and also work.

Statistics show the value of global real estate had increased 5% from 2019 to 2020, to a record high of \$326.5 trillion. This is worth more than all global equities and debt securities combined, and almost 4 times the world's GDP. Residential property was the largest real estate sector and main growth catalyst, increasing by 8% over the year to \$258.5 trillion and accounting for 79% of global real estate value.

Low interest rates and government stimulus packages to counter the effects of Covid-19 combined with declining housing supply, shifts in family spending and the need for bigger spaces better suited for working from home, has made real estate a safe store for capital and drawn the interest of global investors. Thus, resulting in more money seeking capital appreciation and, crucially, income (think rent).

While China and the USA take up the lion's share, the UK and Australia fall among the 10 countries that make up 75% of total global residential value.

*This guide covers some of the more popular cities in Australia and the UK, and serves as a gauge for investors seeking more information about these markets. The UK and Australia are traditionally popular investment destinations for investors in this region for a variety of reasons, the most crucial being that these countries have very **strong fundamentals for investment**. A 2021 report on global house prices attests to the UK and Australia as among the countries with the fastest rate of increase.*

We would have included New Zealand in this guide, however its closed door policy to foreign investors is a sign that the government is working hard to cool the market, which will hamper future capital growth, similar to Singapore. It is critical therefore that we do not invest from a fear of missing out, or just because we can.

All said and done, not all residential real estate in any particular country appreciates in the same manner or pace, and it is possible to make substantial losses. In my 17 years of success and failure as a property investor, I have developed strategies and safety criteria that are easily applicable to help you pick property with the highest chance of returns and least exposure to risk. Our team has included an overview of our G.O.L.D.M.I.N.E.© strategy and S.A.F.E.T.Y. 1ST© criteria, which we hope you will find useful as you go through this guide.

Finally, data is ever evolving, and the information in this guide is the most recent and accurate at the time of writing. We hope you find it both informative, helpful and edifying.

Best regards,
Virata Gamany
Executive Director, CSI PROP

FOREWORD



CSI PROP is a real estate education consultancy with offices in Malaysia, Singapore and Hong Kong. We provide knowledge and research to help investors buy the right residential property, and offer exclusive access to investment properties through our licensed agents.

Our highly-trained team has more than 20 years' collective expertise in real estate investment and finance. Our aim is to Make A Difference in the lives of our clients and employees through education and knowledge, empowerment and inclusivity.

Our portfolio comprises residential investment property (including apartments and landed property) in fast-growing areas with high job and population growth, and education opportunities across several countries. These present potential for better returns at lower risk and include cities such as London, Manchester, Liverpool, and Birmingham in the UK; and Melbourne, Perth and Brisbane in Australia.

Through our exclusive and strategic partners, CSI PROP also offers added value to property investors via ancillary services such as taxation, legal and property management.

In recent years, we have taken a hands-on approach to helping individuals and members of the local and international CSI PROP community in their personal investment journeys. To this end, the team have spent countless hours on one-to-one strategization and optimization consultations to guide these individuals to grow, optimize and preserve their global property portfolio even through times of crisis.

CSI PROP's executive director, Virata Gamany, is also a regular speaker at property investment talks for high net worth individuals held in partnership with local and international banks and independent groups.

CSI PROP operates out of Cornerstone International Centre, an impressive 11,000 sq ft boutique events space in Wisma Golden Eagle Realty. Located right across KLCC, the space features a ballroom, holding room and boardroom with A/V facilities and catering services at affordable rates. The space, managed by an in-house events team, has been used for various purposes including social and networking events, talks and seminars, awards events, weddings, team building, blood drive, education exhibition and board meetings.



WHO WE ARE

A PROVEN GLOBAL PROPERTY GAME PLAN

FOR A GOOD, AVERAGE OR BAD MARKET

“An investment in knowledge pays the best interest.”
- Benjamin Franklin, Scientist & Inventor

B British philosopher and economist John Stuart Mill (1806–1973) famously said that landlords grow rich in their sleep without working, risking or economising.

True, but getting there requires a fair bit of thinking and planning, especially in today’s modern and heavily regulated world, already weatherbeaten by multiple financial and health crises.

Whether you’re a first-time or seasoned property investor, you need a proven game plan to build a global property empire that will pave the way for you to retire early, do the things you love, and leave a legacy for your future generation.

Knowing and applying safe strategies is critical in ensuring that you get returns that outperform the average. After all, no two cities or properties are the same.

**Proven Game Plan:
Know Your Goldmine**

The true worth of a game plan lies in whether it has been proven. As a real estate education provider and consultancy, CSI PROP has shared our tried and tested strategies and criteria with investors across the region. These strategies and criteria were developed through the successes and failures of our executive director in his 17 years of building a global property empire worth over \$10 million across 4 continents.

Our G.O.L.D.M.I.N.E. Strategy © and S.A.F.E.T.Y. 1ST © Criteria are easily applicable for investors who have little time or experience, and adaptable in a good, average or bad global market.

***G.O.L.D.M.I.N.E. Strategy ©
Qualifies the Country for Investment***

Knowing **where** to invest will determine if you will make money from the start, and the returns you will make in the long term.

For example, had you invested in Singapore property in recent years, you would have paid a pretty penny in stamp duties. Although Singapore has been a hot market, its government has imposed multiple cooling measures over the last decade. Based on the most recent changes to the Additional Buyer Stamp Duty (ADSB), foreigners now pay 30% in duty alone, which is a clear barrier to entry for foreigners (see #7, Figure 1), and significantly diminishes returns from the start.

7 G.O.L.D.M.I.N.E Strategies ©
Checklist to Qualify Country

G	1) G rowth Of Capital	To refinance faster & buy more
O	2) (O) Breakeven Cashflow	Rents cover mortgage & expenses
L	3) L ow Vacancy Rates	Indicator for rent & price growth
D	4) D emand of Housing	Key price driver: Demand > Supply
M	5) M argin of Financing	> 60% margin to multiply returns
I	6) I ncentives from Tax	Mortgage deduction & allowances to enhance returns & cashflow
N	7) N o Barriers to Entry	No major government cooling measures (You can't fight the referee)
E	= E xponential Factor	

Figure 1: Strategy to find countries and cities that have the least barriers to entry.

Investors looking for consistent rental income in addition to capital growth should pay attention to vacancy rates (see #3, Figure 1). The lower/ tighter the rate in any given area, the higher the demand for rental property.

For example, the vacancy rate in Manchester is currently at a tight 1.75%, meaning only about 1 in 60 houses are available for rent.

Note that typically, a balanced housing market has a vacancy rate of 5%-7%. With Manchester as the fastest-growing city in the UK, this means there will be consistent rental demand.

S.A.F.E.T.Y. 1ST © Criteria
Qualifies the Project for Investment

Investment properties are a means to gain income through capital growth and rent, hence, when selecting a project, it is important to put your emotions aside. For a start, pick a project built by reputable developers and construction companies (see #1, Figure 2) as they are generally held accountable by public stakeholders, better at pacing their builds, and better able to withstand financial constraints in times of crisis.

Many mid-sized developers have folded as a result of greed and overextending the number of properties under construction.

Know also that two projects in the same vicinity, with very similar floor plans can offer very different returns due to price (#7) and terms (#5).

7 S.A.F.E.T.Y. 1ST Criteria ©
Checklist to Qualify Project

S	1) S tellar Track Record	> 10 Years & no. of properties built
A	2) A rea of Growth	Jobs → Population growth → Price growth
F	3) F inancing	Pre-assessed & approval in principle
E	4) E xpectation of Renters	What local tenants desire VS what you want
T	5) T erms	Deposit, ongoing costs & 150 years+ leasehold
Y	6) Y (WHY) This Location	Walking distance to transport links, lifestyle & jobs
1 ST	7) 1st (BEST) Pricing	Price comparison, buy early & access to private deals

Figure 2: This safety criteria helps investors pick their investment projects wisely.

In the next 2 chapters, we will dwelve a little further into the G.O.L.D.M.I.N.E. Strategy © and S.A.F.E.T.Y. 1ST © Criteria. However, join our Proven Global Property Game Plan Masterclass for a deeper and more comprehensive understanding on how to optimise your investment.

This guide will also offer insights into the economic, population and housing market trends in selected core cities, and is the fruition of many hours of research. It is a reference for investors looking to diversify their investments in the global markets, specifically Australia and the UK, given its strong fundamentals for investment.

All data provided within are researched by the CSI PROP team and is accurate at the time of writing and print.



Scan for more info on how to join our masterclass.



MAXIMISING YOUR PORTFOLIO

TAKING A LOOK AT INVESTMENT FROM A
GLOBAL AND MACRO PERSPECTIVE

“Never depend on single income. Make investments to create a second source.”
- Warren Buffet, Business Magnate & Investor

2020

2020 was one rough ride. The escalating death toll and alarming spread of the coronavirus resulted in the largest economic shock the world had experienced in decades. Experts say 2020 represents the deepest slump in the global economy since World War 2.

With labour markets catastrophically hit, global governments enforced lockdowns and rolled out eye-watering stimulus schemes in a bid to contain the virus, save lives and save businesses.

Most glaring for investors worldwide, was how their investments withstood the travails of the pandemic. The unprecedented crash in oil demand and prices, and the epic volatility of the stock market as a result of Covid had forced many investors to rethink and diversify their investment options to properly manage risk.

Fast forward to 2022: the world has tentatively adjusted to the new norm despite the emergence of the omicron strain while the rollout of vaccinations have put a stop to lockdown restrictions in many countries. The global economy recovered faster than predicted as extraordinary support from governments and central banks helped avert the worst, prompting the OECD to revise its projection to a strong global growth of 5.75% in 2021 before moderating to 4.5% in 2022. The last time the annual global GDP growth was above the 4% mark was in 2010!

Global GDP: Steady But Uneven Recovery Projected

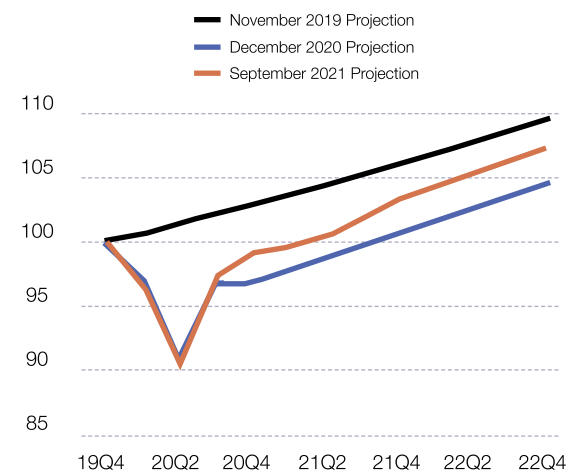


Figure 1: The global economic recovery is projected to strengthen to 4.5% per cent in 2022. Source: OECD Economic Outlook database

Global economic recovery is expected to be uneven. There will be uncertainty as countries handle and emerge from the crisis differently, facing different challenges, and with a varying pace of vaccination rollouts. What's clear is that governments all over the world need to deploy vaccinations as quickly as possible in order to save lives and jobs, and control the virus, while tackling inflation, supply constraints and other economic headwinds.

Real GDP Growth: Annual Change %

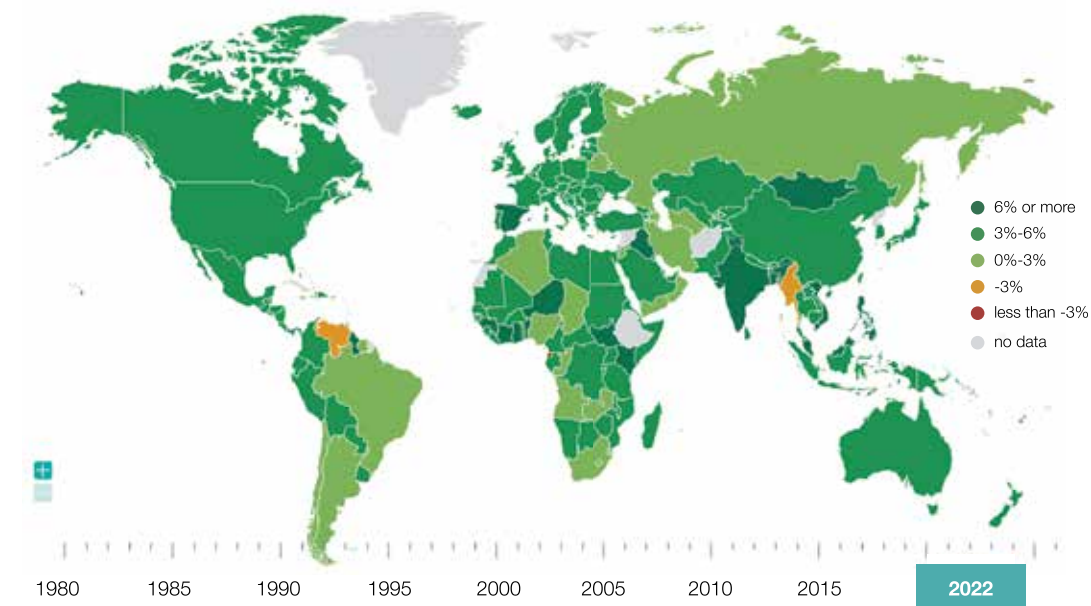


Figure 2: Save for a few countries e.g. Myanmar and Venezuela, the world GDP has seen economic recovery in the past year. Source: IMF

Property Investment: A Snapshot of the Past 20 Years

Famous *Rich Dad, Poor Dad* author Robert T. Kiyosaki said that “real estate investing, even on a very small scale, remains a tried and true means of building an individual’s cash flow and wealth”. Data measuring the performance of property against selected investment assets (capital appreciation only, excludes yields) over the past 20 years, including the period of the Great Recession of 2007 -2009, shows property has outperformed the rest with the exception of gold (Figure 3).

New Zealand property has shown incredible capital growth over 20 years, but foreign investors are barred from investing with the exception of Australia and Singapore citizens and permanent residents (barrier to entry). This severe move by the New Zealand government to cool its housing market will hamper future capital growth, similar to the Singapore property market. It would be prudent to adopt a cautious stance and not invest in New Zealand just because you can, or because of a fear of missing out.

Through Covid-19, the overall global residential property performed well whilst many other investment assets floundered. What’s clear from the data is that, despite its illiquidity, property is a safer and more lucrative investment.

Yearly Average Price Growth: Selected Stock Indices, Gold & Property (2001-2021)

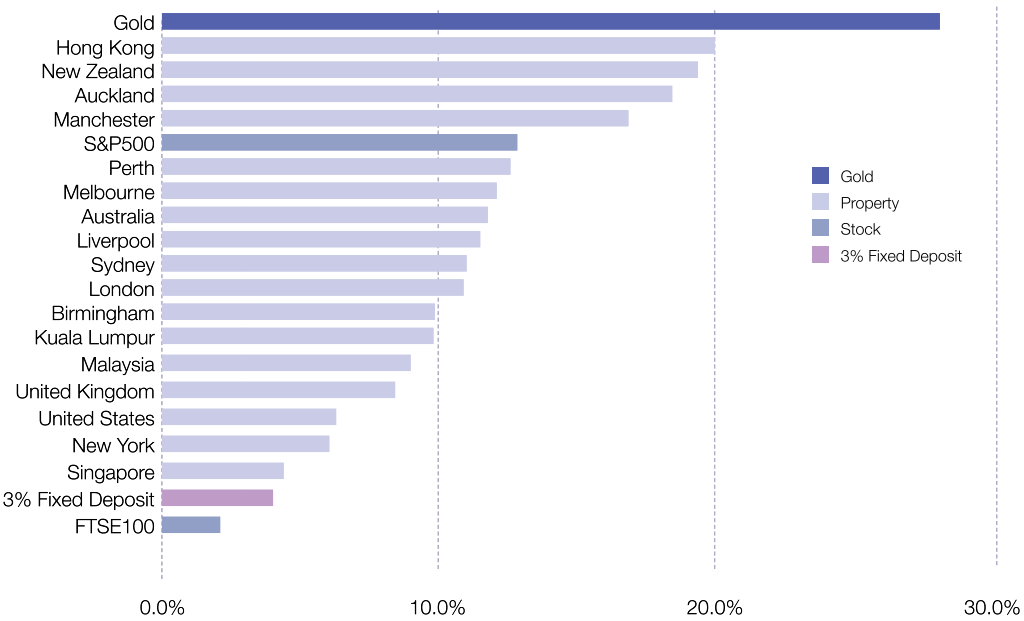


Figure 3: With the exception of gold, property has done well in price growth during the 20-year period. Assumes Fixed Deposit returns of 3% for illustration. Source: CSIPROPResearch, Abelson & Chung, Australian Bureau of Statistics, Bank for International Settlements, Destatis, HM Land Registry, Malaysia National Property Information Centre, Quotable Value Ltd, Reserve Bank of New Zealand, HK Rating and Valuation Department, Singapore Urban Redevelopment Agency, US Federal Housing Finance Agency.

More than anything, the crisis of the past 2 years of the pandemic has forced us to reexamine the importance of home as businesses and industries close their shutters and commercial real estate suffer as a result.

There will be uncertainty ahead as government stimulus programmes end, supply chain disruptions occur and global markets and economies recover from the aftermath of Covid-19.

Given its resilience in withstanding economic shocks, residential real estate has proven to be a sound investment especially in markets where demand outstrips supply, and with minimal barrier to entry and good scope for population and economic growth.



To be clear, this publication by no means disparages the stock market or any other investment vehicle. Our intention is to encourage investors to minimise risk through diversification in property. And even with property, it is good to diversify in location.

Savvy investors who buy strategically (**the right buy**, i.e, the right location at the right price and with the right access) can enjoy returns that outperform the national average.

Basics: 3 Key Returns From Property Investment



Cash Flow from Rents

Rents paid by your tenant minus expenses.



Mortgage Principal Paydown

Paydown of principal loan amount owed to the bank derived from rental income. Diminished principal amount makes refinancing easier.



Property Price Appreciation

Yearly appreciation of property value.

**3 KEY CRITERIA TO
MAXIMISE YOUR ROI**

#1 The Power of Financing

Contrary to traditional belief, taking a mortgage, especially one with good terms, is an advantage especially if bank rates are low. Here's why: buying an investment property at the right price and financing it correctly can multiply your returns significantly.

Lenders typically charge more for investment property than they do for a primary residence. When investing in foreign property, consider the Loan-to-Value ratio (LTV, also known as financing margin) offered by lenders in that particular country. The higher the LTV, the higher your return on investment.

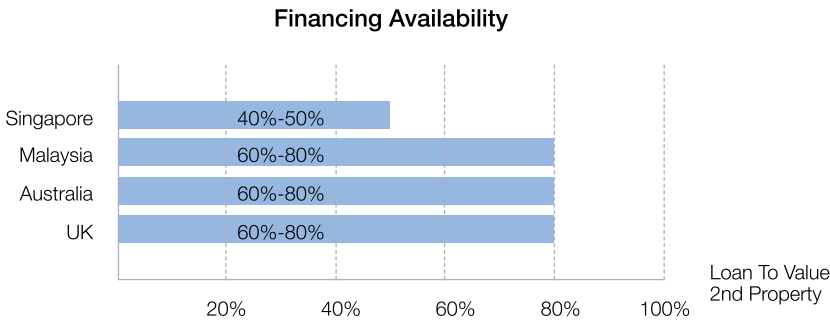


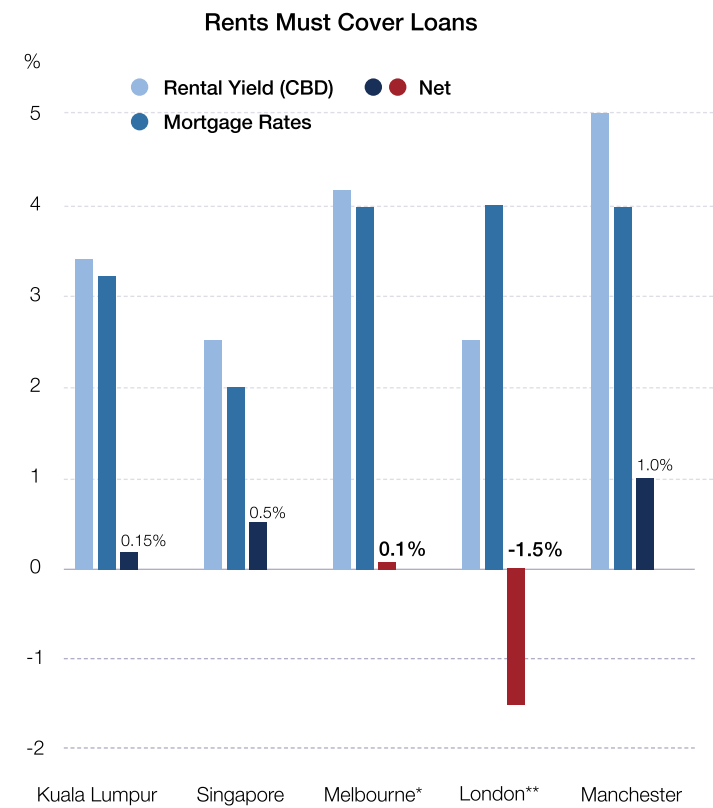
Figure 5: Examples of the different LTV ratios in different countries for investment property (also known as the second property). Note that LTV also depends on the type of investment property, your credit-worthiness and downpayment. For illustration purposes.

Figure 6 illustrates that with a higher LTV and rental income covering your bank loan, your returns are more than 2x higher because financing has enabled you to reduce your capital outlay (note assumptions).

Illustration: Increase ROI with Financing				
	Cash		Loan	
Property Price		1,000,000		1,000,000
Capital	100%	1,000,000	30%	300,000
Loan	0%	0	70%	700,000
Assuming, # Loan Tenure 30 Years @ 5% Interest p.a. # Rental Yield 5% p.a, property appreciation 5% p.a.				
Annual Rent Collected		50,000		50,000
Annual Loan Repayment		0		50,000
Annual Cash Flow		50,000		0
Total Cash Flow @ 30 Years		1,500,000		0
Property Price @ 30 Years		2,500,000		2,500,000
Loan Fully Settled				
Total Gross Return		4,000,000		2,500,000
Less Capital Outlay		1,000,000		300,000
Total Net Return		3,000,000		2,200,000
ROI on Capital		300%		733%
Return p.a. on Capital		10.0%		24%

Figure 6: An illustration of the increase in ROI with financing vs paying for your property in cash. Note assumptions. Credit: CSI PROP

#2 Positive Cash Flow



Based on general average lending rates available to foreigners
*Assuming Foreign Banks as Australian banks no longer lend
**Below Zone 4

Figure 7: Investing in a location which has high demand for property is important to ensure that you have enough buffer in your rental yield to have positive cash flow after you pay off expenses like mortgage and maintenance. Source: TheEdgeProp MY, SG, YIP Mag (Australia), Loan Street.

Positive cash flow is the manifestation of property investment done right. Hence, an investment property in a location with high demand and low vacancy rates is pivotal to attracting tenants.

Because property is a long term investment, a good buffer in rental income is required to cover loan repayment and other expenses so that there is positive cash flow once all expenses have been deducted.

Quick Facts

- When applying for financing, investors should look out for:
- Loan to value (higher LTV reduces upfront cost)
 - Interest rates (lower interest rates allows you to increase ROI)
 - Interest-only loans (improves cash flow)

#3 Low Entry Cost

The lower your entry cost, the higher your returns. Stamp duty is an often overlooked expense that can jack up your entry cost and set you back for years. In some countries, a surcharge is imposed on foreign buyers, thus increasing the overall stamp duty cost. This is what we call a barrier to entry.

Sometimes it might make more sense to buy two properties in a country that imposes lower stamp duties for the price of one in a country with high stamp duties, to double your ROI!

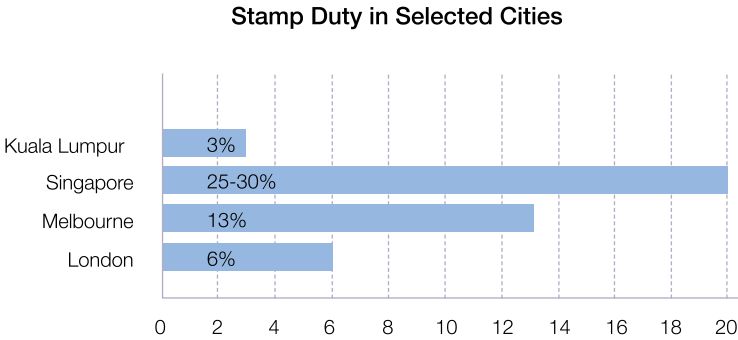
SG Cooling Measures: Adjustments to ABSD Rates for Residential Property

Additional Buyers's Stamp Duty		RATES FROM JUL 6, 2018 TO DEC 15, 2021	RATES ON OR AFTER DEC 16, 2021
Singapore Citizens	First residential property	0%	0%
	Second residential property	12%	17%
	Third and subsequent residential property	15%	25%
Permanent Residents	First residential property	5%	5%
	Second residential property	15%	25%
	Third and subsequent residential property	15%	30%
Foreigners	Any residential property	20%	30%
Entities	Any residential property	25% (Plus additional 5% for Housing Developers)	35% (Plus additional 5% for Housing Developers)

Figure 11: The Singapore government imposed multiple cooling measures over the last decade to control the price of property. The latest raft of cooling measures in Dec 2021 saw more changes to the Additional Buyers Stamp Duty (ABSD), reduced Total Debt Servicing Ratio (TDSR) threshold from 60% to 55% and tightened Loan-to-Value (LTV) loan limits for HDB flat purchases from 90% to 85%. Source: Singapore Business Times

Singapore's stamp duty of up to 30% is a significant upfront cost. Under its latest cooling measure, investors will be charged increased Additional Buyers Stamp Duty (ADSB) in addition to reduced Total Debt Servicing Ratio (TDSR) threshold from 60% to 55%. Moreover, if you have an outstanding loan for your first property, the maximum financing margin (LTV) of your second property will be capped at 45%. Hence, to purchase a second property in Singapore, you will need to place a downpayment of 55% + stamp duty of between

17% and 30% (depending if you are a citizen, permanent resident or foreigner), which can come up to a hefty 85%! Whereas in the UK, stamp duties for foreign investors is about 6% for a property worth £300K. At that rate, and with a downpayment of 30%, you could buy 2 properties in the UK for the price of 1 in Singapore!



**Assuming USD200,000 property purchase by a foreigner
**This includes foreigner stamp duty*
Figure 12: High stamp duties is an important consideration in investment as it can set you back by years. Source: Abelson & Chung, ABS, REIA, NAPIC, Data.gov.hk, URA, HM Land Registry, Economic Research Division, Federal Reserve Bank of St. Louis & RBNZ



STRATEGIES FOR CAPITAL GROWTH

FUNDAMENTALS TO GUIDE
YOUR INVESTMENT STRATEGY

"Know what you own, and why you own it."
- Peter Lynch, Investment Guru

ONE of property's key attractions as an investment vehicle is its resilience in the face of economic shocks. Not only is property known to be resistant to volatile price fluctuations, it also increases in value over time and provides rental income in locations where there is demand for housing.

Still, every investment comes with risk—even one as relatively safe as property.

In Part 1, we introduced the G.O.L.D.M.I.N.E. Strategy © to help qualify a location for investment. Central to this is research, a critical part of investment strategy. In particular, researching the fundamentals of the area in which you want to invest, including things like **population growth, economic growth, and housing supply and demand**. These fundamentals help investors manage risk while offering insight to price growth and rental trends.

Leading Indicators for High Capital Growth



Figure 1: Capital growth is an organic process and dependent on these 3 factors. A city with economic growth inevitably draws a larger population as more people begin to move there for jobs, bringing their families with them. This will lead to demand for housing, which will lead to rental growth and an increase in housing value over time.

#1 Population Growth



3 KEY CRITERIA FOR CAPITAL GROWTH

The expansion or contraction of the property market is rooted in population and economic growth. Economic decline will cause population decline as people move in search of greener pastures, and the need for property dwindles.

Quick Fact

Population growth rates in developing countries are typically higher than developed countries due to higher birth rates. However, developed countries tend to have better transparency and maturity in policies, processes and governance—these are tied to economic growth and stability, and instrumental in driving population growth through migration.



With global urbanisation, it is important to look at population growth trends of cities rather than just national figures (Figure 2), as more people move from rural to urban centres for job and education opportunities, improved infrastructure and overall better living conditions. For example, countries like the UK, USA, France, China and Thailand—all of which have a lower population growth rate than the global average—are home to some of the world’s megacities¹.

¹An urbanised conurbation housing of 10 or more million inhabitants. They are often the primary nodes for investment in a country and feature the most affluent households.

2019 Population Growth Rate (Annual %), Selected Countries & Cities

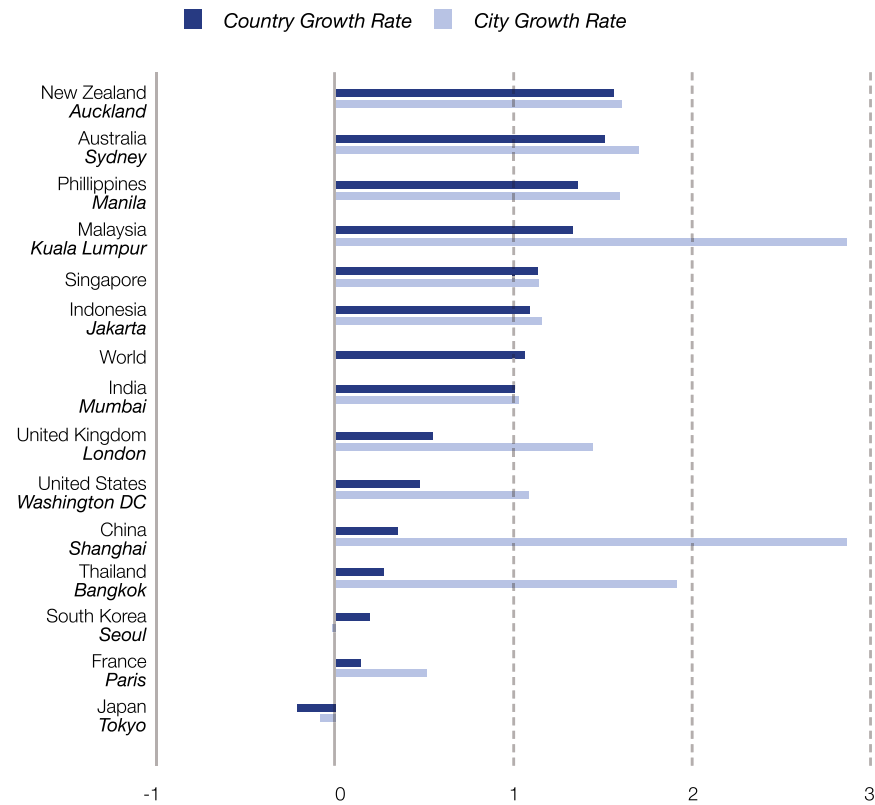


Figure 2: The population growth rate of a country does not necessarily match its main city (cities) as city growth rates tend to be higher than national growth rates. Countries like the UK, USA, France, China and Thailand—all of which have a lower population growth rate than the global average—are home to some of the world’s megacities. Pre-Covid data deliberately used for illustration. Source: World Bank, ABS, macrorends.net (data sourced from UN World Population Prospects)

#2 Economic Growth

The housing market is generally influenced by the state of the economy.

A thriving economy drives population growth, as individuals and families are drawn to the prospect of wage/ job growth, improved basic and lifestyle amenities and an overall better life.

For example, the Victorian Gold Rush in the 1850s saw an influx of capital and population growth into Melbourne and the state of Victoria. The Gold Rush transformed Victoria from a sleepy backwater into the most celebrated colony of the British empire, luring well-educated and skilled artisans, prompting modernisation and spurring the establishment of the University of Melbourne, the Public Library and the National Gallery among many other institutions.

Within 10 years of the economic boom, the population grew from 75,000 to over 500,000, almost half the national population then. More than 200,000 of the population constituted immigrants from as far as Britain and China. This, at a time when air travel had not yet existed!

Till today, immigrants have continued to flock to Melbourne, drawn by its prosperity, liveability, opportunity and world-class education. This has fuelled the demand and price of property, making Melbourne one of the most sought-after destinations for property investors in the world.

Quick Fact

In 1900, only 15% of the world's population resided in cities. 60% of the world's population is predicted to be urban by 2030.

Usually a good time to buy is during an economic downturn, when house prices weaken or grow at a slower rate. This is typically the time when governments adjust interest rates, resulting in lower mortgage rates and making it more affordable to buy property.

Covid-19 caused a downturn in the global economy, but interestingly, most middle- and high-income countries saw house prices pick up within Q2 2020. In the rich world (G7 countries), house prices rose at an annual rate of 5% (Figure 3) despite a weakened GDP.

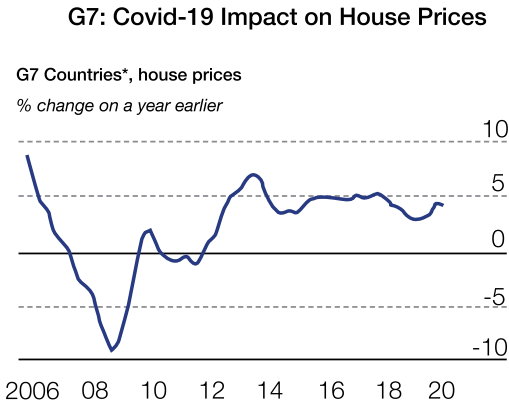


Figure 3: Contrary to expectations of a weak housing market as a result of a weakened economy from the Covid-19 pandemic, house prices rose at an annual rate of 5% amongst the G7 countries. Source: The Economist.

This strength in house prices was supported by:

- Monetary policy (slashed interest rates resulting in affordable mortgage rates and increased housing transaction activity)
- Fiscal policy (unlike normal recession, governments have preserved household incomes through wage subsidies, furlough schemes and expanded welfare benefits)
- Buyers' changing preferences (working from home has spurred homeowners to look at bigger/ better spaces)

#3 Housing Supply & Vacancy Rates

The UK, for example, experienced one of its worst economic slumps in 2020 due to Covid-19, yet it recorded its fastest annual house price growth rate in almost 6 years within the same year (Nov 2020). By June 2021, it smashed another record of the fastest annual house price growth in 17 years, thanks also to tax breaks given by the government.

Thus, although broadly speaking, the more buoyant the economy, the higher the house price growth; other factors such as tax settings, interest rates and housing supply also contribute to the viability of your investment.

Housing supply is a critical factor in property investment, affecting capital growth and rental income. Simply put, an undersupply of property drives house prices. Housing supply is also compounded by economic slowdown: meaning lower demand for housing could run up against lower supply resulting from a slowdown in housebuilding. For example, in America, the experience of the last recession suggests that even when the economy recovers, construction lags behind, contributing to undersupply.

One of the world's most developed countries that has been facing an undersupply for decades is the UK with a backlog of up to 4 million. This undersupply has been driving property prices over the years. To a greater extreme, Hong Kong, faced with a scarcity of land and, subsequently, inadequate housing, is home to some of the most expensive real estate in the world. Malaysia, on the other hand, has been plagued by a housing oversupply, resulting in stagnating house prices—a situation that is unlikely to resolve in the next few years.

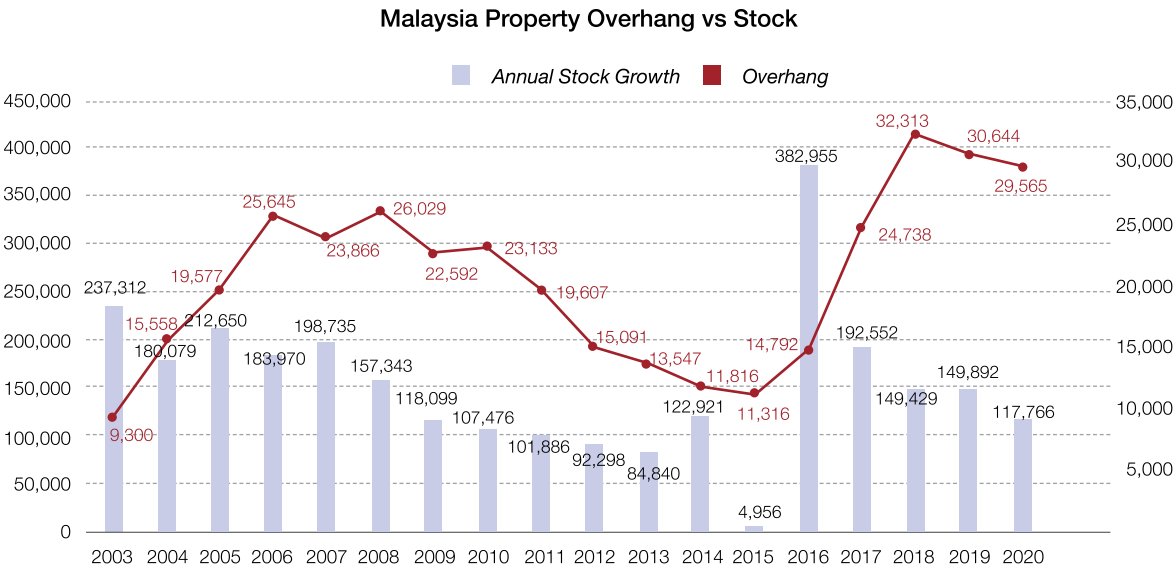


Figure 4: The property market in Malaysia is still beleaguered by oversupply, causing prices to soften. Source: Napic

Housing supply also affects vacancy rates, which affects rental growth. High demand and low supply of property result in tight vacancy rates (available properties for rent vs demand), consequently ensuring consistent rental income and rental growth over time.

Although vacancy rates vary depending on the rental market of a city, 5%–7% is considered a balanced market. An area with a vacancy rate of below 5% is good for landlords as rents will go up.

In Malaysia, where the property overhang is high, landlords face challenges getting tenants. Cities like London, Manchester and Melbourne have tight vacancy rates of 3% and below. Essentially, what this means is that roughly 1 in 50 houses are available for rent in cities like London, Manchester and Melbourne.

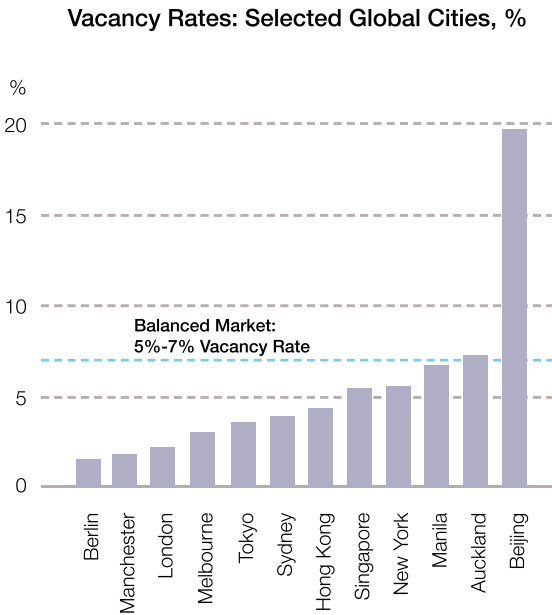


Figure 5: Vacancy rates impact the rentability of your investment property. An area with a vacancy rate of below 5% is good for landlords as it indicates a high demand for rental property. Source: SQM Research (AU), Zhiru Tan et al (CN), Zibel (DE), Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government (GB), Rating and Valuation Department (HK), Savills (JP), CBRE-WTW Real Estate Market Outlook 2019 (MY), Statistics New Zealand (NZ), JLL (PH), Urban Redevelopment Authority (SG), U.S. Census Bureau (US). Note: All vacancy rates are updated as at 2020, except NZ as at 2018.

Hindsight: The Right Buy

Property price growth trends offer great insight into how your investments have performed over the years. Figure 6 shows how your investment would have performed in the last 20 years (index = 1996).

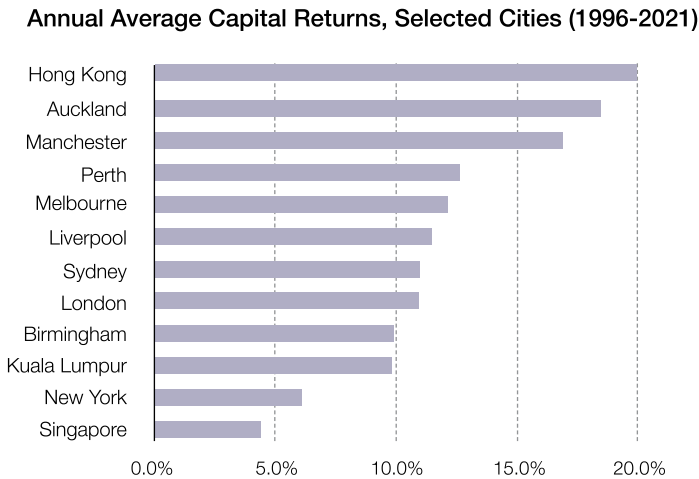


Figure 6: Here's how property investments in these global cities have performed in the last 20 years. Despite its stratospheric gains, the Hong Kong property market is no longer fundamentally viable for investment. New Zealand property has skyrocketed but it is closed to foreign investors except Singaporeans and Australians—such severe measures show that the government is working hard to cool the market, a move that will hamper future capital growth, similar to what has happened to the Singapore market. We advocate caution: don't invest in New Zealand just because you can, or because of a fear of missing out. Source: CSIPROPresearch, Abelson & Chung, Australian Bureau of Statistics, Bank for International Settlements, Destatis, HM Land Registry, Malaysia National Property Information Centre, Quotable Value Ltd, Reserve Bank of New Zealand, HK Rating and Valuation Department, Singapore Urban Redevelopment Agency, US Federal Housing Finance Agency

Our focus on the UK and Australia property markets all these years is supported by capital growth as a result of population growth, a strong economy, undersupply of housing and tight vacancy rates.

It is also important to note that housing markets are highly geographical. Property located in areas with high employment opportunities, good schools/ universities and transportation links are high in demand and generally experience good capital growth. For example, London and Manchester in the UK have the fastest property price growth compared to other cities in the UK. This principle also applies in spite of a slow-down in national property price growth.

The 3 Absolute Criteria To Selecting Your Investment Property



1. Developer Track Record
A strong track record means better assurance of product quality & completion



2. Proximity
To transportation links, jobs & F&B: basically, the fundamentals



3. Price Comparison
Don't be fooled by discounts & gimmicks. Do a proper comparison of the surrounding area, as overpaying can affect your ROI drastically

In the previous chapter we talked about the criteria to maximise your ROI. Adding housing supply into the mix gives you an overview of the challenges you may face and the returns that you could potentially get in the city that you choose to invest in.

Investment Challenges in Selected Markets					
	Kuala Lumpur	Singapore	Melbourne	London	Manchester
Housing Supply	Over	Balanced	Under	Under	Under
Vacancy	34%	5.5%	3%	2.2%	1.7%
Cash Flow	0.15%	0.5%	(0.4%)	(1.5%)	1.0%
Approximate Stamp Duty	3%	20%	13%	5%	5%

Figure 7: The return on your investment hinges upon a variety of factors. Housing supply helps indicate the potential for capital growth and rental yields. Cash flow provides an indication of whether rental income can cover the expenses of owning properties, including financing costs. Stamp duty affects your upfront payments and overall returns. Note: chart is for illustration purposes only. Assumes US\$200,000 property purchase price by a foreigner and includes foreigner stamp duty. Also assumes foreign banks as Australian banks no longer lend and based on general average lending rates available to foreigners. Source: Abelson & Chung, ABS, REIA, NAPIC, Data.gov.hk, URA, HM Land Registry, Economic ResearchDivision, Federal Reserve Bank of St. Louis, & RBNZ, TheEdgeProp MY, SG, YIP Mag (Australia), Loan Street.

THE UNITED KINGDOM

“Courage taught me no matter how bad a crisis gets ...
any sound investment will eventually pay off.”
— Carlos Slim Helu, World’s Richest Person 2010 - 2013
(Forbes)

THE UNITED KINGDOM

At 23:00 GMT on 31 Dec 2020, the UK officially left the EU after finally agreeing to a deal.

The 3½ years leading up to Britain’s exit from the 27-member bloc has been tumultuous, to say the least. The announcement of the EU Referendum in 2016 had led to political and economic tremors, with Britain enduring 2 General Elections and 3 Prime Ministers.

Productivity took a hit as a result of trade and other policy uncertainties, and the value of the sterling plunged to its lowest rates in years; yet, GDP growth stayed positive, albeit at a slower rate.

Then came Covid-19 which dampened economic output at the start of 2020. The UK, along with the world’s top developed economies like the US, Canada and Germany, entered a recession for the first time in 11 years.

In spite of the headwinds, the UK remains a top investment destination. This chapter highlights the proverbial silver lining for property investors while comparing the effects of post-pandemic recovery against past performance. Investors would be comforted to know that research continues to show compelling reasons why investors should continue investing in the UK.



Retrospective View: Economic Resilience

Despite a global pandemic, a new US president and a last minute trade deal between the UK and EU, investment into the UK has been relatively resilient. Although foreign direct investment (FDI) had shrunk as expected given the circumstances, the UK upheld its ranking as #2 for overall FDI in Europe, demonstrating its resilience to Brexit and Covid-19. It also maintained its historic position as the #1 destination for financial services FDI in Europe.

Financial services (led by London) is expected to continue adapting and the UK will remain a leading destination for overseas investment. Surveyed during lockdown, 31% of global investors suggested they were planning to invest in the UK in the coming 12 months, the UK's highest rating for a decade.

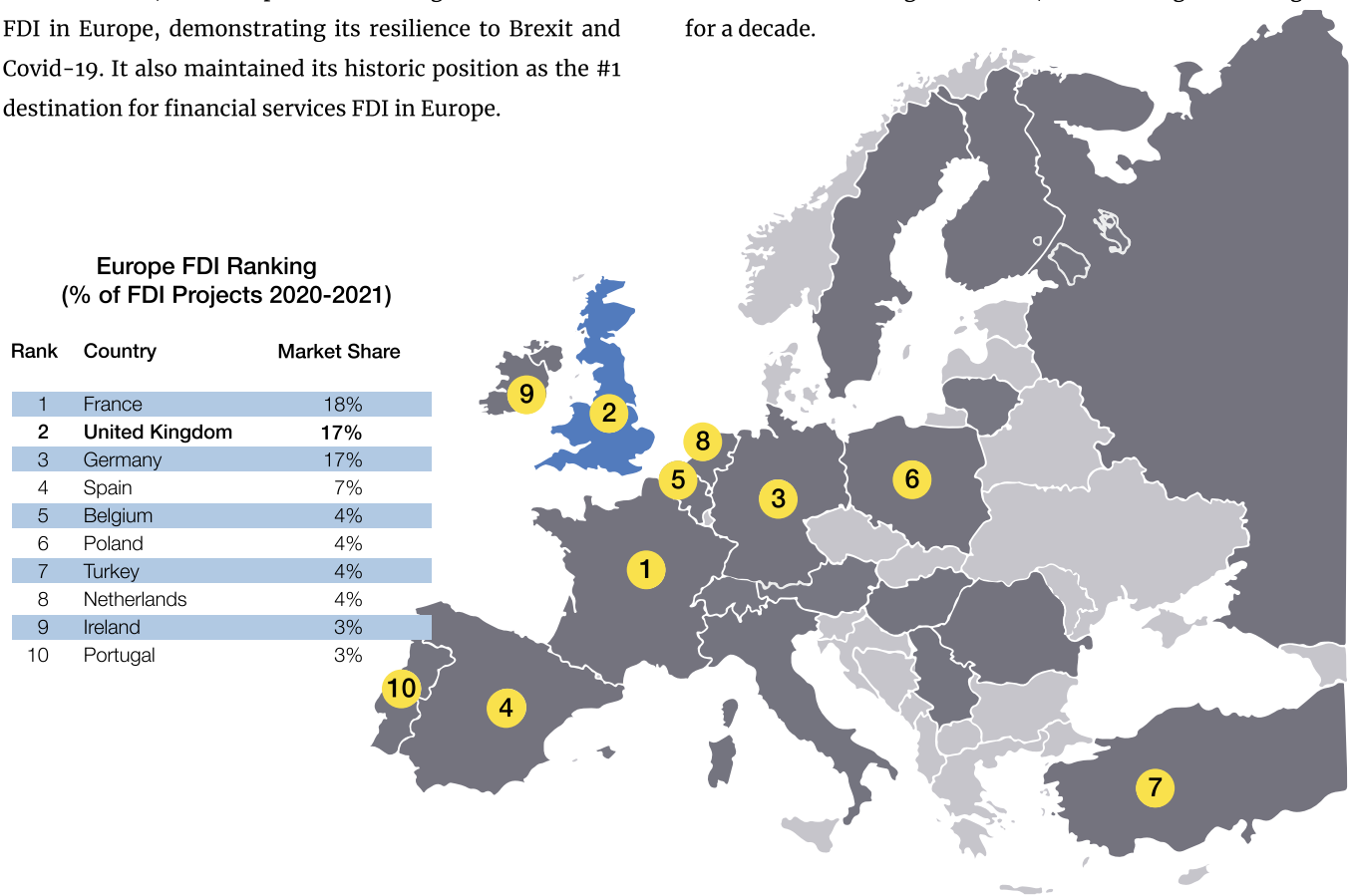


Figure 1: The UK remains a top investment destination in Europe and in the world.
Source: EY Attractiveness Survey Europe, 2021.

Though fragile due to the pandemic, the job market started showing signs of recovery in Q1 2021 as restrictions eased and businesses took on more staff.

Whilst the full effect of the pandemic has yet to be realised, a gradual economic recovery hinges on a viable resolution to Covid-19 and the continued need for government intervention.



To support the nation through economic stresses brought by the second lockdown, the Bank of England maintained its record low 0.1% interest rate and pumped another £150bn into the economy, whilst the government extended its furlough and wage subsidy schemes.

The GDP is already showing improvement with full recovery to pre-Covid levels forecasted from 2023 onwards—similar to the OECD’s prediction for global output. Latest indications point to a total growth forecast of 13.4% from 2021 - 2023.

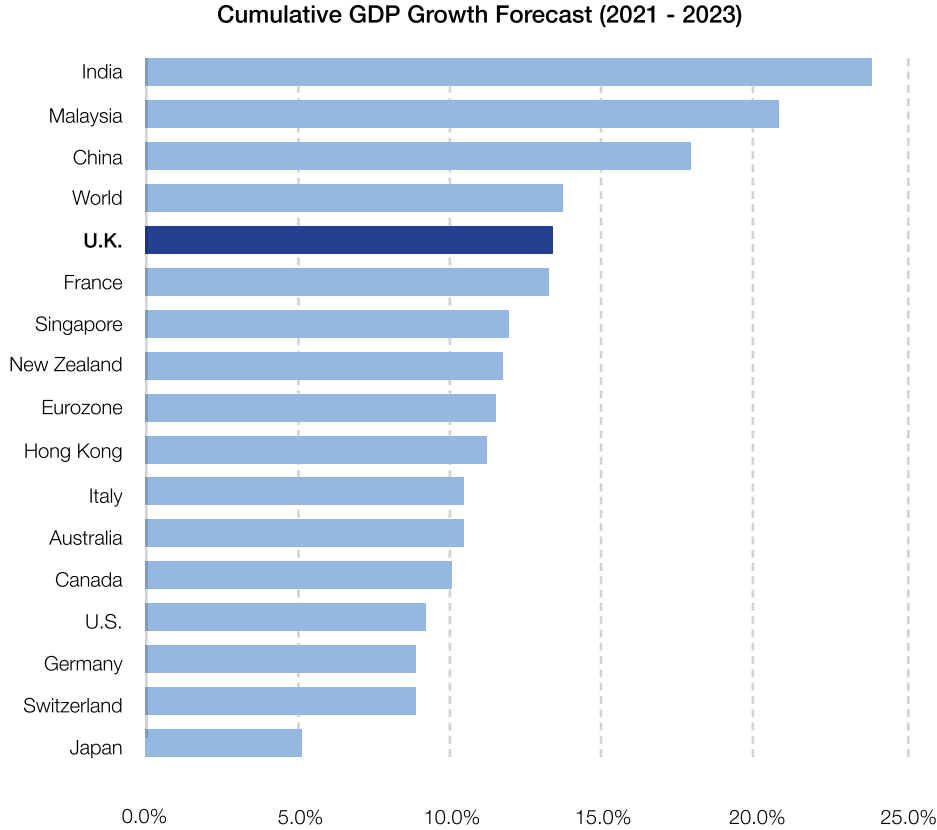


Figure 2: The UK’s economy is expected to grow 13.4% from 2021 - 2023.
Source: S&P Global Ratings

The path to recovery will be mired with uncertainty, however, investors can take heart that the UK economy has historically been resilient—a reason why it continues to remain one of the top investment destinations in the world today.

The GDP, which plunged 20% during the nadir of the pandemic in April due to lockdown, bounced back 22.9% higher in September 2020. The UK still has to make up for the loss in GDP at the start of the pandemic, but its continued growth towards recovery has thus far been encouraging.

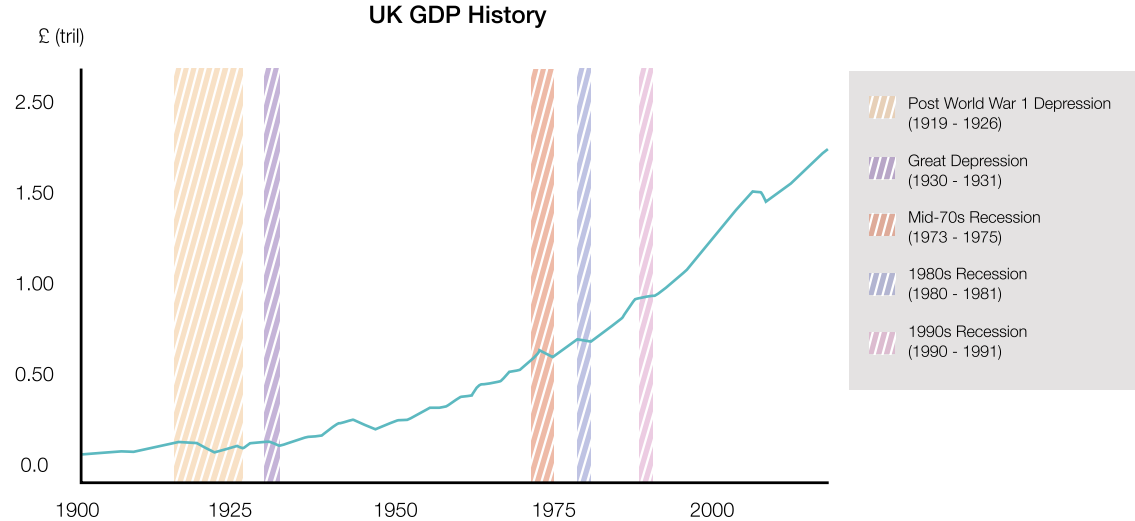


Figure 3: Although it took some time to pick up after the Great Depression in the 1930s, the British economy has historically been resilient, taking off after multiple recessions in the mid-1970s, early 1980s and 1990s, and the Great Recession in 2007-2009. Source: Bank of England & Office for National Statistics

Legendary House Price Growth

House prices have grown steadily in the UK despite the deepest of recessions, driven by critical undersupply and a continually growing population.

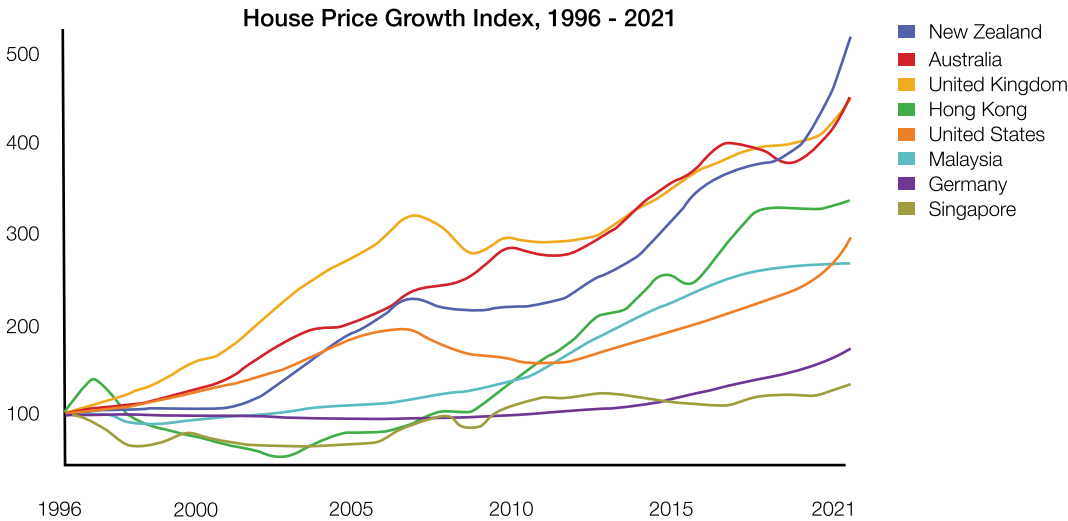


Figure 4: The UK has one of the fastest property price growth trends among countries in the developed world. Source: CSIPPROResearch, Abelson & Chung, Australian Bureau of Statistics, Bank for International Settlements, Destasis, HM Land Registry, Malaysia National Property Information Centre, Quotable Value Ltd, Reserve Bank of New Zealand, HK Rating and Valuation Department, Singapore Urban Redevelopment Agency, US Federal Housing Finance Agency.

Research shows that the country faces a housing backlog of 4 million, and needs approximately 300,000 houses built per year to make up for the shortfall by 2031. The UK has been unable to meet the yearly requirement. Following the EU Referendum, construction activity declined between 2016 and early 2020, hence, the shortage will continue to snowball for each year that the required number of houses is not fulfilled, on the back of a growing population. This undersupply will continue to fuel house price appreciation.

The rate of house overcrowding in the UK is at 5.9%, supporting the argument that too few homes have been built at a time when the population is expanding, with what's been built being too small.

Because of the housing undersupply, the UK's vacancy rate currently stands at a tight 2.7%, offering landlords a good chance of securing tenants, particularly as more people in the UK are opting to rent than buy.

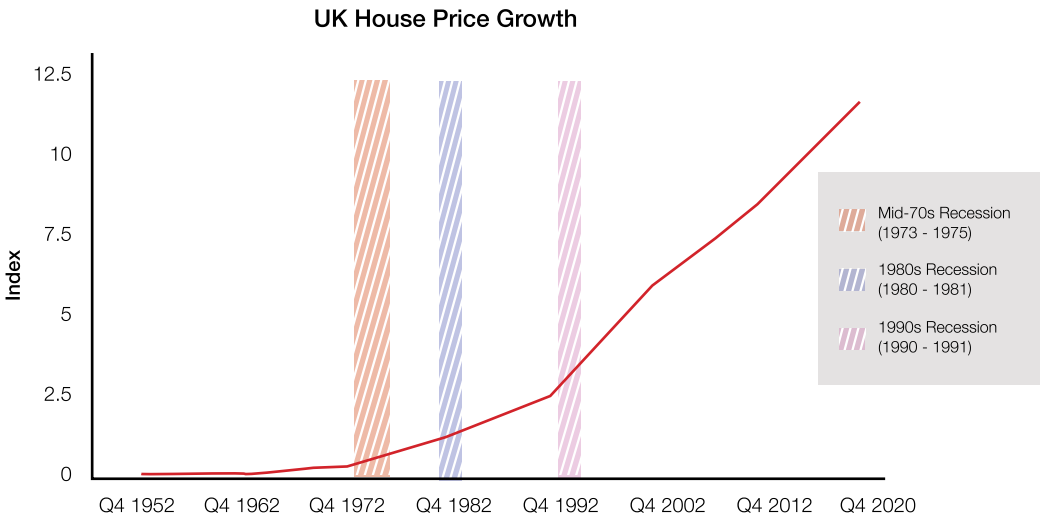


Figure 5: House prices have been on a steady incline over the last 50 years, driven by an increasing population and undersupply of homes. Source: Nationwide

Overall, house prices have defied Covid-19. Whilst there were no drastic price plunges similar to the stock market following the national lockdown in March 2020, there was a significant decline in housing activity as viewings paused, uncertainty affected household decisions, and the number of sales coming into the market saw a reduction due to physical restrictions. It was as if the market went into a state of suspended animation.

Yet, it was also in 2020 that mortgage applications hit a 12-year high. Average UK rents had also increased 1.4% over the year to November 2020, according to the ONS. In Feb 2021, house prices jumped by 8.6% from Feb 2020, the fastest annual increase in 6 years spurred by the release of pent-up demand after the lockdown, a cut to property purchase taxes and a shift in preferences as a result of life in lockdown.

UK House Price & Rental Forecasts 2022-2026 (p.a. %)

	House Price Change	Rental Value Forecast
2022	4.5	2.5
2023	4.5	2.5
2024	3.0	2.0
2025	3.5	2.5
2026	4.5	2.5
5 Year Total (2022-2026)	20	12.0

Figure 6: Property prices are projected to grow 20% over a 5-year period. Source: JLL & Oxford Economics

House prices are projected to grow approximately 20% from 2022-2026 as the economy improves and low interest rates support affordability. Overall, 2021 has been especially surprising: UK house prices rose by more than 10%, the fastest growth rate in 15 years, according to new figures that underline the strength of the pandemic housing boom.

Growing Population

Despite tightened immigration rules, the population of the UK has continued to expand. Over the past 2 decades, net migration overtook natural change as the major component of population growth.

UK Population Change, 1982-2020

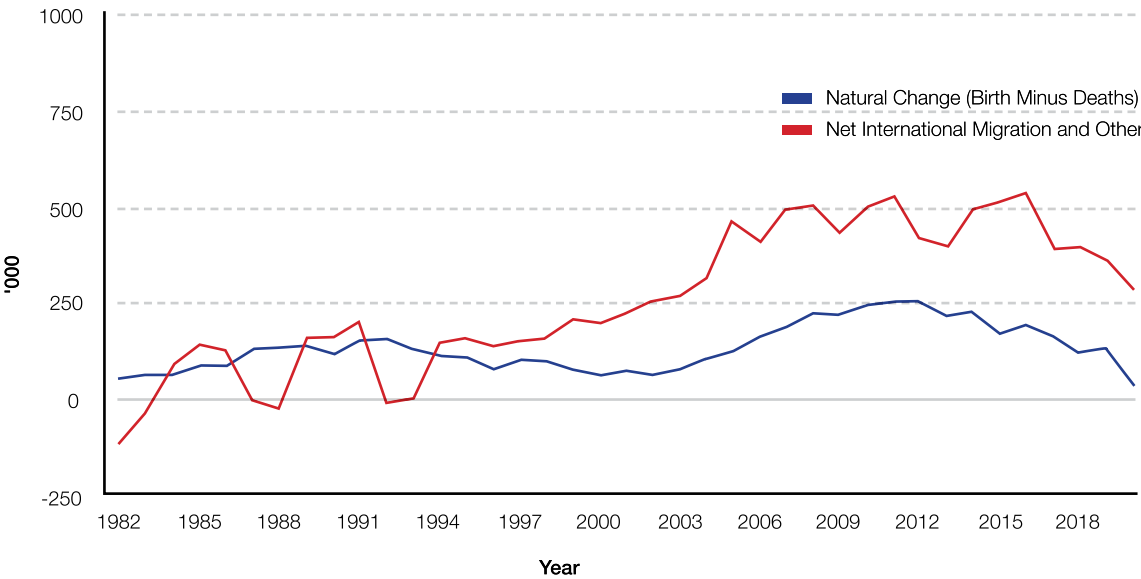


Figure 7: Net international migration was the major component of population growth in the past 2 decades. Source: ONS



ONS projects that the population will increase by 3 million (4.5%) between mid-2018 to mid-2028, with England's population to grow more quickly than other parts of the UK: i.e, 5.0% compared with 3.7% for Northern Ireland, 2.7% for Wales and 1.8% for Scotland. More than 70% of this population growth will be from net international migration. The UK population is projected to pass the 70 million mark by mid-2031. The increase in population numbers will increase demand and put pressure on housing supply.

7 Reasons Why the UK Remains A Top Investment Destination

- 

The pound is at its most affordable, offering a great opportunity for investment at a 'bargain' and good value in the long term.
- 

Historically low interest rate of 0.5% (translating to extremely competitive mortgages) increase ROI & affordability, as the government's furlough and wage subsidy schemes support and stimulate the economy.
- 

Stable. House prices have held well, even defying Covid-19, and are not subject to volatility.
- 

Best time to negotiate the best terms through strong insider relationships with good developers and the ability to group-buy multiple units.

7 Reasons Why the UK Remains A Top Investment Destination



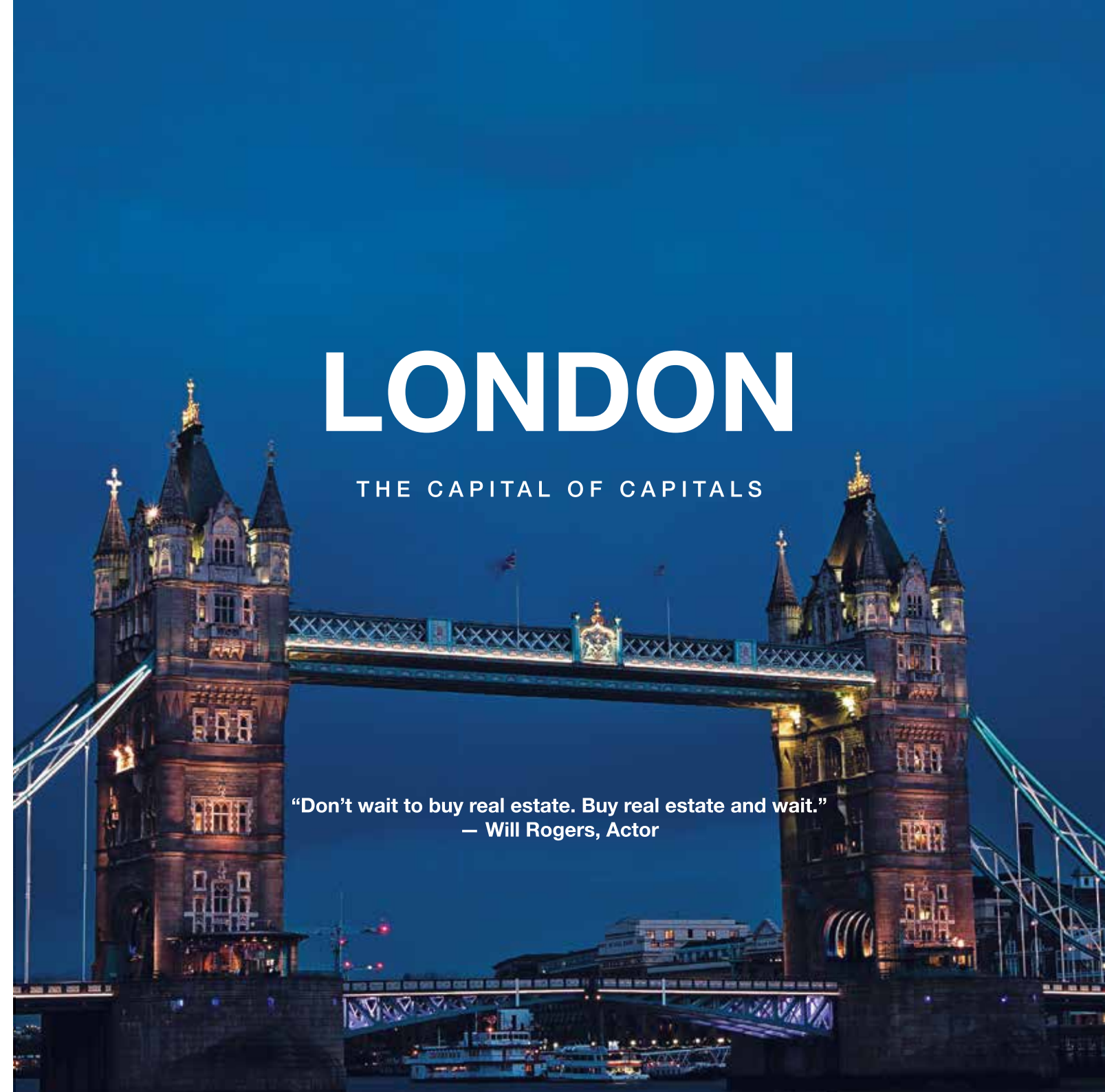
Strong fundamentals like housing undersupply, and population and economic growth continue to drive the property market.



Residential property is a priority: the pandemic has revealed the importance of homes as a place to work, play and live.



Renting is trending: research shows that the UK will be a nation of renters by 2039.



LONDON

THE CAPITAL OF CAPITALS

“Don’t wait to buy real estate. Buy real estate and wait.”
— Will Rogers, Actor

Despite negotiating the challenges of COVID-19 and the uncharted terrain of a post-Brexit world, the UK's main city, London, continues to be known as the "capital of capitals". A key contributor of the UK economy, London has held the pole position of #1 City in the World's Best Cities rankings for 6 consecutive years based on several criteria including human capital, infrastructure, culture, experience and prosperity. It has also held on to its title as the overall European City of the Future in the Financial Times' FDI rankings for 2022/23. London is the best city in the world for property investment out of 900 cities ranked in the Global Cities 30 Index ranking 2021.

London Key Economic Indicators ¹		
UK		London
67.6m	Population	9m
3.5%	Economic Output	2.7%
4.5%	House Price Growth	6%

¹All indicators are projections



In Ernst & Young's (EY) latest UK Attractiveness Survey 2021, it's clear that the UK's strong performance, especially in the digital tech sector, is driven by London. London secured 58% of all digital technology FDI recorded in the UK in 2020.

Nonetheless, London—just like all the other UK cities—has been forced to reckon with Covid-19. The end of the furlough scheme has had less impact on unemployment levels as initially feared, although the full impact still remains to

be seen as recent official data showed that some 1 million workers nationwide were still on furlough even at the end of the job retention scheme in September 2021.

A key contributor to the UK economy and the commercial heartbeat of the country, London is unsurprisingly the most densely populated city in the UK. Data from the ONS confirms that London has the greatest proportion (67.4%) of working-age people in the UK, and home to 3 of the country's top 20 fastest-growing local authority

areas. Its population density is 24 times higher than that of southwest England; a third of its population is foreign-born. London's population is projected to hit 9.3 million by 2028.

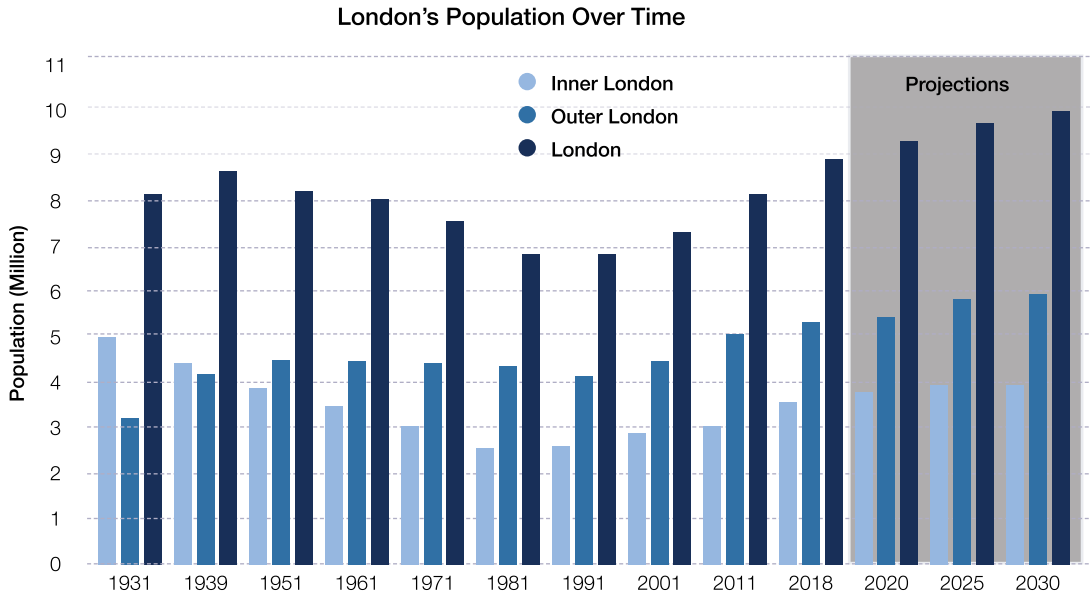


Figure 1: As the commercial heartbeat of the UK and a global financial centre, London's population is the country's largest and fastest-growing. Source: Trust for London

Vacancy Rates: London VS Selected Global Cities, %

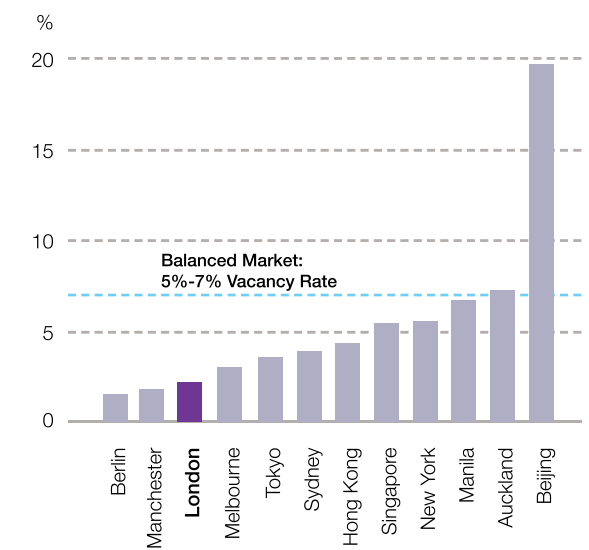


Figure 2: At a mere 2.2%, London has one of the tightest vacancy rates among major UK cities as well as many major global cities. Source: SQM Research (AU), Zhiru Tan et al (CN), Zibel (DE), Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government (UK), Rating and Valuation Department (HK), Savills (JP), Statistics New Zealand (NZ), JLL (PH), Urban Redevelopment Authority (SG), U.S. Census Bureau (US). Note: All vacancy rates are updated as at 2020, except NZ as at 2018.

While London has excelled in creating jobs and opportunities for decades, it has failed to build adequate housing for its citizens. Housing undersupply is acute in the capital city, resulting in a vacancy rate that is one of the tightest in the country at 2.2%—meaning, **only 1 out of 50 homes are available for rent.**

Compounding the shortage is the rate of houses being built—analysis shows that the number of houses being built is rising at a slower rate in London than any other region despite the capital having the most acute undersupply. This will be exacerbated further by Covid-19 and new housing starts falling to an average of 12,500 p.a. over the next 5 years—a massive shortfall compared to the 52,000 houses needed per year.



Housing undersupply has been the cause of London’s stratospheric house prices and rental rates. Over the last 3-4 years, however, price points had hit a ceiling and began to lag, no thanks to the stamp duty increase for second homes and non-residents, uncertainty in the country’s leadership, and Brexit. Today, with more certainty on Brexit and the Conservatives firmly in control, prime London property prices are expected to rise again.

London:
House Price & Rental Value Forecast 2022-2026 (p.a %)

Greater London		
	House Price	Rental Value Forecast
2022	6.0	4.0
2023	5.5	3.0
2024	3.5	2.5
2025	4.0	2.5
2026	4.5	2.5

Figure 3: Price growth is on an upward curve due to a severe shortage of homes for sale and a returning demand for urban living. Source: JLL, Oxford Economics

Quick Facts: London

- Top 10 UK city for buy-to-let investments
- Population growth: Home to 3 of the UK’s 20 fastest-growing Local Authorities
- Housing shortage unable to match population growth, fueling property prices
- Tight vacancy rates, with only 1 in 50 houses available for rent
- Commuter belt properties and properties in regeneration areas have highest chance of price growth



3 Key Criteria For Investing in London



#1 Understanding Housing Affordability

Often, investors make the mistake of focusing solely on the centrality of the property and how close a property should be to the city core. But is a Zone 1 or Zone 2 location necessarily a good thing for an investment property, especially if you’re looking at rental yields? Know that with each London Zone closer to the city core, you pay significantly more.

The question is: can you find a tenant that is able to pay rents at a price that will cover your mortgage and expenses, and ensure that you are not in a negative cash flow position?

The key thing to remember is that the average house is a necessity, i.e, all the average person or tenant needs is a decent home to live in. Rental properties located close to transportation links have better value and are well sought-after in London. Knowing the tenant profile of the area is also a step in the right direction.

Cost of London Property According to Zone

London Travel Zone	*Average Second Hand Sale Price	Price Saving When Moving One Zone Further Out
1	£1,484,906	46% (Zone 1 to Zone 2)
2	£793,169	20% (Zone 2 to Zone 3)
3	£634,091	21% (Zone 3 to Zone 4)
4	£497,335	9% (Zone 4 to Zone 5)
5	£452,186	0.6% (Zone 5 to Zone 6)
6	£454,865	

Figure 3: The cost of property close to the city centre is exorbitant. To ensure that your investment can be easily rented, find a property that is close to transport links. *12 months to Aug 2018. Note: Average house price in London is £516,285. Source: ONS - UK HPI Oct 2021, UK Land Registry, Savills, Homes & Property.



#2 Addressing Negative Cash Flow

Although London remains in the Top 10 cities for buy-to-let investments, average rental yields in London, at best, are lower than cities like Manchester or Birmingham. Rental returns at London Zones 1 - 2 are at about 2% - 3%.

Even with an average rental yield of 4% in the outer Zones and general mortgage rates of 4%, the returns will result in negative cash flow after other expenses are paid.

London Property Market		
Average House Price	Average Rent	Average Yield
£516,285	£1759	3.6%

Source: ONS - UK HPI Oct 2021, Homelet, Ellis & Co + Rightmove.
Note that yields fluctuate greatly across the capital.

A way of improving your cash flow is through interest-only loans, which have lower monthly payments and which can be covered by the rental income that you receive. Over time, the appreciation in the value of your property and increase in rents will enable you to fully repay your principal.

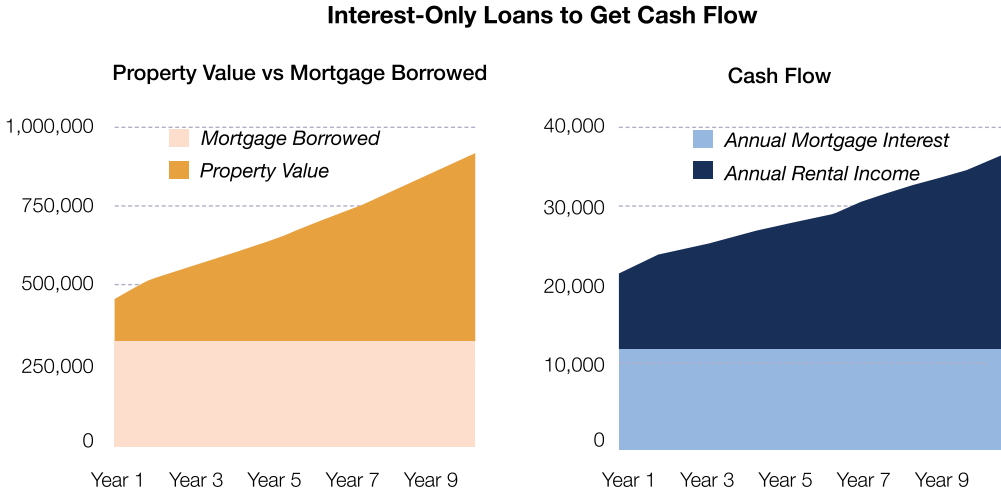


Figure 4: Interest-only loans can increase cash flow: your repayments remain the same throughout your loan tenure as property value and rental rates increase. It is prudent to speak to your financial advisor to find out what loans suit you best.



#3 Bonus: Regeneration/Crossrail

Regeneration can improve an area and the quality of life of its residents, consequently increasing the value of properties within its boundaries.

A recent study on the effect of regeneration on local property markets in London found that house prices within a 750-metre radius of a regeneration zone grew faster than the wider market by up to 3.6% p.a. on average.

One of London’s biggest regenerations, besides Stratford (Olympics Park), the Royal Docks and others, is the Crossrail.

Crossrail: A Boon to the London Public Transportation Landscape

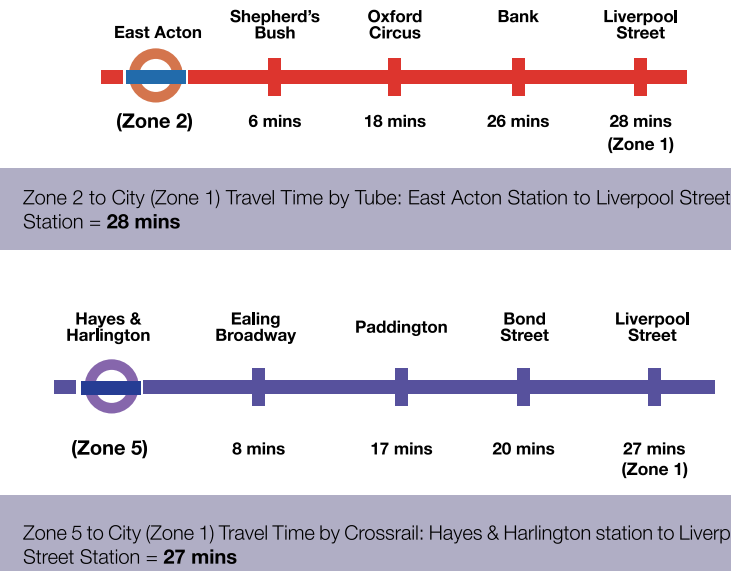


Figure 5: Once open, the Crossrail or Elizabeth Line will transform the London transportation landscape with a reduction in average travel time to central London. For example, a Tube ride, from Zone 2 to Zone 1, from East Acton to Liverpool Street currently takes 28 minutes but with the Crossrail, travel time from the Hayes & Harlington station (Zone 5) to Liverpool Station (Zone 1) is an even shorter 27 minutes! Source: Crossrail & Rome2rio



Zone 2 VS Zone 5
Property with the Crossrail

Zone 2

Travel Time
28 mins

Average Price
£800,000

Zone 5

Travel Time
27 mins

Average Price
£450,000

Figure 6: With the Crossrail, travelling across London will be a breeze for the average Londoner. Investors of property further out of the city centre and close to the Crossrail route will see better returns and growth in property value. Source: CBRE Research, UK Land Registry, Crossrail & Rome2rio

The Crossrail is scheduled to partially open in 2022 after a delay of more than 2 years, and is billed as the capital’s biggest and most important transport upgrade since the expansion of the Tube network over 100 years ago.

Properties on the Crossrail route have already doubled in price despite delays. In Nov 2019, the average house on the route stood at £665,103 compared to £330,770 in 2008, in the midst of the financial crash when the new railway route was given the green light! Market observers expect house prices surrounding the majority of Crossrail stations to continue to outperform the wider London market.

End Word

Although London’s average yields may not be the highest, investors can make significant gains through capital appreciation. Statistics show that London chalked the highest cumulative price growth over a 25-year period compared to stocks, gold and property in other cities, second only to the S&P 500 (Figure 7). Although the S&P 500 has done very well, a difference between stocks and property is that investors would be comfortable taking property loans given that stable rents can cover the cost of interest. Hence, the actual returns from investing in property would be significantly higher given the multiplier effect of leverage.

The key is the right property choice in the right location. While there is still room for price growth in areas like prime central London which is below its 2014 price peak, affordability is a key fundamental investors should focus on. Thus, investing in the more affordable outer zones instead of prime central London would be more rewarding and lucrative. London continues to remain #1 in the World’s Best Cities Rankings for 6 years running as well as Schroders Global Cities 30 Index and the UK’s Top 3 destinations for buy-to-let.

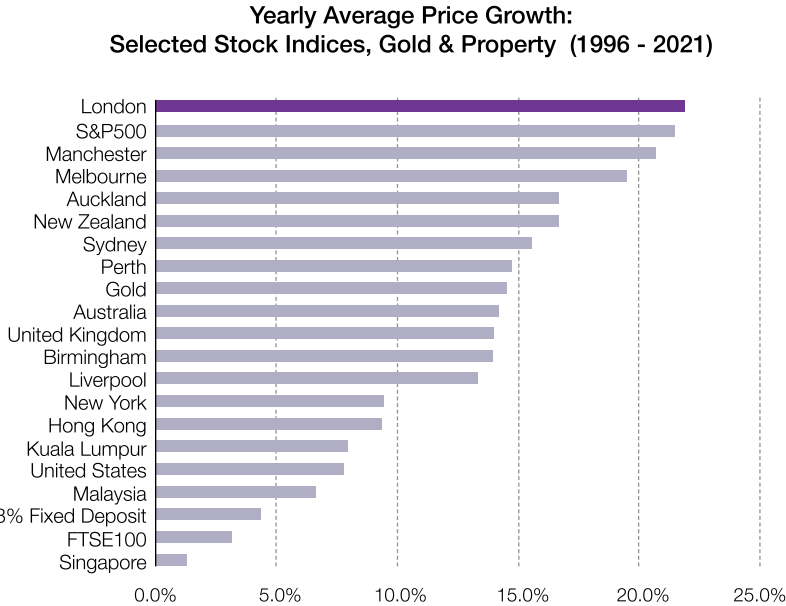


Figure 7: London property is renowned for its capital appreciation. Over a 25-year period, its property has scored the highest capital gains. Note: Assumes Fixed Deposit returns of 3% for illustration. Source: CSIPROPResearch, Abelson & Chung, Australian Bureau of Statistics, Bank for International Settlements, Destatis, HM Land Registry, Malaysia National Property Information Centre, Quotable Value Ltd, Reserve Bank of New Zealand, HK Rating and Valuation Department, Singapore Urban Redevelopment Agency, US Federal Housing Finance Agency.



MANCHESTER

THE UK'S MOST LIVEABLE CITY

“Ninety percent of all millionaires become so through owning real estate.”
– Andrew Carnegie, billionaire industrialist

The bucking engine of English industry, Manchester boasts a robust and growing community of young professionals fuelled by increasing job opportunities. Many large corporations are now headquartered in Manchester including Kellogg’s, Siemens, BBC, The Co-Operative Group and Adidas, alongside a host of tech startup companies which prefer the Mancunian landscape over London. And why not? After all, Manchester is home to some of the greatest minds in the world, including a dazzling legacy of 25 Nobel laureates! In recent years, this core city of the Northern Powerhouse has become the UK’s top destination for property investment, thanks to its expanding population, strong housing demand and relatively affordable house prices.

Manchester Key Economic Indicators ¹

UK		Manchester
67.6m	Population	2.87m
3.5%	Economic Output	2.5%
4.5%	House Price Growth	6%

¹All indicators are projections

Previously overshadowed by glamorous London, Manchester has caught up to the capital in recent years. Its population has increased 185% in the last 15 years, faster than the national average, making it the fastest-growing city in England. More than a third of the population are aged 24 - 42 years, making it the youngest and most energetic city in the country.

England's second fastest-growing city is Salford, which forms part of Greater Manchester.



The youthful citizenry of Manchester is due largely to its world-class universities which have produced a dazzling legacy of 25 Nobel laureates and contributed to a population of more than 100,000 students. Of all the cities in the UK, Manchester has the highest student retention rate after London, with more than 50% remaining in the city to work upon graduation.

The vibrance of Manchester's population is matched by the exuberance of its city scene—Manchester has been ranked the Most Liveable City in the UK for 9 consecutive years!



Among the Highest in Employment Market Growth in UK & Europe

Much of what makes Manchester tick besides its stability, healthcare, infrastructure, education, culture and overall environment, are the opportunities for employment. Employment growth drives housing demand and price growth.

Thanks to its skilled graduates and thriving e-commerce sector, Manchester has one the highest labour market growths in Europe and was named the best city for business friendliness in 2020/2021.

In the tech/startup scene, Manchester is the UK's top digital tech city, overtaking even London! Some 38.5% of Manchester's workforce possess a tertiary qualification—instrumental in driving productivity and innovation—compared to the global average of 34.4% in other cities. Almost half of the Northwest's top 500 businesses are based in Manchester, which is also home to over 2000 international companies including Google, Amazon, Kellogg's, Siemens, Adidas and more.

Just like other UK cities, however, Covid-19 has significantly impacted Manchester's economy. Key business figures are highly confident that Manchester is well-placed for recovery because of the innovative spirit of its business community, and also because it is not reliant on only a few key sectors. Blueprints and strategies have been put into place by the respective authorities of Manchester city and Greater Manchester to respond to post-Covid-19 challenges and rebuild its economy in the next 3 to 5 years.

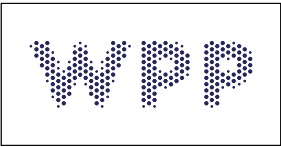
Manchester: Home to World-Class Businesses



120,000 sq ft in Circle Square



300,000 sq ft in New Bailey



100,000 sq ft in Enterprise City, St John's



225,000 sq ft in Manchester Goods Yard, St John's



Figure 1: Manchester has one of the highest labour market growths in Europe and is home to almost half of the Northwest region's Top 500 businesses comprising world-class organisations and brands. Source: JLL



And there *are* positives: out of 15 top-growing job sectors in 2021, Manchester is in 14 out of 15 hiring hotspots, in sectors including e-commerce, healthcare, creative and digital content, AI, specialised engineering and finance.

With the completion of the High Speed Rail (HS2), Greater Manchester will become a significantly more attractive business location, creating up to an estimated 180,000 new jobs by 2040 and adding £1.3bn to the regional economy.

In Manchester City Centre, the regeneration of the Mayfield district adjacent to Manchester Piccadilly station is being driven by the benefits HS2 can bring. It is expected to deliver over 6,500 new jobs and 1,330 new homes in the area. Living in Manchester and working in London becomes more viable as the HS2 will halve the journey time to just 1 hour (Figure 2).

Expected HS2 Journey Times

	Now	HS2	Journey Time
Birmingham	1hr 21 mins	48 mins	41% decrease
Manchester	2hr 08 mins	1hr 08 mins	47% decrease
Nottingham	1hr 44 mins	1hr 08 mins	35% decrease
Sheffield	2hr 05 mins	1hr 19 mins	37% decrease
Leeds	2hr 12 mins	1hr 23 mins	37% decrease
Liverpool	2hr 08 mins	1hr 36 mins	25% decrease

Figure 2: Productivity is highly connected to connectivity. HS2 will not only increase connectivity, it will also create job opportunities across the UK. Image credit: Fusion People

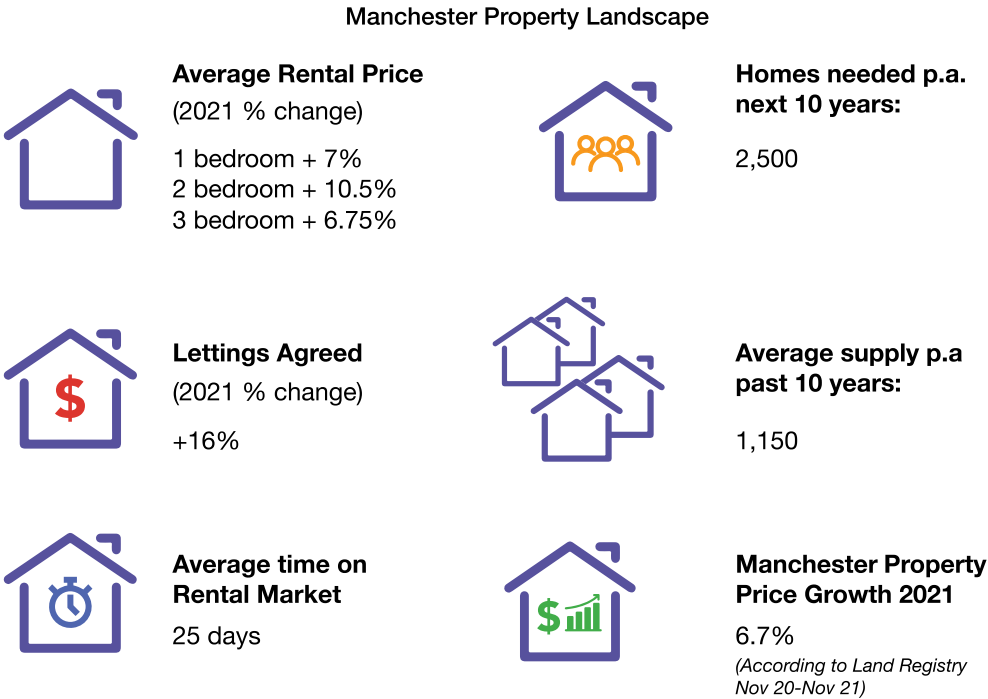


Figure 3: Housing demand is high and despite the ongoing construction, supply is struggling to keep up hence the tight vacancy rates and quick lettings turnaround. The number of homes needed in the next decade far exceeds the supply that has come in the pipeline in the last 10 years. Source: JLL

The UK's #1 City for Property Investment

One of Manchester's main attractions for investors is that it performs well in house price growth. Housing shortage and strong demand led by population growth are key factors leading to capital growth. Hence, despite the record increase in house completions in 2020, available stock is still unable to meet the undersupply that has snowballed over the years.

Manchester has one of the UK's lowest vacancy rates at a tight 1.75%, giving landlords a better chance of avoiding void periods and ensuring good rental returns, leading to higher capital growth.

In fact, Manchester has one of the lowest vacancy rates compared to many other global cities!

Vacancy Rates: Manchester VS Selected Global Cities, %

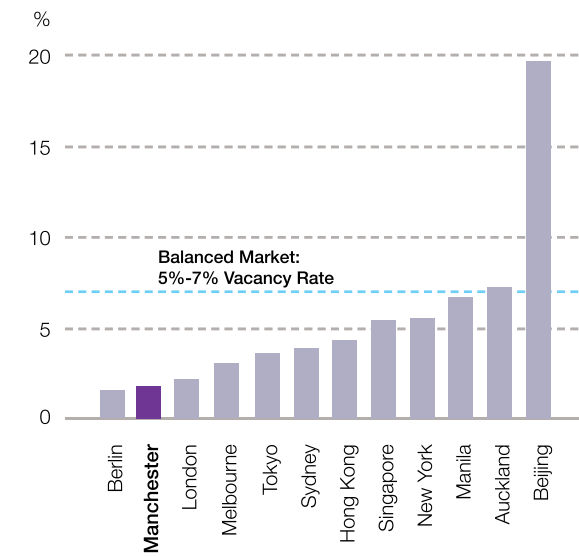


Figure 4: Manchester's vacancy rate is one of the tightest among major UK cities as well as many major global cities. Source: SQM Research (AU), Zhiru Tan et al (CN), Zibel (DE), Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government (UK), Rating and Valuation Department (HK), Savills (JP), Statistics New Zealand (NZ), JLL (PH), Urban Redevelopment Authority (SG), U.S. Census Bureau (US). Note: All vacancy rates are updated as at 2020, except NZ as at 2018.

Despite being on the rise, house prices are still more affordable especially when compared to much of the South and other big UK cities like Birmingham. Manchester's relative housing affordability ensures that there is less of a barrier to price increase, which is why it continues to lead the UK in annual house price growth. The UK House Price Index puts Manchester yet again at the forefront of house price growth with an increase of 6.6%, exceeding the national increase of 4.1% (Figure 5).

City	Annual % change in house price
1. Manchester	6.6%
2. Liverpool	6.4%
3. Leeds	5.4%
4. Nottingham	5.3%
5. Leicester	5.0%
6. Sheffield	5.0%
7. Belfast	4.6%
8. Birmingham	4.5%
9. Newcastle	4.2%
10. Bristol	4.0%
11. Cardiff	4.0%
12. Portsmouth	3.6%
13. Bournemouth	3.4%
14. Glasgow	3.2%
15. Edinburgh	2.9%
16. Southampton	2.3%
17. Oxford	2.3%
18. London	2.2%
19. Cambridge	2.1%
20. Aberdeen	-1.3%
United Kingdom	4.1%

Manchester Tops House Price Growth Again



Figure 5: One of the reasons why Manchester is an investment hotspot is because of its house price growth. High demand and a low supply have propelled Manchester to become the UK's top destination for capital growth. Source: UK House Price Index Feb 2021

Positive Outlook

The outlook for the Manchester housing market, though dampened by the pandemic, is far from bleak. Demand for property had continued unabated with average house prices increasing by almost £1000 a month since before Covid-19.

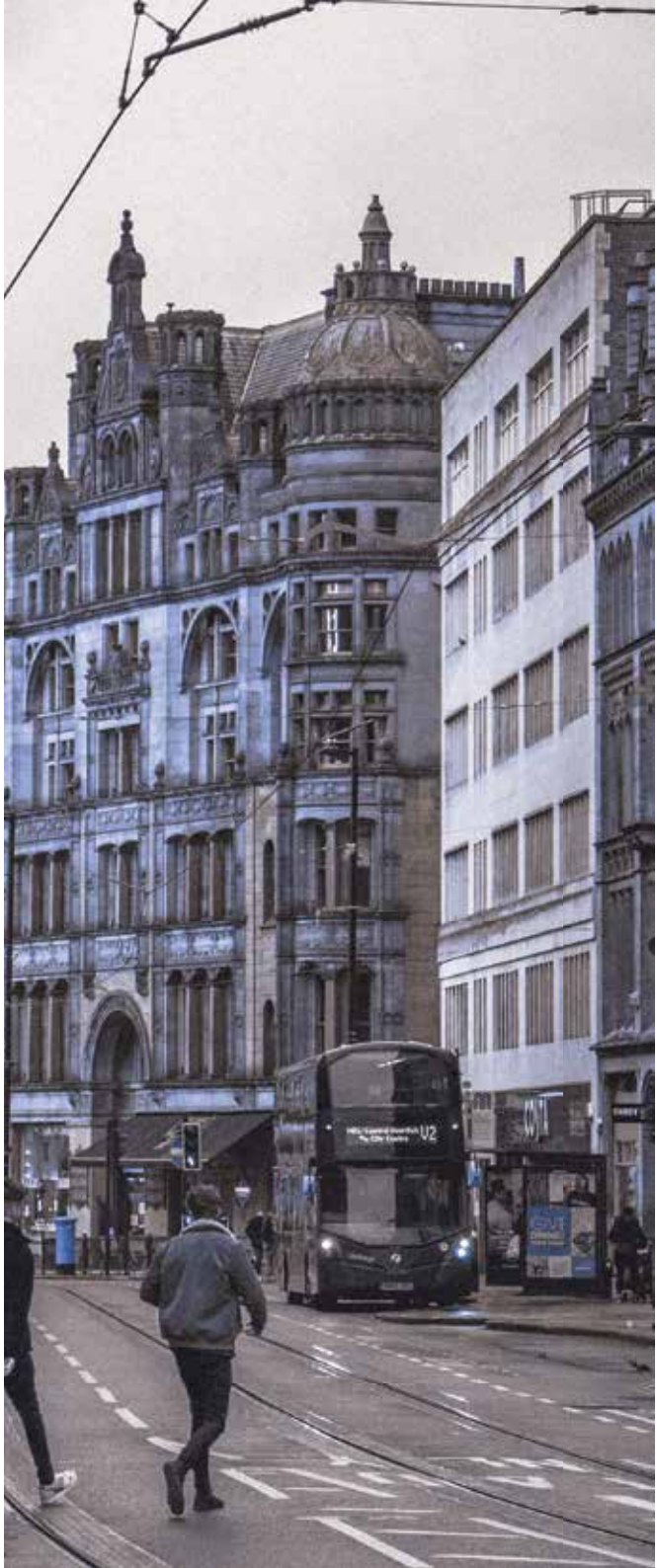
The extension of the stamp duty holiday in 2021 combined with low interest rates, optimism of a vaccination rollout and overall shortage of properties for sale, have increased house price momentum. House viewings are reportedly booked within minutes of them going on the market, with offers above the asking price to secure home in some cases.

Experts and market players expect Manchester to have among the strongest house price and rental growth in the UK over the next 5 years. The optimism is backed by the stellar performance of 2021 as rents take off on the back of undersupply even in the thick of Covid. Property managers have reported that 2-bedroom units in the city central development of Victoria Residence have rented for £1200 from as early as Feb 2021. Its neighbouring development, the Elizabeth Towers has seen a 50% jump in rental price in 1 year, and is now renting at £1800.

Manchester:
House Price & Rental Value Forecast 2022-2026 (p.a. %)

	House Price	Rental Value Forecast
2022	6.0	4.0
2023	4.5	3.0
2024	4.0	2.5
2025	4.0	2.5
2026	5.0	3.0

Figure 6: Manchester is forecast to have among the highest house price and rental growth in the UK. Source: JLL, Oxford Economics



Did You Know

Manchester has one of the largest rental markets in the UK. 31% of its population are private tenants!

End Word

While property investors focused largely on London, our team at CSI PROP began taking an interest in Manchester in 2014, as the city began to display promise of growth.

Our research on the annual changes in house prices over the last 2 decades shows Manchester on a growth spurt—had you invested in Manchester in 2001, your capital gains would be over 300% in 2021 (Figure 7)!

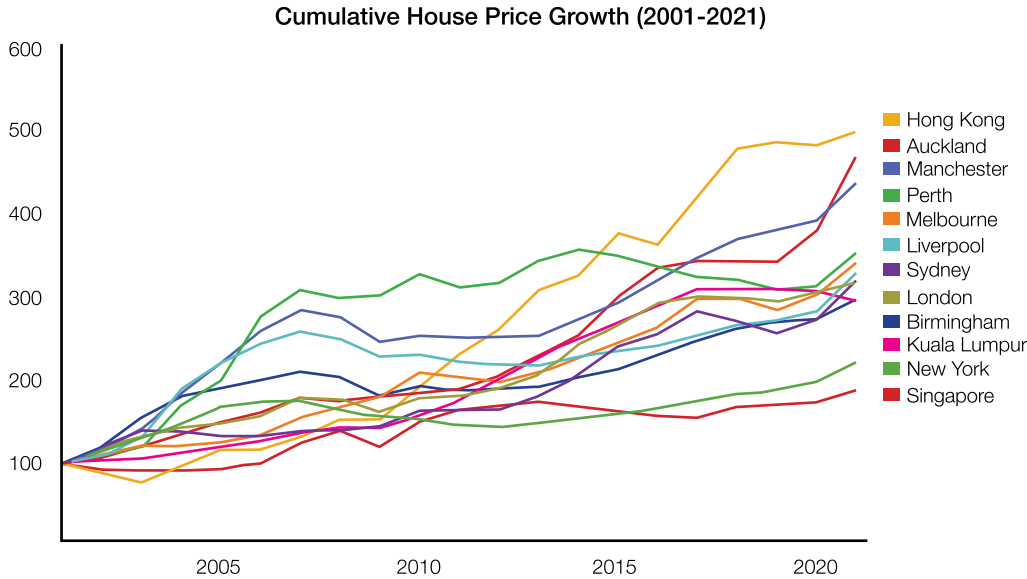


Figure 7: The capital gains from Manchester property over the past 20 years have been impressive, growing by over 300%. Unlike Hong Kong's stratospheric property prices, Manchester property is far more affordable, with high rental demand. New Zealand property has done very well, however, the government has put a curb on foreign investors, limiting to only Singaporeans and Australians. This severe move by the New Zealand government to cool its housing market will hamper future capital growth, similar to the Singapore property market. It would be prudent to adopt a cautious stance and not invest in New Zealand just because you can, or from a fear of missing out. Source: CSIPROPResearch, Abelson & Chung, Australian Bureau of Statistics, Bank for International Settlements, Destatis, HM Land Registry, Malaysia National Property Information Centre, Quotable Value Ltd, Reserve Bank of New Zealand, HK Rating and Valuation Department, Singapore Urban Redevelopment Agency, US Federal Housing Finance Agency.

Plans are in place to reinvigorate both the city core and Greater Manchester from the economic shock of the pandemic and Brexit. Manchester is home to several urban renewal projects and transportation link upgrades including the HS2, which will deliver jobs, new communities and homes. In fact, the Manchester City Council has teamed up with a private developer to undertake a 300-acre regeneration masterplan right by the Manchester City Centre. There is much in store for this resilient city!



Quick Facts: Manchester

- One of the lowest number of vacant properties in the UK
- Strong proportion of city population in the rental market
- Strong property price growth and high rental returns of 6% and above
- One of the fastest-growing populations in the UK
- The UK's #1 City for Property Investment & Europe's Best City for Business Friendliness 2020/21



BIRMINGHAM

CITY OF A THOUSAND TRADES

“Real estate cannot be lost or stolen, nor can it be carried away. Purchased with common sense, paid for in full, and managed with reasonable care, it is about the safest investment in the world.”
— Franklin D. Roosevelt, US President

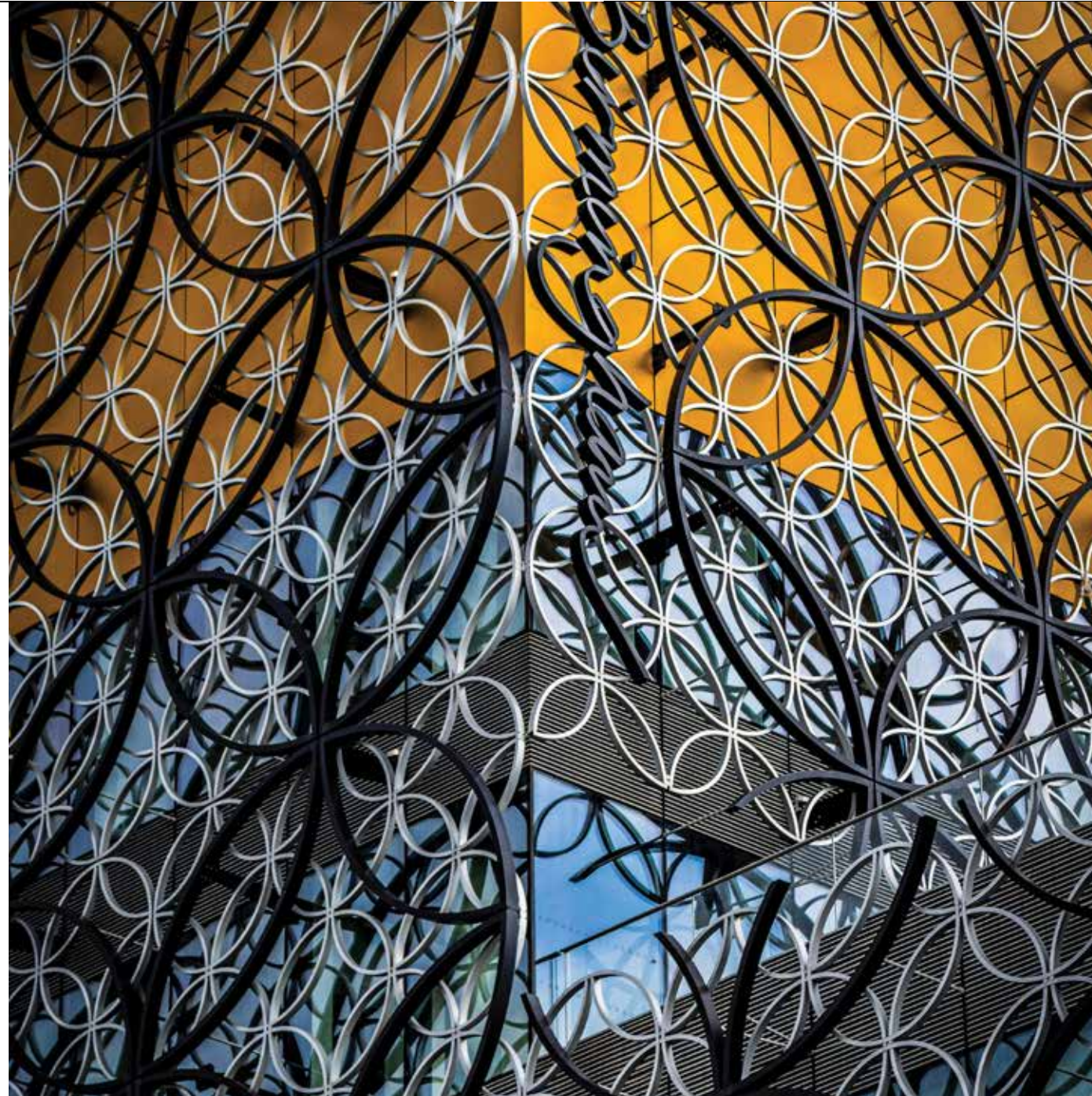
One of the UK’s most ethnically-varied cities, Birmingham’s links to all aspects of diversity dates back to its earliest days. Close proximity to iron, coalfields and transportation through a discrete network of canals brought an influx of traders and entrepreneurs and established it as a centre for international trade and business. With the rise of the Industrial Revolution and the subsequent end of British imperialism, Birmingham became ‘The City of A Thousand Trades’ and the migrant population increased. Today, Birmingham is one of the most popular cities that Londoners move to, and foreigners continue to invest in. Brum’s tale is still being written—poised to have one of the quickest recoveries from the pandemic and with the Commonwealth Games and HS2 on its way, this is a city to watch.

Birmingham Key Economic Indicators ¹

UK		Birmingham
67.6m	Population	1.16m
3.5%	Economic Output	2.9%
4.5%	House Price Growth	6%

¹All indicators are projections

Behind the rise of Birmingham is a dramatic story of loss and gain. The strategic heart of manufacturing Britain in the 20th century—by then already teeming with a diverse population and workforce—was dealt a hard blow in the 1970s when the government moved 200 industrial firms and projects out of the region to other parts of the UK. And for no other reason than fears that the city, which rose in the immediate years after WW2, was becoming too powerful at the expense of the rest of the country. Birmingham fell to a steep decline and unemployment rose from zero to almost 20%, transforming the city from a manufacturing powerhouse to a symbol of failure in just 2 decades.



Today, Birmingham is the UK's largest multicultural regional city at the centre of Britain's new railway revolution, and home to huge financial and professional services and manufacturing and automotive sectors. It is the third most visited local authority in England based on a three-year average, with the highest proportion of business-driven visitors. It is also highly attractive for foreign direct investment (FDI): in spite of Covid, Birmingham was the 3rd highest ranked city for FDI outside London and the West Midlands' top (and only) location for FDI projects according to EY's UK Attractiveness Survey 2021.

Birmingham is also a popular location for property investors. Offering high-end city-centre lifestyle without London's price tag, residential development grew to record levels as house prices increased 23% in the last 3 years.



Top 10 City: Fastest Recovery from Covid-19 Impact

Birmingham’s transformation into a major centre of retail, hospitality, higher education and corporate tourism has left it vulnerable to Covid-19 and the resulting lockdowns.

The city boasted a 12% rise in employment levels in the 3 years leading up to Covid-19, but since the pandemic, annual footfalls have dwindled. As at Feb 2021, 15% of employees have been furloughed while thousands have lost their jobs. Calculations by Oxford Economics suggested that Birmingham would be the worst-hit city in the EU due to its dependency on the automotive and higher education sectors, coupled with a younger-than-average population.

However, data shows that Birmingham will be one of the UK’s 10 fastest cities to recover from lockdown restrictions and Brexit uncertainties. A new economic report predicts that Brum will deliver the 9th fastest year-on-year economic growth of Q4 2021 out of 50 powerhouse UK cities analysed, a marked rise from 17th place in Q4 2020.

Forecast: Top 10 Fastest Cities to Recover From Covid-19 & Brexit (GVA, Q4 2021)

	GVA Q4 2021, £mn	Growth (YoY)
Southampton	7,300	9.2%
Milton Keynes	13,500	9.0%
Stoke-on-Trent	5,600	8.6%
Preston	4,200	8.5%
Northampton	11,600	8.3%
Huddersfield	7,300	8.2%
Doncaster	5,500	7.8%
Exeter	5,400	7.7%
Birmingham	26,100	7.5%
Bristol	14,300	7.5%

Figure 1: Rising again like the proverbial phoenix from the ashes, Birmingham is predicted to be the 9th fastest city to recover from the impact of Covid-19 and Brexit. Source: Irwin Mitchell & Centre for Economics & Business Research Ltd (CEBR), 2021

Big City Regeneration Drives Job Growth & Economy

Over the last 10 years, massive regeneration works under an ambitious and transformational Big City Plan have been taking place across the city—some of which form part of high profile events such as the Commonwealth Games 2022 and the HS2, which will provide a real shot in the arm for the economy in Birmingham and the wider region.

Commonwealth Games 2022

Step aside, Peaky Blinders. The upcoming Commonwealth Games will overtake the popular Netflix series in shining the spotlight on Birmingham with a global viewership of up to 1.5 billion, boosting international reputation as a result. The government’s hefty investment bill of £778m is expected to create, on average, 4,526 jobs a year until 2022 and 950 jobs after, plus the recruitment, training and deployment of up to 12,500 volunteers, on top of substantial contracting and supply chain opportunities for local businesses.

Regeneration works are being carried out at Perry Barr in North Birmingham, including a new railway station and a modernised and expanded Alexander Stadium, where the opening and closing ceremonies will be held. Perry Barr will be one of the best-connected places in the city by public transport, which will raise the value of housing in the area. Although the athlete’s village development cannot be completed in time due to the pandemic, the surrounding public realm will be regenerated in time for the Games, providing legacy benefits to the area. Several other transport links will be opened around the city including train stations in Moseley, Kings Heath and Hazelwell.

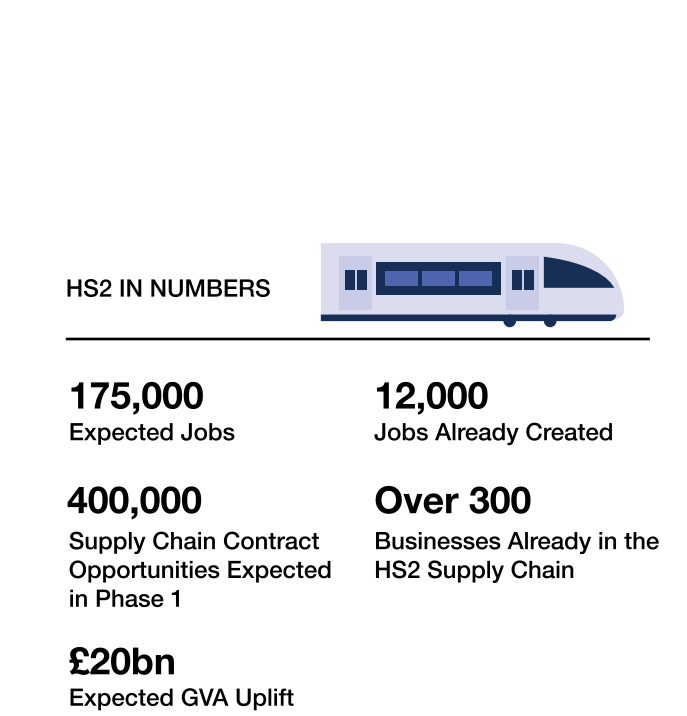


Figure 2: HS2 is expected to enormously benefit the economy of Birmingham and the West Midlands, creating thousands of jobs and apprenticeship and supply chain opportunities. Source: Birmingham Economic Review 2020.

High Speed Rail (HS2)

In case anyone is wondering—HS2 *is happening*. The single largest investment in transport infrastructure in a generation, HS2 will be the catalyst for further physical development and growth. Birmingham and its surrounding area will benefit from 2 stations: Birmingham Curzon Street and the Birmingham Interchange.

Curzon Street Station is expected to open in 2026 and will be integrated into the existing local and regional rail and tram network, providing a new gateway and public space into Birmingham city centre.

The regeneration plan proposed by the Birmingham City Council for the surrounding Curzon Street area will take place over 30 years, transforming the east side of the city centre (formerly industrial), and leading to 36,000 new jobs and several new neighbourhoods.

HS2 has had an effect on Birmingham property, with average house prices reportedly increasing by 8% since 2017.

Other Regeneration Schemes

Several other regeneration schemes will be or are already in motion which will bring about the creation of new spaces, jobs and homes, as well as uplift existing residential values. These schemes include the following:

i) Birmingham Metro Extension

New stations built in the Westside and Eastside will connect to the wider Metro network and the planned HS2 Curzon Street terminus.

ii) Smithfield

The redevelopment in the city centre will not only be a new home for Birmingham’s historic Bull Ring Markets, but also shops, a hotel and a new public square for activities such as festivals and community and art events.

iii) Birmingham Paradise

This £700m mixed-use development will have new office blocks, hotel, new public realms, pedestrian walkways, and homes. Phase One is already completed whilst Phase Two is underway. The entire scheme is scheduled for completion in 2028.

Quick Facts: Birmingham

- Massive regeneration & upgrades will boost economy & housing market
- Londoners & employers eye Birmingham with London-Birmingham commute shortened by HS2
- HS2 to drive property market growth
- Employment growth: UK’s regional startup capital for 7 years
- Relative affordability of housing market a draw for property investors

Proposed Rail Improvements in Birmingham

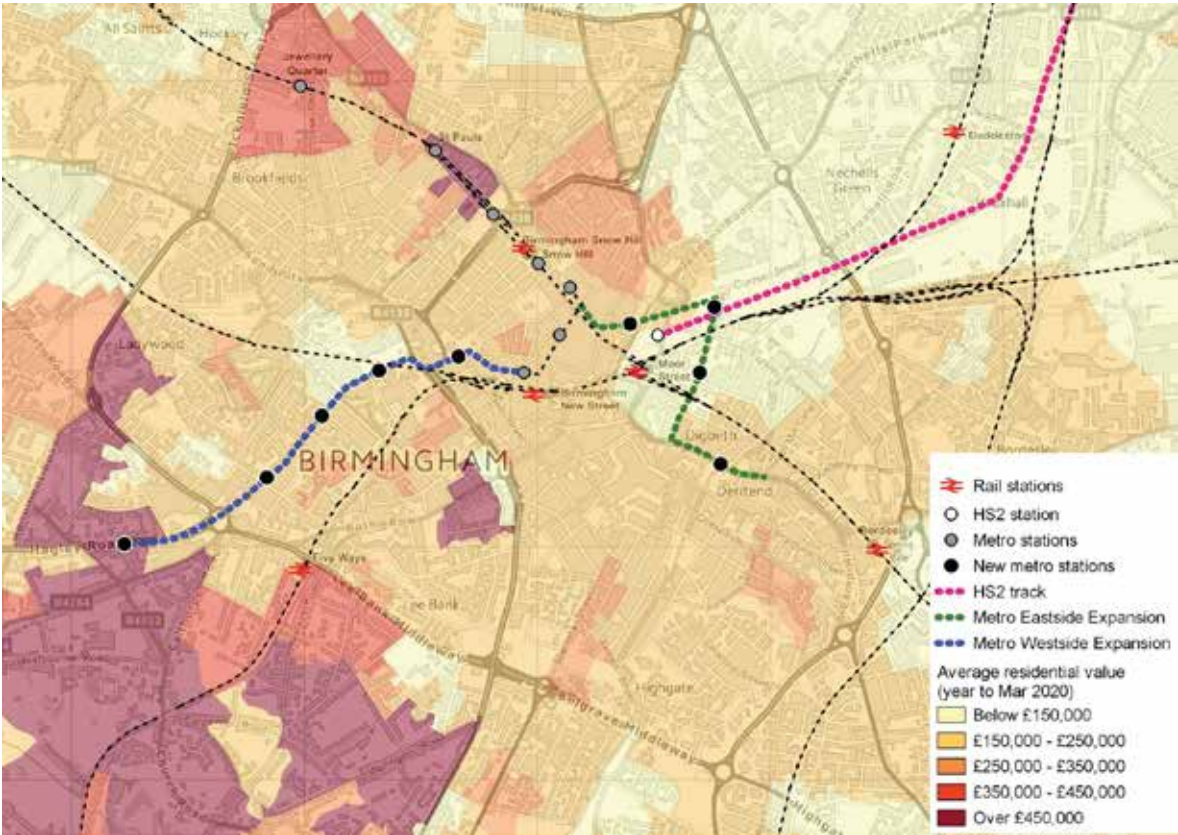


Figure 3: Research shows that residential values increase around new transport infrastructure. Savills estimates new Metro and rail stations in Birmingham could trigger a house price increase of 0.7% per year based on similar effects in London around the Jubilee Line extension and around Manchester Metro stations. Source: Savills Research using Land Registry, Transport for West Midlands, OS.

Growing Destination for Housing & Employers

Forecasts suggest that more than 3,300 additional households will be created every year in Birmingham until 2030, signalling a soaring need for homes. Brum’s population has already risen by nearly 10% over the last 10 years—for a non-capital city that is already more than 1 million people strong, this is something to chew on.

The HS2 and multiple regeneration schemes are catalysts to this growth, benefiting the city several years before the railway opens as businesses relocate here in anticipation of the new connectivity.

Birmingham’s City Centre Extension

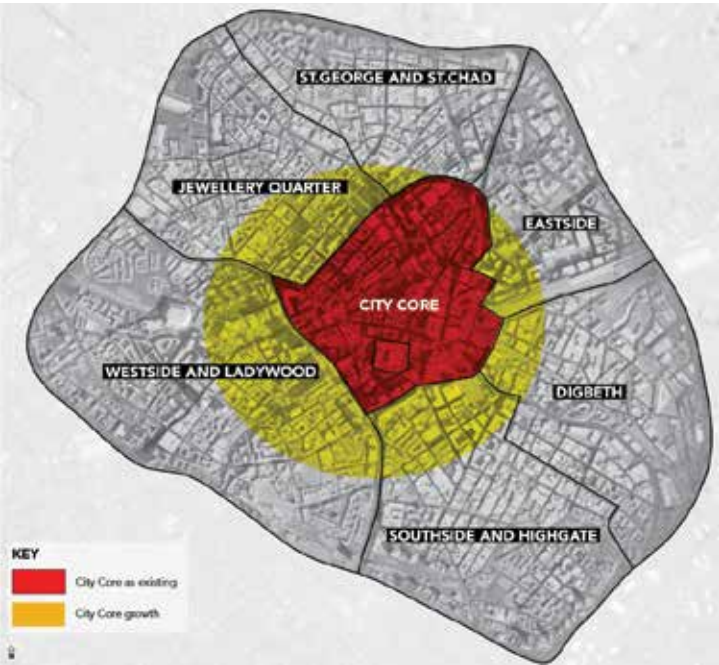
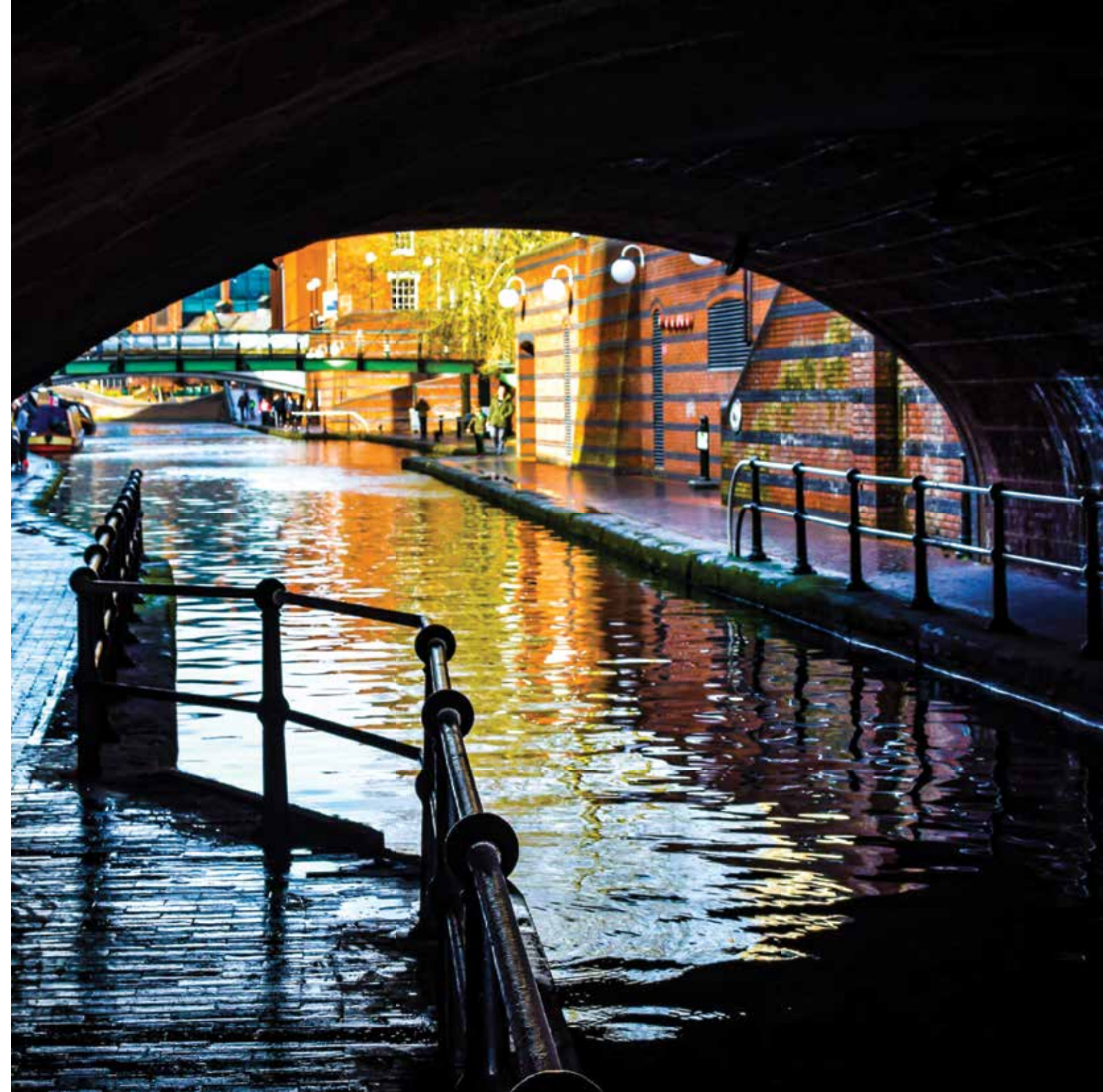


Figure 4: Billions of pounds poured into regenerating Birmingham through the improvement of transport links and connectivity, creation of office and public spaces and clean air have seen the city extend beyond its core. Source: Birmingham City Council.

Goldman Sachs has shifted employees out of London to Birmingham and are hiring staff for its new regional office, with plans to transfer more divisions to the region eventually. The US banking giant is the latest in a list of notable employers including HSBC, PwC, Deutsche Bank, BT, Barclays and KMPG to set up in Birmingham.

Londoners have also been eyeing this city. In 2018, Birmingham became the most popular destination for those migrating from London with over 19,000 people moving from the capital compared to 18,272 in the other direction! The HS2, once completed, will turn Birmingham into a commuter hotspot overnight. With the commute slashed to only 49 minutes, Birmingham will become accessible for a whole new work market, increasing the potential for a higher tenant base, while improvements around the city will support increased demand for housing.

Movers to Birmingham comprise not just students, but young workers and families looking for greener employment pastures. And why not — Birmingham was crowned the UK's regional startup capital for the 7th consecutive year in spite of Covid, with 18,394 new enterprises starting up in 2020 alone, representing a 26.8% uplift in business births since 2019 and the highest volume of startups outside London.



With Birmingham’s cost of living about 22% lower than London’s, the move from London but with the same average starting salary, offers more disposable income to enjoy the benefits of living in a big city!

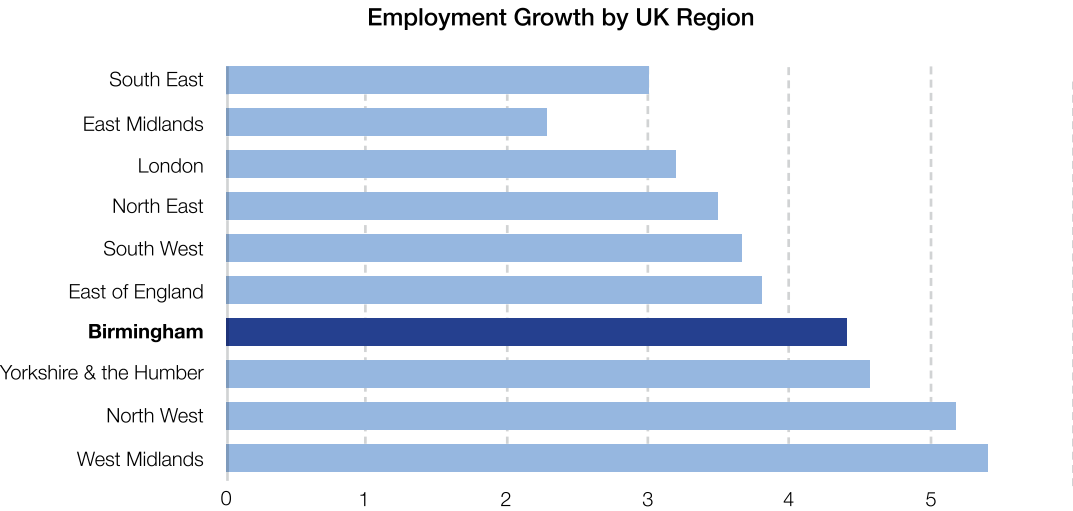


Figure 5: The ambitious Big City Plan² has birthed results, raising Birmingham’s profile over the last decade by increasing economic output as well as employment growth. Source: ONS & City Rise.

² The 20-year transformational Big City Plan was, at the time, the country’s largest regeneration project and very necessary in pulling Birmingham up and out of the rubble of its past by improving liveability and public perception, hence the massive ongoing regeneration in the city.

High House Price & Rental Value Growth

Although housing supply has risen in the past 3 years, research based on the latest local plans for Birmingham suggests that a further 2,500 homes a year is needed to meet demand and clear the backlog of undersupply.

Meanwhile, ongoing regeneration and the HS2 will drive the demand for property.

As one of Europe’s youngest cities, with around 60% aged under 35, Birmingham is flush with a young professional population and primed for rental demand.

Over the last 10 years, rents have risen by about 28% in Birmingham as the city benefits from a diverse economy and a lower cost of entry compared to London. Research shows that Birmingham is forecast to have strong house price and rental value growth in the next 5 years.

Birmingham:
House Price & Rental Value Forecast 2022-2026 (p.a. %)

	House Price	Rental Value Forecast
2022	6.0	3.5
2023	5.0	3.0
2024	4.0	2.5
2025	4.5	2.5
2026	5.0	2.5

Figure 6: Birmingham’s house price and rental value forecasts are set to shine the brightest in the UK over the next 5 years. Source: JLL, Oxford Economics

End Word

There is much to like about Birmingham, especially when considering what lies in store following the completion of HS2, massive regeneration and upgrades across the city and the Commonwealth Games.

Good work has taken place here in the past decade as part of the Big City Plan which has supported economic growth and improved public perception.

While it has not grown as exponentially as London or Manchester, Birmingham’s housing values have been propped by undersupply over the years as well as private rental demand. Average gains from house price alone over the past 20 years is at about 10% p.a.

To get the best out of your investment in Birmingham, consider areas that are undergoing the most regeneration and close to public transport and the HS2. More is in store for the city!

Annual Average Capital Returns, Selected Cities (2001- 2021)

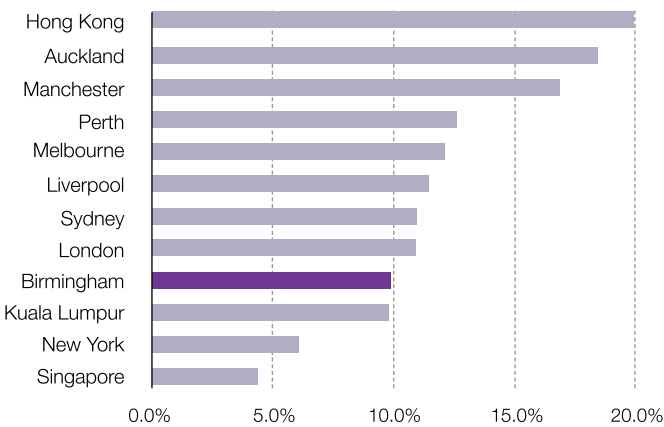


Figure 7: Birmingham property has been chalking annual average capital gains of about 10% over the last 20 years. Source: CSIPROPResearch, Abelson & Chung, Australian Bureau of Statistics, Bank for International Settlements, Destatis, HM Land Registry, Malaysia National Property Information Centre, Quotable Value Ltd, Reserve Bank of New Zealand, HK Rating and Valuation Department, Singapore Urban Redevelopment Agency, US Federal Housing Finance Agency.



AUSTRALIA

“Real estate is an imperishable asset, ever increasing in value. It is the most solid security that human ingenuity has devised. It is the basis of all security and about the only indestructible security.”

— Russell Sage, financier & politician

2020

2020 will be a year to remember. For the first time in 29 years, Australia slipped into a recession as its economy suffered the furious onslaught of Covid-19 and impact of massive bushfires, combined. Nearly 1 million people lost their jobs and the economy shrank by 7%, ending an extraordinary, uninterrupted economic growth run of almost 3 decades.

Yet, in just one year, the Australian economy bounced back and experienced a surprising V-shaped economic recovery with GDP levels higher than it was before the pandemic. Stringent lockdown measures successfully kept the curve of Covid infections impressively low, and public health restrictions have been accompanied by significant income support and fiscal stimulus. Australia was one of the few developed countries with GDP back above pre-pandemic levels in a short time whilst strict border closure kept its Covid infection rates low compared to the rest of the world.



Quarterly Change in Australia GDP, March 2021

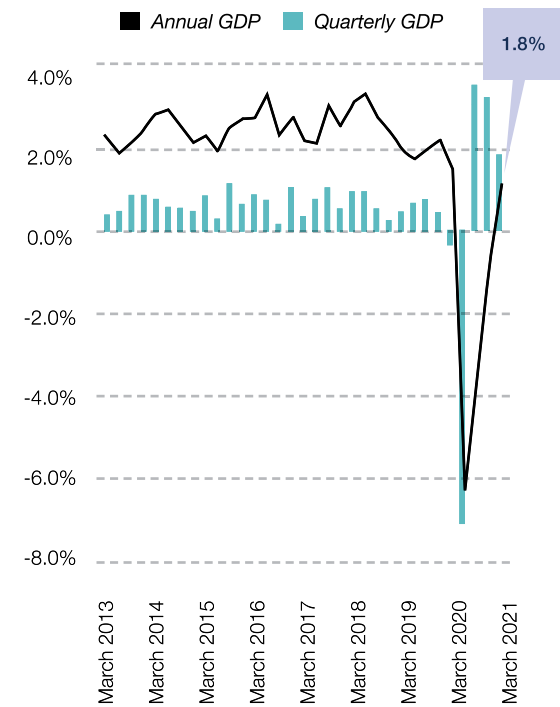


Figure 1: The speed of Australia's economic recovery since the pandemic struck has been surprising with GDP levels at a strong 1.8% in the March 2021 quarter. Australia was one of the few developed countries in the world with GDP back above pre-pandemic levels in a short time.

The Lucky Country

Setbacks with vaccines and policies, unemployment, and a further wave of virus cases with borders now reopening, could challenge the economic resilience of the country and, by extension, Australia's nickname as 'The Lucky Country'.

Thus, to further grow the economy and drive it into full employment, Australia's 2021-22 budget provides more stimulus supported by high iron ore prices, instead of focusing on its original plan to embark on austerity measures. According to AMP Capital, this makes sense as reverting to austerity would delay the return to full employment and decent wages growth.

With more than 88% of Australians above the age of 16 already fully vaccinated while more than 90% have received one dose, the IMF has upgraded Australia's economic forecast for 2022 from 3% to 4.1%. In the long term, the Australian government expects the economy to then grow at 2.6% per year over the next 40 years.

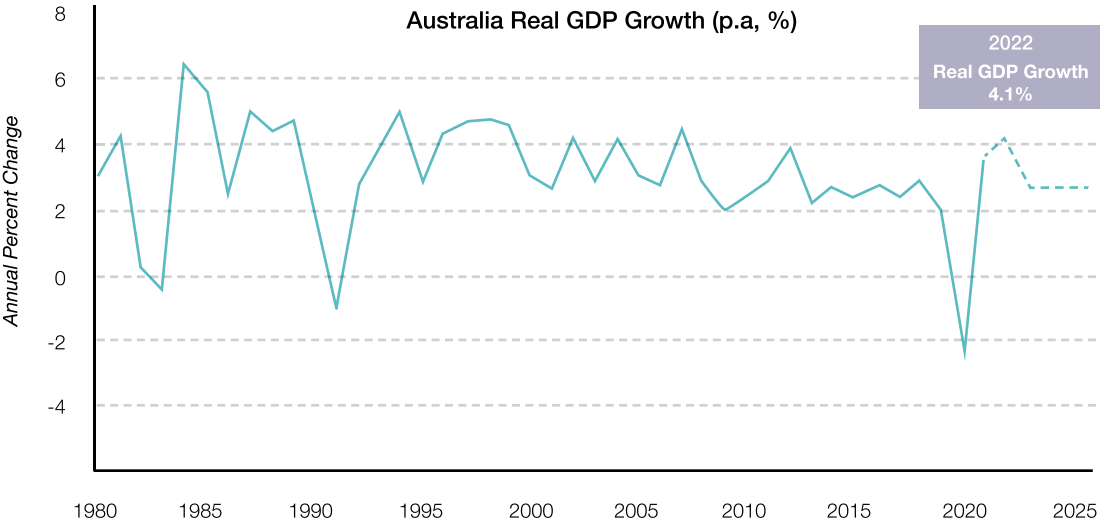
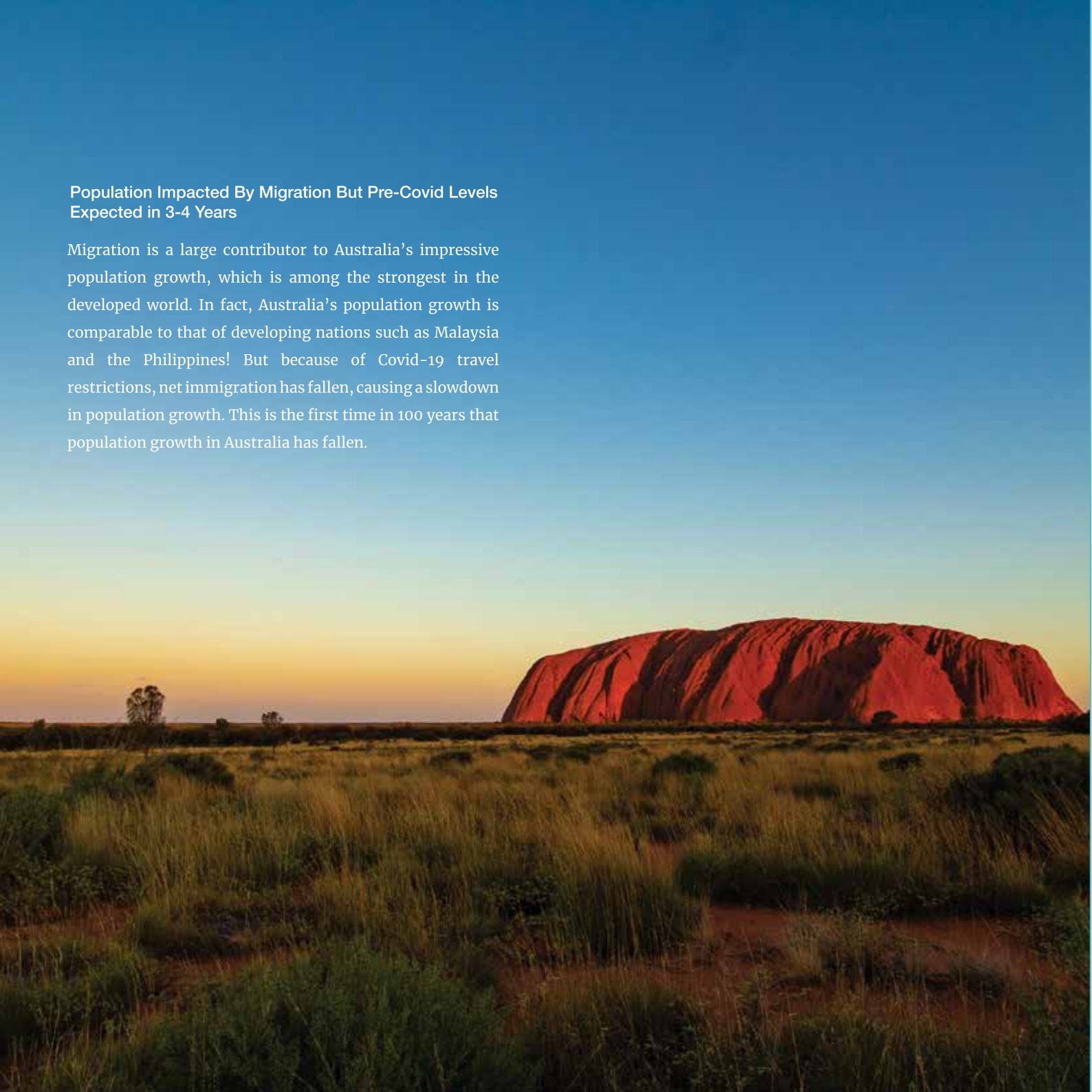


Figure 2: Despite downgrading the economic growth for 2021 as a result of the lockdowns caused by the Delta variant, the IMF is projecting a rebound of 4.1% in 2022. Source: IMF



Population Impacted By Migration But Pre-Covid Levels Expected in 3-4 Years

Migration is a large contributor to Australia’s impressive population growth, which is among the strongest in the developed world. In fact, Australia’s population growth is comparable to that of developing nations such as Malaysia and the Philippines! But because of Covid-19 travel restrictions, net immigration has fallen, causing a slowdown in population growth. This is the first time in 100 years that population growth in Australia has fallen.

In the year ending 31 Dec 2020, Australia’s annual population growth had slowed to only 0.5%, amounting to 25.6 million people. Overseas migration arrivals decreased by 60% whilst departures decreased 33% compared to the previous year.

Population growth has been slow because of border closures, but is expected to lift to pre-Covid levels over the next 4 years.

Australia Population Growth Forecast, 2020-2024

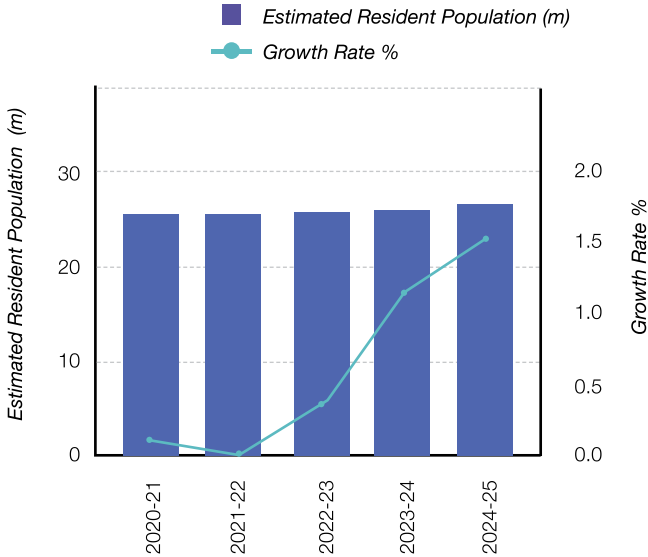


Figure 3: Australia’s population grew at its slowest pace for the first time in decades as travel restrictions affect net overseas migration but is projected to lift to pre-Covid levels over the next 4 years. Source: The Australian Government Treasury, Centre for Population 2021



Housing Market Response to Covid-19 & Immigration Challenges

Australia has had one of the world’s strictest lockdown measures, with the state of Victoria having endured the toughest lockdown of all states Down Under.

Immigration has fuelled the Australian population for years, and is a big driver of property price growth. The hit to immigration as a result of international border closure will reduce annual underlying demand for homes.

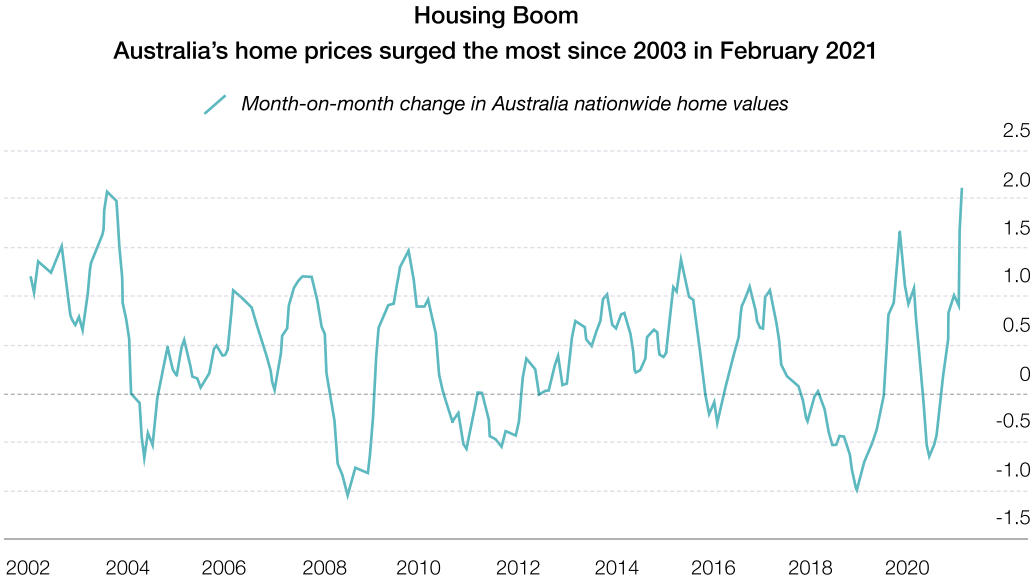


Figure 4: Despite predictions of house price decline of 30%, the Australian property market responded to a combination of suppression and incentives with a surge—the largest price increase since 2003 was recorded in Q1 2021! Source: Bloomberg & Al Jazeera

The early stages of the pandemic saw initial predictions of up to 30% decline in house prices, but that could not be further from expectation. Although prices did fall, they were mild with Melbourne experiencing the biggest drops resulting from prolonged lockdowns. By December 2020, 80% of capital city suburbs started recording house price increases, while in some cities like Sydney, 95% of suburbs saw price jumps.

The surge in prices can be attributed to a combination of suppression, government incentives, extremely low bank/ mortgage rates, and excellent handling of pandemic transmission rates on top of limited supply of houses for sale.

Australia is also facing a national housing undersupply to the tune of about 700,000 homes, underpinning the growth in house prices.

By March 2021, Australia had recorded a nationwide house value surge of 2.1%—the largest increase since August 2003, with capital city price gains led by Sydney and Melbourne!

Home loan and building approvals also increased across the country. More significantly, 2021 signalled the return of property investors as the ABS recorded a strong increase in investor home loan approvals.

Housing Financing, Excluding Re-financing Monthly Growth, March 2021

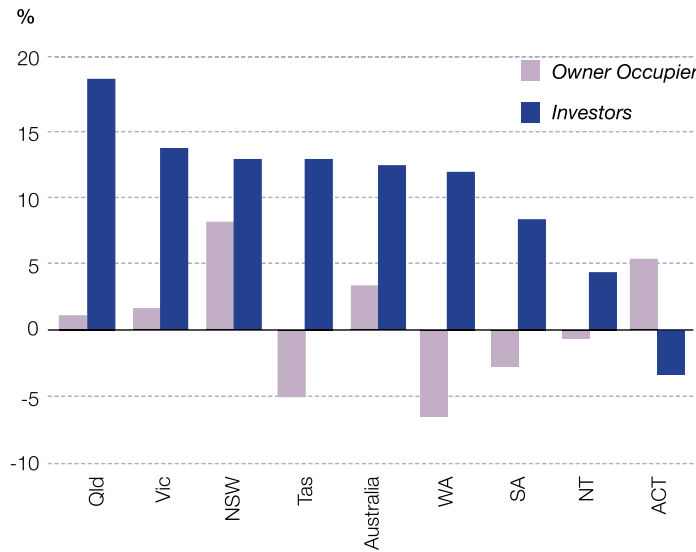


Figure 5: Data from March 2021 shows investors are starting to re-enter the Australian property market. Source: The Guardian

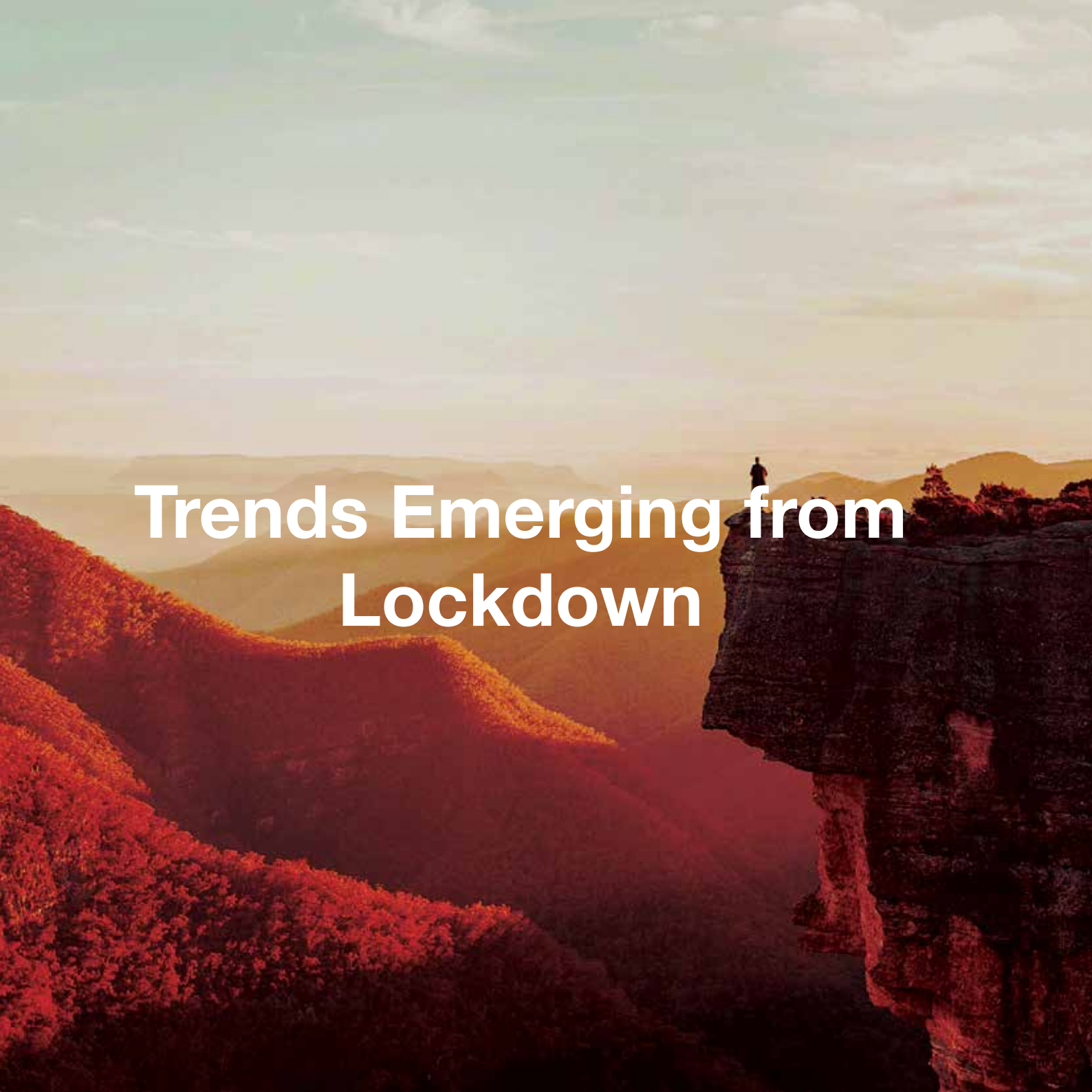
Lockdowns and Covid-19 disruptions caused loss in momentum in Q3 of 2021 especially in Sydney which endured prolonged closure, yet the market defied predictions of a 20% house price hike over 2021 and 2022 (combined), and grew by 21.7% in 2021 alone! Westpac forecasts an 8% growth in 2022, which the market may outperform—certainly this is something to watch.

A policy intervention looks likely in 2022, triggered by a rise in housing credit, which will see a slowdown in price growth through 2023.

Australia House Price Growth Through Covid-19 (%)

	2019	2020	2021
Sydney	3.7	3.7	25.4
Melbourne	4.1	2.9	19.5
Brisbane	0.3	4.0	19.7
Perth	-2.5	4.2	15.7
Adelaide	0.3	3.8	19.0
Hobart	4.1	6.4	25.7
Australia	2.5	3.6	21.7

Figure 6: Australia’s housing market has defied predictions of a 20% price hike in 2021 and 2022 combined, growing by 21.7% in 2021 alone in spite of 2-year lockdowns. Note: Australia is the weighted average of 8 capital cities. House price index for 2019 and 2020 based on annual Dec figures, 2021 based on figures as of Sept 2021. Source: ABS



Trends Emerging from Lockdown

#1 Home is for Everything – Larger Homes Vs Apartment Dwelling

Covid-driven lockdowns and social distancing has shown that working from home is really quite doable for most white-collar workers and good for productivity. But working from home works best in houses where there is more room. Hence, a mass shift to working from home has potentially huge implications as Australians look to upsize their accommodations. A swanky hipster apartment will prove too small a space as more realise that they need a larger space to work, play and live in.

Experts say the rapid price growth for these types of houses has stirred up a fear of missing out, sending buyers to the market. To illustrate: in 2021, an auction for a small, dated 2-bedroom house in the inner Sydney suburb of Paddington reportedly attracted more than 250 people, with bidding beginning at A\$1.4m and finally selling for almost A\$1.7m—about A\$450,000 above reserve! The Commonwealth Bank of Australia, the nation's largest mortgage lender, predicts that this could see home prices increase 16% over the next 2 years. Our take is that land and house is a better option for investment vs CBD apartments.



#2 Lifestyle – Outside the City Vs City Centre

Australians are showing a preference for residential property on city fringes or even further, but still within striking distance of a capital city. This seachange or treechange movement, popular with those over 55 who are looking to downshift and downsize, is getting popular among those aged 25-44. Australian demographer Bernard Salt opines that millennials are emerging from their city hipster apartments with kids in tow, in search of a better lifestyle, now that the pandemic has proven that working from home and commuting to the CBD once or twice a week can be productive and result in far better lifestyles.

He believes this is an increasing trend, driven by strong lifestyle and structural reasons particularly with the city being viewed as too expensive and congested. People are reexamining their priorities and looking for a better lifestyle. Our take is that while you may want to consider investing in a property further out from the city centre, pick one with an establishing/ growing neighbourhood with upcoming amenities, schools and transport links; or one that is already established.

Although the impact of Covid combined with data on past trends show that landed homes have better capital gains compared to apartments Down Under, sound property selection will be critical to the performance of your investment.

Property investors, particularly those who have invested in fast-growth Australian regions in Melbourne and Sydney would have experienced strong capital growth over the past two decades, as continued population growth in these cities drives housing demand.

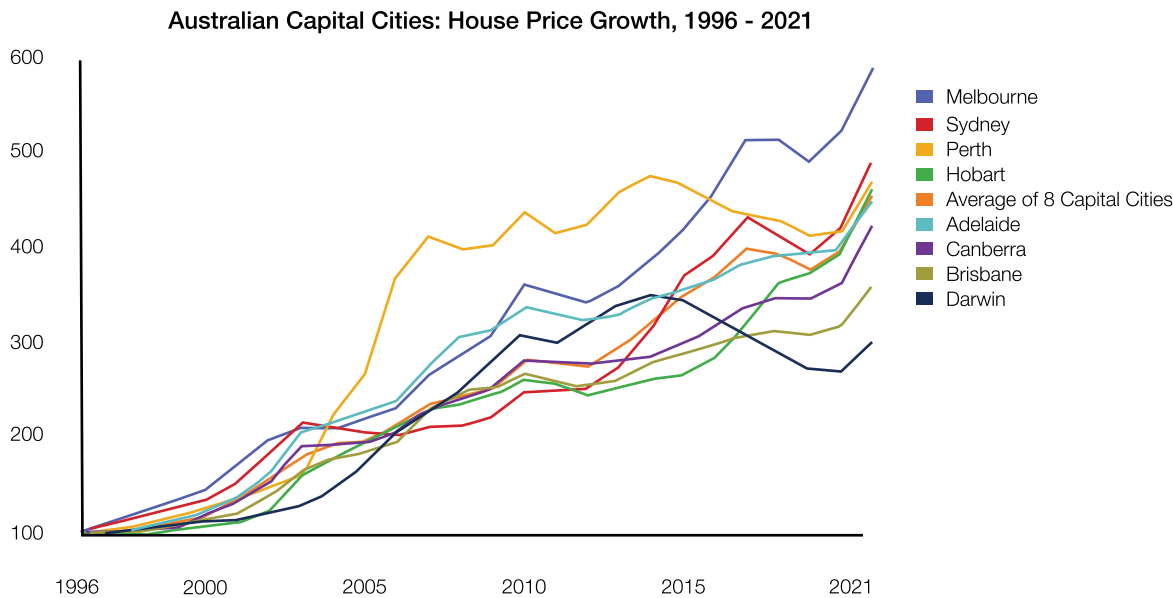


Figure 6: Sydney and Melbourne have led the way in house price gains over the last 25 years.
Source: CSIPROResearch, Abelson & Chung, Australian Bureau of Statistics

3 Reasons To Invest in Australia



Strong Economy
One of few developed countries with GDP back above pre-pandemic levels.



Growth Potential
House prices expected to stay strong as population growth resulting from a reopening of borders taxes current undersupply.



Record Low Interest / Mortgage Rates
Underpinning house prices.



SYDNEY

THE HARBOUR CITY

“Buy land, they’re not making it anymore.”
— Mark Twain, writer & humourist

Ranked top 25 in the World Best Cities Ranking 2021, Sydney has had one of the strongest performing property markets over the last 4 decades, but it has not been immune to the impact of the coronavirus. House and rental values, and vacancy rates plummeted in 2020, dragging down the national average while its economy struggled. However, 2021 saw a far swifter recovery than expected. Property prices hit its highest peak since mid-2017 within Q1 2021, though further lockdowns in Q3 cooled the market. Although landed property will outperform apartments in the shorter term, affordability constraints will deflect demand back to well-located family-friendly apartments.

Sydney Key Economic Indicators ¹

AUS		NSW (Sydney)
25.8m	Population	8.16m
5%	Economic Output	2%
8%	House Price Growth	6%

¹All indicators are projections.
Economic output measured by Gross State Product / State Final Demand,
whichever data available.

Highest Population Growth—For Now

Sydney—friendly, young, warm, rich, and one of the most attractive cities in Australia drawing thousands of migrants not just to its centre, but also to the New South Wales region beyond. With a population of 5.4 million², Sydney is currently the most populous city in the most populous state (NSW: 8.2 million³) in the country.

However, the population growth rate seems to be slowing down, as Melbourne closes in faster than ever at a gap of only 200,000 today—the closest since 1930. Modelling by the Centre for Population predicts Melbourne’s population will overtake Sydney by as soon as 2026, assuming a reversion to pre-pandemic patterns after the border reopens.

²Actual population as of 31 Dec 2020, ABS
³Actual population as of 31 Dec 2020, ABS



Latest figures from the Australian Bureau of Statistics (ABS) showed a substantial exodus of over 110,000 movers from Sydney to other parts of the country. Although this was driven by the pandemic, it was also part of the trend of the past 2 decades.

Historically, Sydney is a net exporter of people to the rest of NSW, which, in turn, exports people to other parts of Australia.

Although the full impact of Covid-19 on population change in NSW is still unknown, the sudden drop in overseas migration is already apparent, especially as overseas migration has been the largest contributor to population change for the past 15 years.

NSW has the highest natural population increase in Australia at 44,000 births, surpassing Victoria which came in second highest at almost 30,000.

Overseas migration levels are expected to recover from 2022-23 following the re-opening of international borders in 2022.

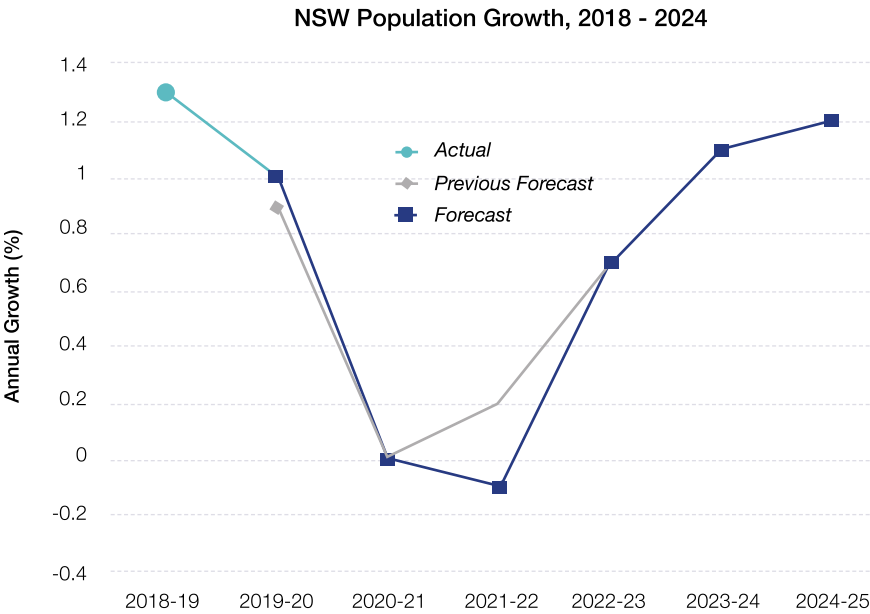


Figure 1: The impact of Covid-19 in NSW is apparent in the sudden drop in overseas migration. The state government is projecting a drop in population growth rate of -0.1% in 2021-22, followed by an improvement at 0.7% in 2022-23. Note: Forecast refers to 2021-22 Budget forecast and Previous Forecast refers to the 2020-21 Half-Yearly Review projection. Source: NSW Treasury.

Did You Know

1 in 3 Australians live in New South Wales



Infrastructure to Resuscitate Economy

The economy is a key driver of population change in NSW. In 2019–20, the economy contracted for the first time in recorded history. As Australia’s largest state economy at more than half a trillion dollars and accounting for about 1/3 of the nation’s economic output, the contraction was a national blow.

Recovery, which seemed distant, as Australia struggled through recession for the first time in 29 years, came faster than expected, thanks to massive monetary and fiscal stimulus. NSW pivoted with a faster-than-expected rebound in economic activity, with the reported 270,000 jobs lost due to the pandemic, recovered.

NSW Commitment to Infrastructure

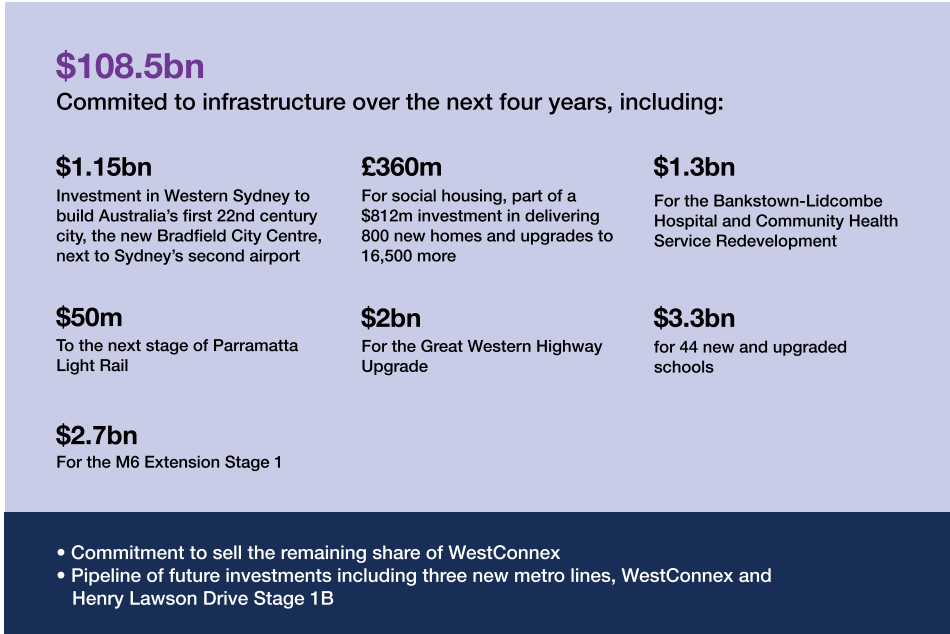


Figure 2: The NSW government has committed a huge sum to infrastructure over the next 4 years to help create jobs and resuscitate the economy. Source: PwC Australia

The NSW Budget 2021-22 is expected to improve unemployment to 4.5% in 2024-25, down from 7.1% in July 2020. The Budget will focus on infrastructure as a path towards economic recovery, with a total of A\$106.5bn committed to infrastructure alone over the next 4 years.

A sum of A\$810m initially earmarked for the renovation of the Sydney Olympic Stadium has already been diverted to a A\$3bn infrastructure fund aimed at generating 20,000 jobs. The Treasury has also increased support measures to assist businesses and individuals and extend the JobSaver programme, among others.

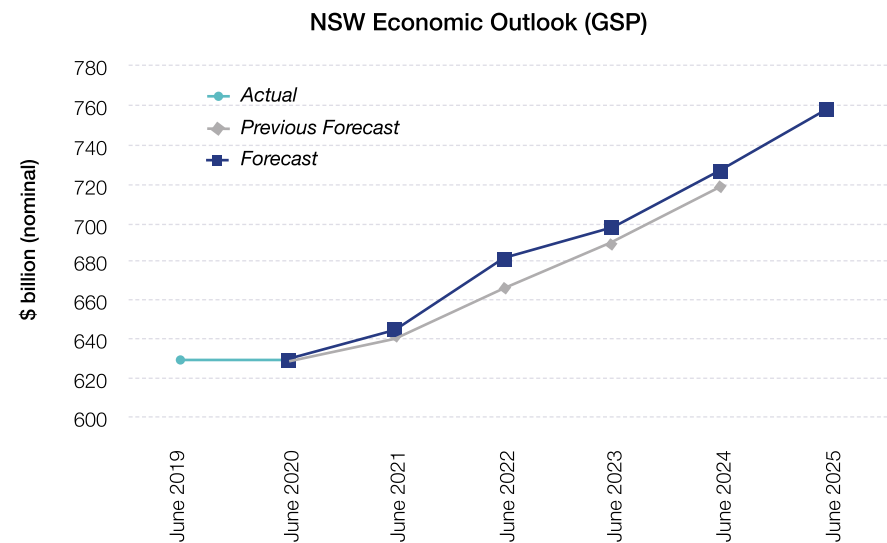


Figure 3: The forecast for the NSW economy has been revised higher over the next few years compared to previous forecasts, but growth could be hampered by headwinds. Note: Forecast refers to 2021-22 Budget forecast and Previous Forecast refers to the 2020-21 Half-Yearly Review projection. Source: NSW Treasury

Despite the strong rebound and an upgrade to the state economic outlook, uncertainty still lurks given the challenges facing the economy. The lack of progress towards containing and reducing infections globally could be a drag on the economy.

Quick Facts: Sydney

- Consistent house price growth due to undersupply & demand
- Houses to outperform apartments in the short to mid term
- Unaffordable landed housing will deflect demand back to family-friendly apartments
- Government stimulus focused on infrastructure to drive regeneration & economy
- Undersupply: 40,000 homes needed in Greater Sydney over the next 4 decades

Regeneration Hotspots: Looking West

With 1.5 million more people estimated to be living west of Parramatta by 2036, the Sydney government is looking west to deliver Australia's newest, most advanced and green connected city.

More than A\$1bn has been committed to transforming the Western Parkland City into a world-class hub for advanced industries, which will be connected to the rest of the city and region by new and renewed roads, trains and metro rail corridors. Some 200,000 jobs are estimated to be created across the Western Parkland City from the various regeneration developments that will take place in the area.



Figure 4: Regeneration in West Sydney which will create an estimated 200,000 jobs and rejuvenate the area. Source: West Parkland City Authority

i) Western Sydney Aerotropolis

Located within the Western Parkland City of the Liverpool and Penrith local government areas, the Aerotropolis is an 11,200-hectare area which surrounds the upcoming Western Sydney International (Nancy-Bird Walton) Airport. The Aerotropolis will activate new opportunities in advanced manufacturing such as 3D printing, quantum computing, AI and pharmaceutical manufacturing among others, as well as a 24/7 global freight and logistics network.

Work on the new airport commenced in 2018 and is estimated for completion in 2026. Meanwhile, 6 new Sydney Metro stations will be built in the area to boost connectivity in and to the greater region whilst creating more than 14,000 jobs during construction.



ii) Bradfield City Centre

Bradfield City Centre is the future of the Western Parkland City. This smart city has been earmarked as the catalyst for advanced careers, innovative education, growing business, sustainable utilities and digital networks.

The government has committed a funding of A\$1.15bn over the next 4 years to kickstart building on Sydney's third city centre, estimated to be about 60% of the size of Sydney's CBD once completed. Bradfield will grow and evolve over the next 30 years with the first building to be delivered by 2026. This city will attract globally competitive advanced industries, including defence, aviation, aerospace and advanced manufacturing.

House Market to Normalise in 2023 After Swift Rebound

The Sydney property market has been one of the strongest and most consistent performers over the last 4 decades. Although transactional activity was impacted during the lockdown, Sydney’s house prices dropped by only 2.2%, and rose the most over the first 7 months of 2021. In fact, by as early as the end of 2020, median house prices had hit a new record high, surpassing the previous peak of mid-2017!

Almost all Sydney suburbs have recorded property price increase and in the last year alone, house prices have risen almost 20% against all expectations!

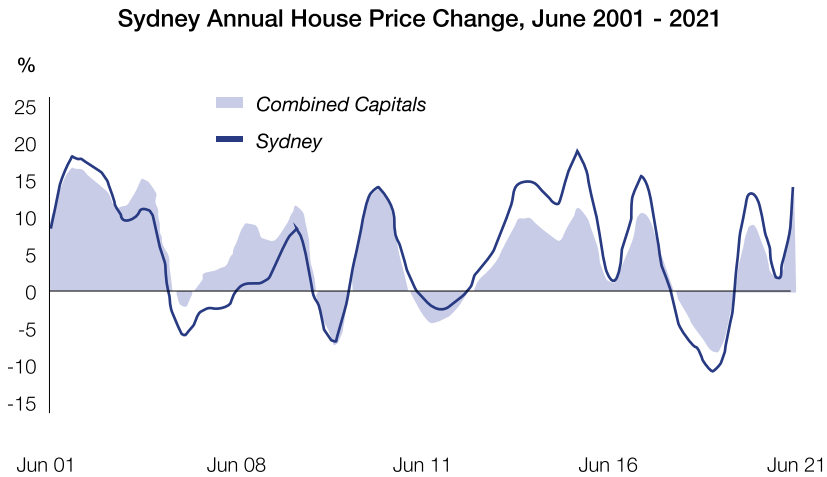


Figure 5: As of June 2021, the pace of house price gains was led by Sydney, taking the typical value of a Sydney dwelling higher than 15% over the financial year. Source: CoreLogic

The rebound was so unexpectedly swift that it prompted market observers and economists to revise house price growth predictions to double digits. The market defied predictions of a 20% national house price hike over 2021 and 2022 (combined), and grew by 21.7% in 2021 alone!

Sydney’s house price growth in 2021 hit 25.4% despite a loss in momentum in Q3 as a result of lockdown. The slowdown is likely transitory as restrictions ease and an economic rebound follows. Rising vaccination rates and a more sustained reopening of the economy will be important catalysts to growth.

Sydney House Price Growth Through Covid-19 (%)

	2019	2020	2021
Sydney	3.7	3.7	25.4
Australia	2.5	3.6	21.7

Figure 6: Sydney’s housing market underwent a spectacular rebound in 2021, hitting double digit growth following a tepid performance during the early onset of the pandemic. The market is expected to perform well and at a more moderate pace in 2022 as international borders reopen. Note: Australia is the weighted average of 8 capital cities. House price index for 2019 and 2020 based on annual Dec figures, 2021 based on figures as of Sept 2021. Source: ABS



The pandemic-induced lockdown has underscored the possibility of working remotely and driven demand for larger residential spaces particularly landed houses in the past year, causing the price gap between houses and apartments to skyrocket to a record 54.2%.

Low levels of investor participation and subdued rental conditions initially resulted in less demand and price growth in the apartments segment. That does not mean that there is no activity or any prospect for growth in the apartment market.

Demand for apartments has increased mostly over the past year, although still soft as investors started coming back into the market in 2021 along with first-home buyers looking to get onto the property ladder. This demand as well as supply (sellers bringing property to market) is dependent on lockdown restrictions.

The pandemic has adversely affected the rental market, particularly in high-rise apartments, across the CBD and South Sydney region. The fall in housing demand due to fewer international students, tourists and short-term business travellers had caused rental vacancy rates to increase.

At the same time, house prices had grown so quickly that it outpaced rental growth and caused overall gross yields to fall. Nonetheless, vacancy rates have improved slowly over the year, falling to 2.6% by Dec 2021, which is almost its Feb 2020 (pre-pandemic) levels.

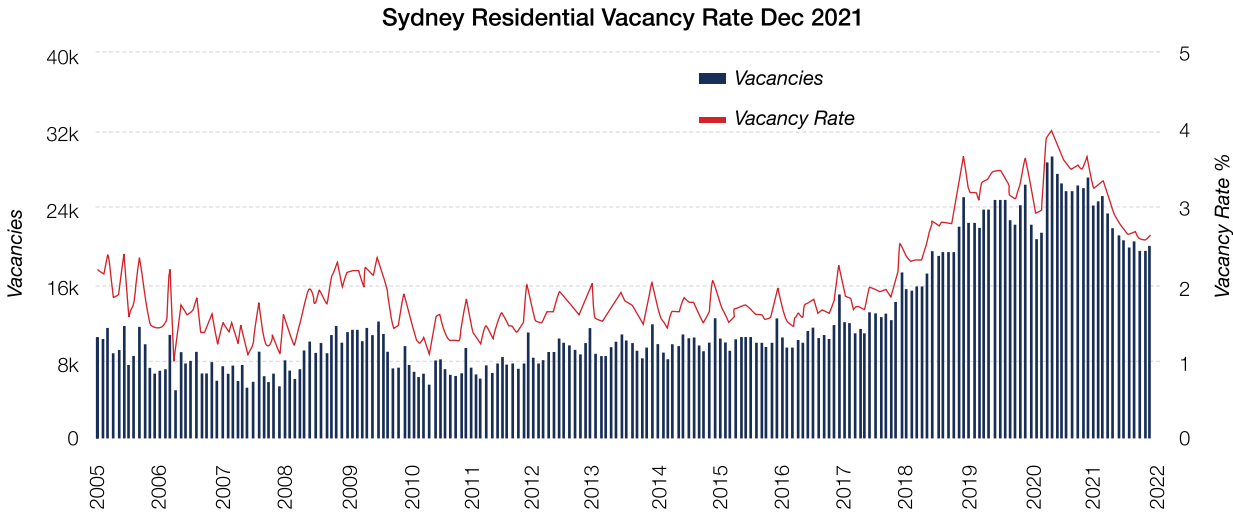


Figure 7: Sydney's vacancy rate has improved, falling to about 2.6% (Dec 2021). Traditionally in Sydney, vacancy rates have been tight, hovering below the level of 2.5%.

End Word

Despite dragging the national house price growth performance in 2020, the recovery of Sydney's housing market was far swifter than anticipated, prompting pundits to revise their forecast.

CoreLogic's Property Pain and Gain report testifies to this: Sydney's Northern Beaches from Manly to Palm Beach led the way in profit-making sales with 98% of transactions recording a median profit of A\$856,300 in Q1 2021, one of the fastest quarterly acceleration of house prices on record and the steepest increase since mid-2017.

But the market has lost some heat from the lockdowns and overall unaffordability caused by super swift price growth resulting from FOMO buying. However, pundits believe there is still room for growth as property values have only just exceeded 2017 peak levels.



Moving forward, houses will outperform apartments. There is likelihood for continued strong demand for houses in the middle and inner ring suburbs of Sydney, but softer demand for apartments especially in high rise towers. Many buyers may find themselves locked out of the property market as a result of affordability pressure, which will deflect interest back towards long-term rentals as well as family-friendly apartments in medium and low rise buildings within the inner and middle ring suburbs.

In terms of rentability, many single professionals and couples without children are generally more willing to pay a premium to live close to work and all the action.



In Greater Sydney, housing undersupply will continue to drive prices. A report by the NSW Treasury found that 42,000 homes need to be built every year over the next 40 years to meet demand.

Investors that get into the Sydney market now may not find bargains but will likely find that the properties they have purchased today will look like a bargain 12 months down the road.

Australian Capital Cities: House Price Growth, 1996 - 2021

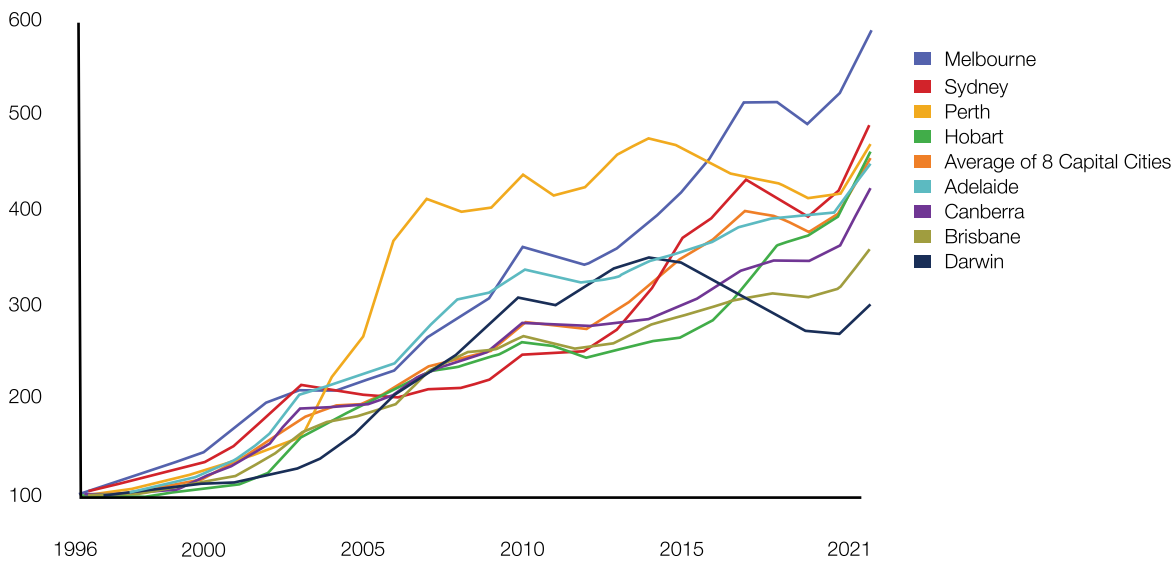


Figure 8: Sydney has charted continued growth over the years, increasing at more than 350% over the last 25 years, the second-highest in property price growth in Australia. Source: CSIPROPRResearch, Abelson & Chung, Australian Bureau of Statistics



MELBOURNE

WORLD'S MOST LIVEABLE CITY

“Buy on the fringe and wait. Buy land near a growing city! Buy real estate when other people want to sell. Hold what you buy!”
— John Jacob Astor, real estate & business mogul

Covid-19 has been especially hard on Melbourne, having suffered the lengthiest of lockdowns Down Under. International border closures severely curtailed population growth and international students were barred entry. As a result, Melbourne’s house price growth (especially in the CBD) has been the most subdued of all capital cities, making it one of the cheapest for tenants in Australia for the first time! The city re-emerged with auction clearances at a healthier 70%+ in July 2021 and house prices showing a rebound. Transactional activity is dependent on future lockdowns, but growth is expected to be positive over 2022, with population increase projected from 2023 onwards.

Melbourne Key Economic Indicators ¹

AUS		Victoria (Melbourne)
25.8m	Population	6.66m
5%	Economic Output	4.5%
8%	House Price Growth	8%

¹All indicators are projections.
Economic output measured by Gross State Product / State Final Demand,
whichever data available.



Famed as the World’s Most Liveable City for 8 consecutive years, Melbourne has had spectacular house price growth over the years. A study by the Reserve Bank of Australia shows that changes in monetary policy e.g, low interest rates, usually result in an increase in Australia’s house prices, particularly in areas where there is constrained supply.

This constraint—especially in cities like Melbourne and Sydney—is compounded by soaring population growth, driven largely by immigration over the years. Among the capital cities in Australia, Melbourne and Sydney have had the highest population growth rates as a result of migration.

Population growth fuels demand and explains why house prices in Sydney and Melbourne have grown so much faster than the rest of Australia.

The closure of international borders and Victoria’s extended lockdowns to stem the spread of the pandemic has resulted in fewer overseas student arrivals and migrants throughout 2020 and 2021.

Updated projections by the Australian government shows that although population growth will be slow in the next 2 years, Victoria will have the fastest-growing population in the country by 2022–23, before properly taking off after 2024.

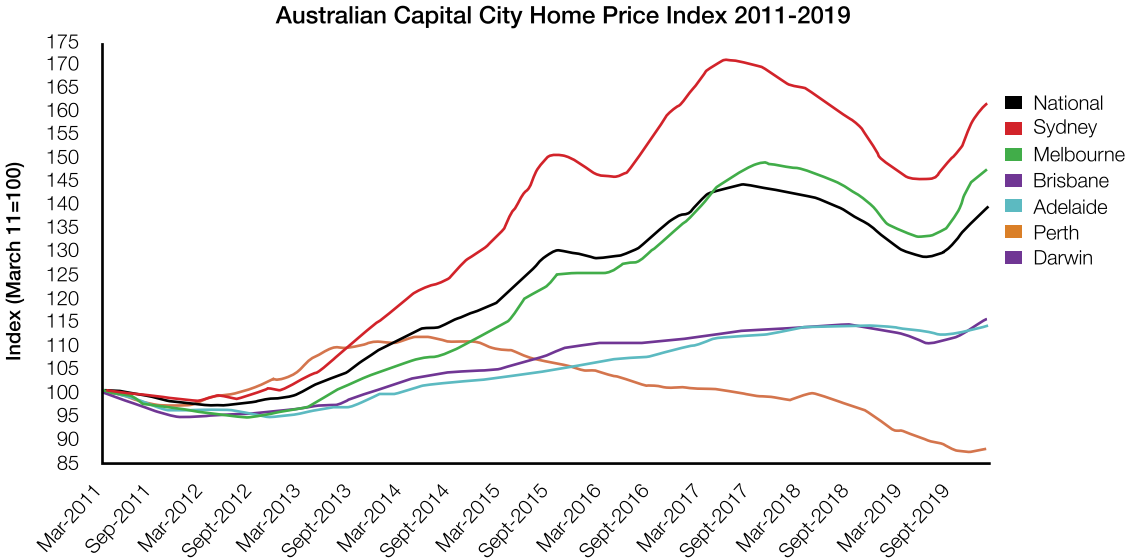


Figure 1: As a result of demand from growing population and undersupply of housing, the price of Sydney and Melbourne property has gone up consistently over the years. Source: Macrobusiness Australia & CoreLogic

Estimated Residential Population Projections, Australia & Victoria 2022-2024*

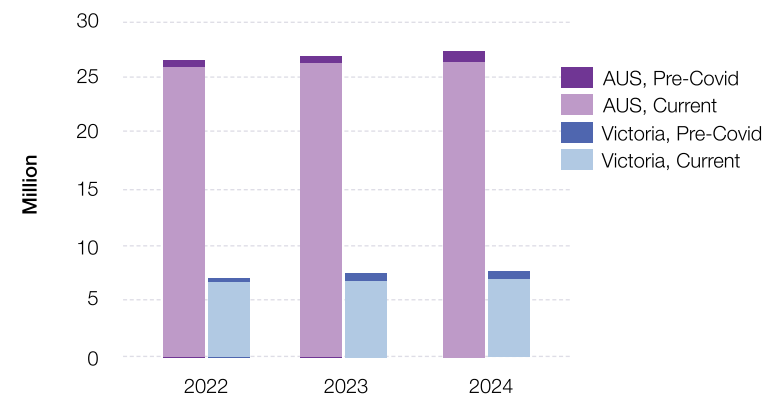


Figure 2: Victoria, which accounts for over 30% of Australia's population, is projected to have slower population growth over 2021 to 2023. Population growth is expected to start properly taking off from 2024 onwards, assuming no further extensive lockdowns and more get vaccinated. Source: Australian Government, Centre for Population

With Melbourne having a larger exposure to stalled migration, its CBD has been quiet, causing subdued property and rental price growth compared to other capital cities Down Under.

*provides for pre-Covid-19 and Covid-19 scenarios (not taking into account extended lockdowns).



Did You Know

Despite Covid-19, Melbourne is still projected to overtake Sydney to become Australia's largest city in 2026–27.

Huge Stimulus Injection to Spur Economic Rebound

With Victoria's economic growth being dependent on population growth to a greater extent than any other Australian territory, Covid-19 has presented the state with unprecedented economic challenges.

The state government went on a historically bold offensive by taking out a massive A\$155bn loan to fuel a major recovery up till 2024—the largest stimulus delivered Down Under.



Treasury forecasts that a A\$90bn spend package in 2021 will result in a dramatic 7.75% rebound in activity. Annual gross state product (GSP)* is predicted to recover to pre-pandemic levels of 4.5% in 2022-23. A\$50bn from the package, meanwhile, will be spent between 2021 - 2024 to create 400,000 jobs.

*GSP is the state equivalent of GDP



Average government infrastructure investment from 2020–21 to 2023–24 will be approximately 4 times the 10-year average of 2014–15. About A\$20bn will be spent each year on infrastructure until 2024 to jumpstart the economy and create jobs, including A\$2.2bn for the Suburban Rail Loop and A\$2bn towards Geelong Fast Rail. Work on the A\$10bn Melbourne Airport Rail Link will begin in 2022 and is targeted to open by 2029, with funding also committed to a major new vaccine manufacturing facility at the Melbourne Airport Business Park. JLL predicts increased industrial and office sector investment and take-up activity within the Melbourne Airport area. Longer term housing and economic benefits can be expected for Arden, Parkville and new stations on the Cranbourne and Pakenham lines.

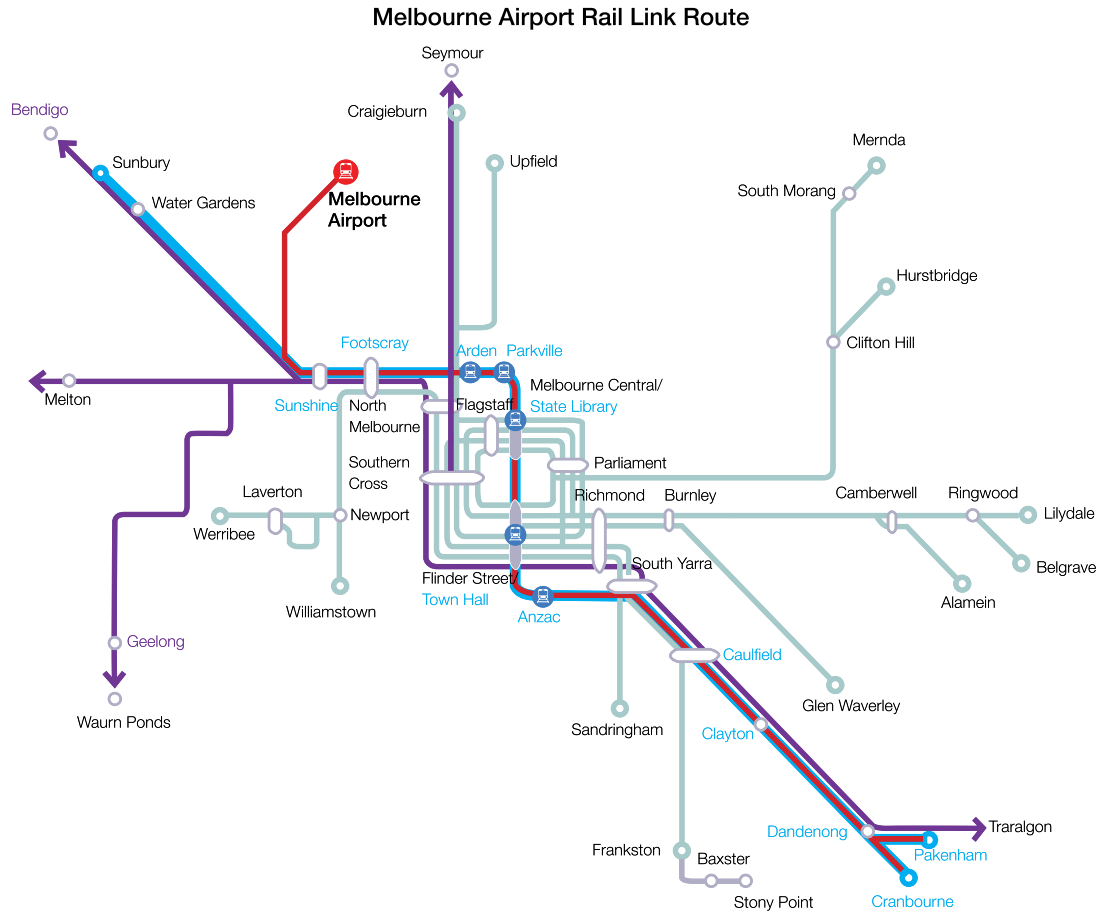


Figure 3: The Melbourne Airport Rail Link will bring passengers to and from the airport across Melbourne easily, including trips to and from the CBD taking about only 30 minutes. The rail link has the potential to unlock further economic growth connections to key health, research & education, development and employment precincts at Dandenong, Monash, Parkville, Sunshine and Werribee. The project is expected to support up to 8000 jobs, a major boost to the economy. Image credit: Melbourne Airport Rail

Modeling by Deloitte Access Economics predicts that the recovery measures will result in a cumulative A\$43.9 billion increase in GSP from 2021–2024. Deloitte also predicts that Melbourne’s CBD is expected to return to being one of Australia’s fastest-growing economies in the coming years, reaching its pre-Covid-19 peak in H2 of 2024.

Melbourne Economic Activity Forecast, Annual Average (\$ million)

	2019	2022	2023	2024	2025
	Pre-Covid		Forecast		
GRP* (\$m)	75,200	54,900	67,200	73,200	75,100
Growth	3.1%	32.9%	22.4%	9.0%	2.6%

*Gross Regional Product, the regional equivalent of GDP

Figure 4: Melbourne’s full economic recovery is forecast to happen in H2 of 2024.

Property Market Rebound, Though Slower in the Apartments Segment

Reports published in Q4 2021 show that despite multiple lockdowns, property prices grew significantly albeit slower than other Australian states and territories. House values increased 26% since its pre-Covid peak in March 2020. Apartments also charted overall growth of 9% over the same period despite inner city apartments falling in Q2 2021.

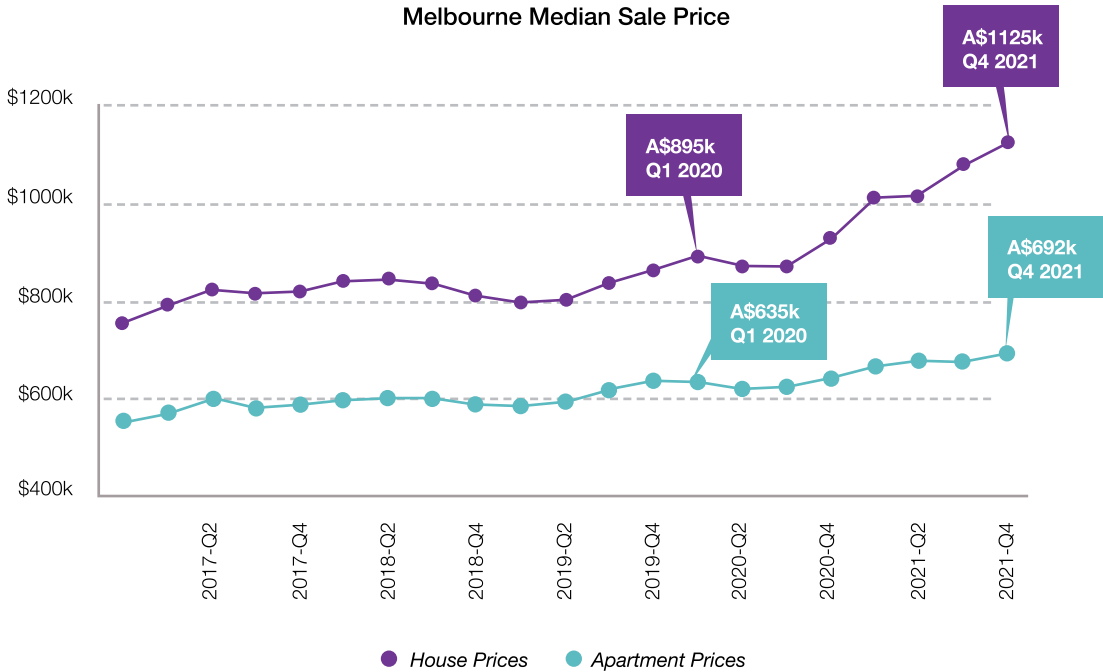


Figure 5: By Q4 2021, Melbourne’s house and apartment values had risen higher than the pre-Covid peak in Q1 2020, with house price growth performing better than apartments. Source: Real Estate Institute of Victoria (REIV)

This was reflected in auction and sale activities that increased from the beginning of the year. Auction volumes across Melbourne saw a substantial increase when compared to the previous quarter and one year ago, charting clearance rates of 70%+, and with the city’s inner region the busiest in Q2 2021, followed by inner south and northeast. CoreLogic’s Auction Market Review shows that the June 2021 quarter was the busiest for auctions in Melbourne since the Dec 2017 quarter!

Melbourne House Price Growth Through Covid-19 (%)

	2019	2020	2021
Melbourne	4.1	2.9	19.5
Australia	2.5	3.6	21.7

Figure 6: Melbourne’s housing market, although slow on the uptake due to extensive lockdowns, performed better than expected. A good momentum of growth, although at a more moderate pace, is expected in 2022 with the return of international students, tourists and migrants. Note: Australia is the weighted average of 8 capital cities. House price index for 2019 and 2020 based on annual Dec figures, 2021 based on figures as of Sept 2021. Source: ABS

Quick Facts: Melbourne

- One of the world’s top cities for capital growth
- Massive government stimulus to continue to spur economic growth until 2024
- Population projected to start growing strongly again from 2023
- Data shows that landed houses perform better in capital growth than apartments

Improving Rental Demand & Vacancy Rates

Melbourne saw the weakest rental market performance since the onset of the pandemic, especially across the apartment segment in the inner city. Rental demand reacted to lockdowns and Covid case numbers while asking rents declined to one of its steepest ever recorded.

Nonetheless, REA's mid-July 2021 rental demand report showed the level of demand at 30% higher than the average over 2019, before the pandemic. Given that foreign students, a traditionally strong source of rental demand in the inner city, were then unable to enter the country, this is surprising and shows that Australians may be reassessing where they want to live and what they want to live in as the pandemic chugged along.



By June 2021, vacancy reports had shown a continued improvement with the supply of estimated vacant rentals further shrinking by 6.4%. From a record-high peak at the end of 2020, vacancy rates tightened astoundingly to 3.6%. Interestingly, the report showed that the areas with the sharpest fall also initially had the highest vacancy rates i.e, areas like Melbourne City, Boroondara and Stonnington-West. By Dec 2021, rates had tightened further to 3.2%.

Rates will continue to tighten as demand increases further once border closures are removed. Naturally, the progression of the property market will depend on pandemic recovery, but forecasts remain optimistic.

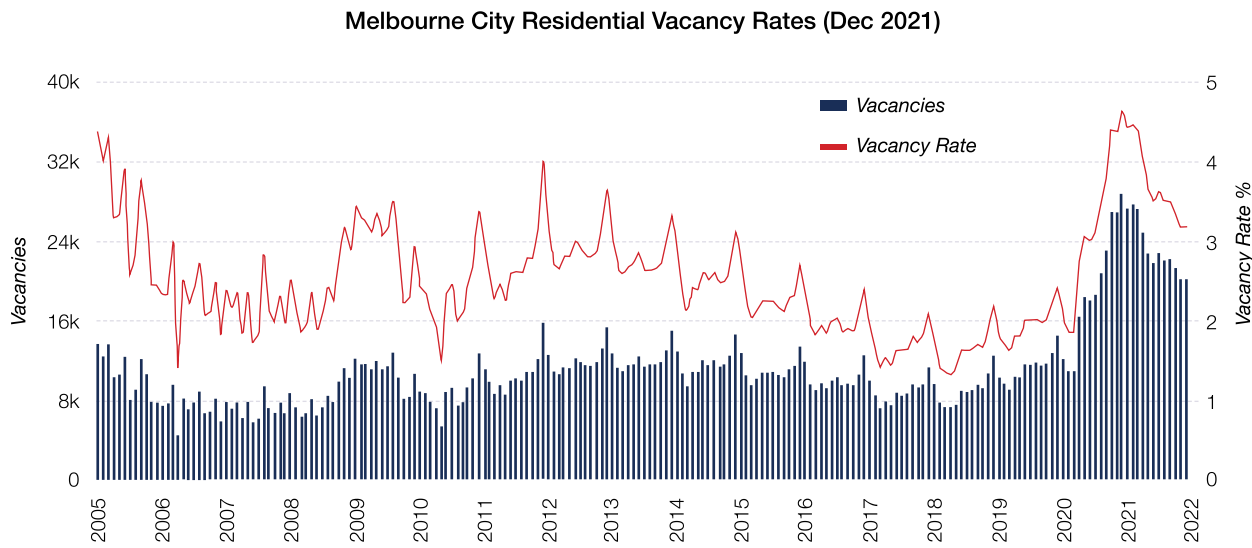


Figure 6: Vacancy rates in Melbourne are showing a continuous improvement, falling steadily from its peak at end 2020 to 3.2% in Dec 2021. Source: SQM Research.

End Word

Although Covid-19 had affected the performance of the property market, Melbourne is expected to take the lead again in population growth when borders reopen, resulting in property demand and price growth.

Retrospective data has shown that the pandemic failed to drastically dampen prices, possibly even driving auction clearance rates and sales activities resulting from a combination of pent-up demand, undersupply of property, more disposable income, savings from incentives, and greater optimism. Investor activity has also increased—by March 2021, Victoria had charted 13.7% in the number of housing financing applications, second only to Queensland, and higher than the national percentage of 12.9%.

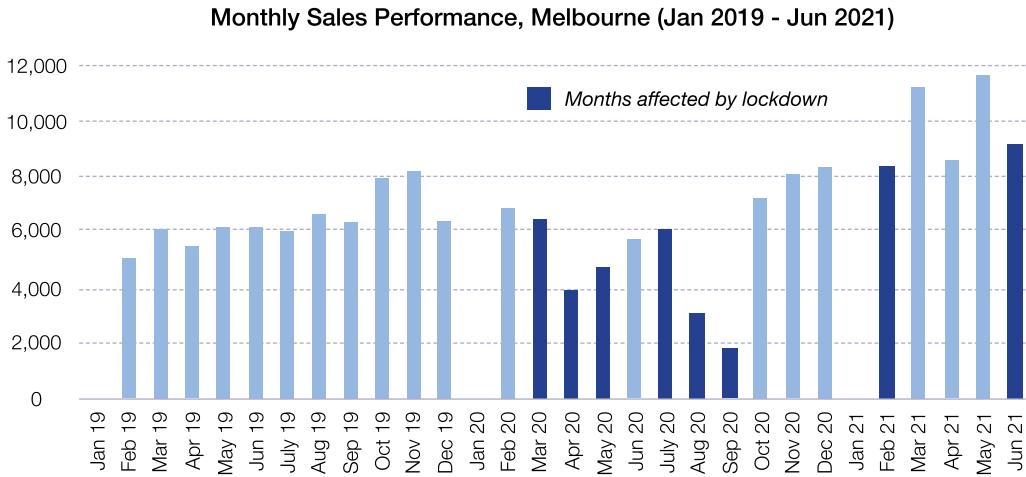


Figure 7: Sales activity showed an increase in 2021 in spite of lockdown and the pandemic. Source: CoreLogic

Investors mainly invest in Melbourne property for its capital gains. Over the last 2 decades, Melbourne property values have risen at the fastest pace of all Australian capital cities. Covid or not, Melbourne continues to have one of the world’s fastest-growing property markets.

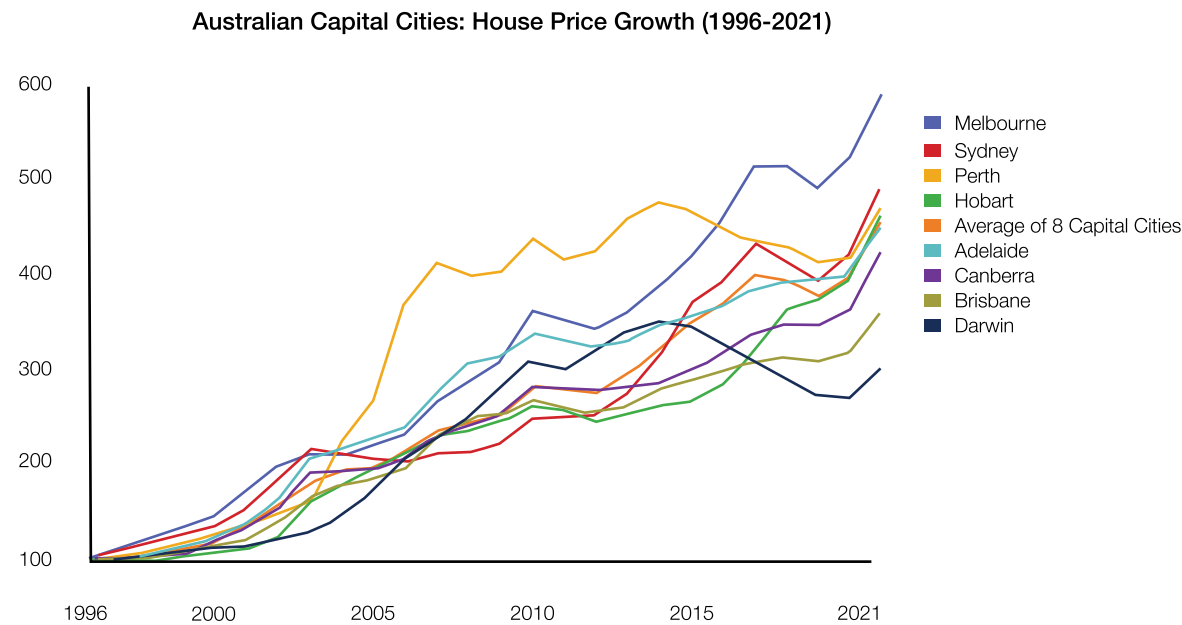


Figure 8: Melbourne property grew more than 400% in capital appreciation (cumulative) in the last 25 years. Source: CSIPROResearch, Abelson & Chung, Australian Bureau of Statistics





BRISBANE

GATEWAY TO THE GREAT OUTDOORS

“The bottom line: investing in real estate is smart because property is tangible. People always have, and always will, need shelter. This means it is very unlikely that our need for shelter (i.e. buying or renting homes) will ever go away.”

— Kathy Fettke, Co-founder & Co-CEO of RealWealth

The allure of Brisbane’s property market has grown in recent years, but nothing has propelled the attractiveness of this city as a place to live, play and work as much as the pandemic has. Known for its laidback lifestyle, the Sunshine State has since seen significant growth in house values and rental yields, driven by increased interstate migration, affordability, freedom and the great outdoors. In 2021, Brisbane was ranked among the Top 10 Most Liveable Cities by the Economist Intelligence Unit. This is a city to watch as the property cycle has yet to peak and there is more room for growth —more so now that the city has been announced as the host of the 2032 Olympic Games.

Brisbane Key Economic Indicators ¹

AUS		Queensland (Brisbane)
25.8m	Population	5.28m
5%	Economic Output	2.75%
8%	House Price Growth	10%

¹All indicators are projections.
Economic output measured by Gross State Product / State Final Demand, whichever data available.

Largely overshadowed by Sydney and Melbourne, Brisbane is easy to overlook on the radar of Australia’s top cities. The capital city of the Sunshine State, which gets 280 days of sun a year (hence its moniker), is often eclipsed by Queensland’s more popular Gold Coast, Great Barrier Reef or Sunshine Coast.

What a nice surprise it was when Brisbane slipped into the Economist Intelligence Unit’s Top 10 List of the World’s Most Liveable Cities in 2021!



Indeed, the third largest city Down Under has received its fair share of the limelight this year, boasting the largest population growth in the country as well as the honour of hosting the Olympic Games in 2032. The Games could potentially shake the Sydney-Melbourne duopoly as the fastest-growing cities in the country.

Pandemic-Driven Population Growth
Drives Housing Demand

Interest in Brisbane’s property market had been building in recent years, but it was the pandemic that was instrumental in casting the spotlight on this city as the place of choice for Aussies to live, work and play.

While foreign migrant numbers declined significantly from international border restrictions and affected capital cities, Australia’s regional areas recorded their largest net inflow of people since the government started measuring internal migration in 2001.

A net total of 43,000 Australians moved from capital cities to regional areas in 2020, more than double the number in 2019.

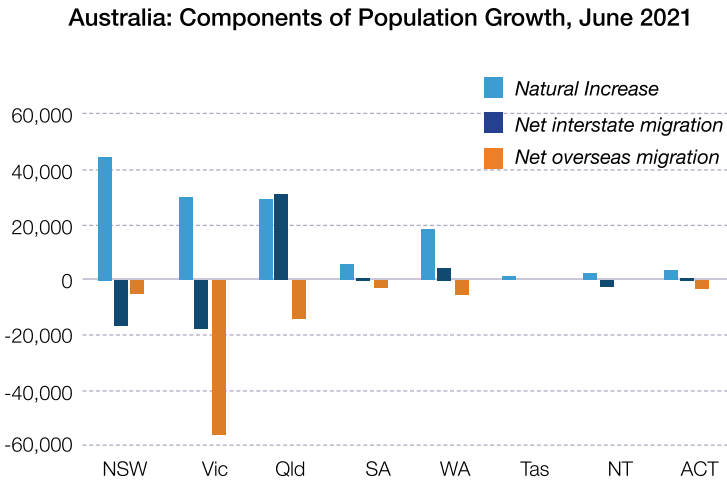


Figure 1: Australia’s largest interstate movement from capital cities was to Queensland with almost 31,000 people added to the population by the end of June 2021. Source: ABS, National State and Territory Population June 2021.

The biggest benefactor of interstate migration is Queensland, which also recorded the highest population growth rate, overall in 2020 and 2021. By the end of June 2021, there was a net increase of 31,000 people, with Western Australia coming in second place at a significantly lower 4,592 people.

Statistics also show that Queenslanders stayed put in regional Queensland instead of moving to the larger cities, as was the usual trend. Whether this will be a long term situation, is left to be seen.

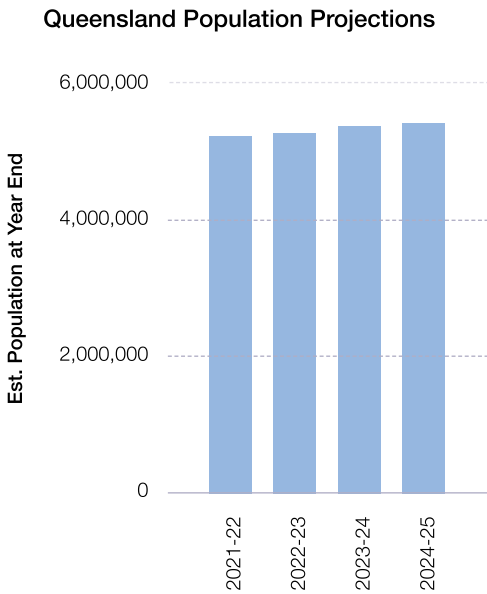


Figure 2: Queensland’s population is expected to inch closer to 5.5m by the end of 2024-25, factoring net natural increase, and increase in net overseas and interstate migration. Source: Centre for Population Projections, Australia.



Property Boom in the Pipeline?

Brisbane’s house prices stayed resilient over 2020 with the rate of growth across its housing market holding firm compared to larger capital cities. The outlook is positive, and demand for housing has been fuelled by interstate migration, low interest rates, housing affordability, and increasing sentiment.

The great outdoors has been an attractive factor for many who, embracing the normalisation of working remotely, moved from big capital cities to Brisbane. Gold Coast and Sunshine Coast have also enjoyed strong demand.

Brisbane House Price Growth 2007 - 2021

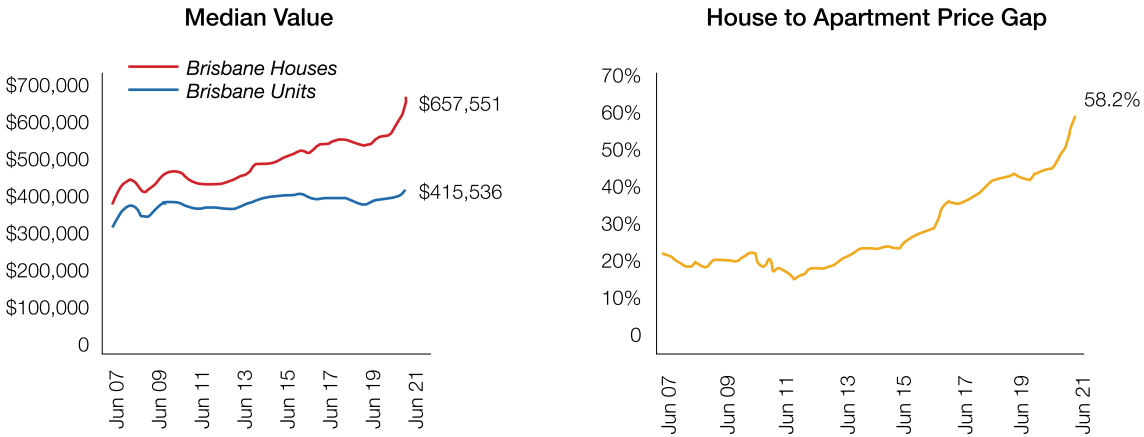


Figure 3: Demand for landed houses trended upwards across Australia since the start of Covid-19. This trend was most apparent in Brisbane since the onset of the pandemic with landed property prices increasing 15.5% compared to apartments at a mere 6%, although this gap has been fairly consistent since 2015. Source: CoreLogic



Demand for detached houses had trended upwards across Australia since the start of Covid-19. This trend has been most apparent in Brisbane since the onset of the pandemic with landed property prices increasing 15.5% compared to apartments at a mere 6%, although this gap has been fairly consistent since 2015 according to CoreLogic. By June 2021, house price premiums showed little signs of slowing down, with the monthly growth rate showing a bigger uplift in houses vs units. In fact, annual home sales had not been this high across Brisbane since the Global Financial Crisis in 2008.

On the other hand, demand for apartments had decreased following a stock overhang which occurred as a result of macro prudential policy changes in 2017 after high construction volume in 2016.

Low housing stock in Brisbane also pushed house prices higher, with sales figures in Sept 2021 showing annual property prices had increased to almost 20%.

Brisbane’s rental market has also been given a boost from record-low interest rates, government support and stimulus measures, as well as the rush by interstate buyers. Vacancy rates in Brisbane have traditionally been tight and hovering below 2.5%, but the rate has tightened further to 1.3% as of Dec 2021.

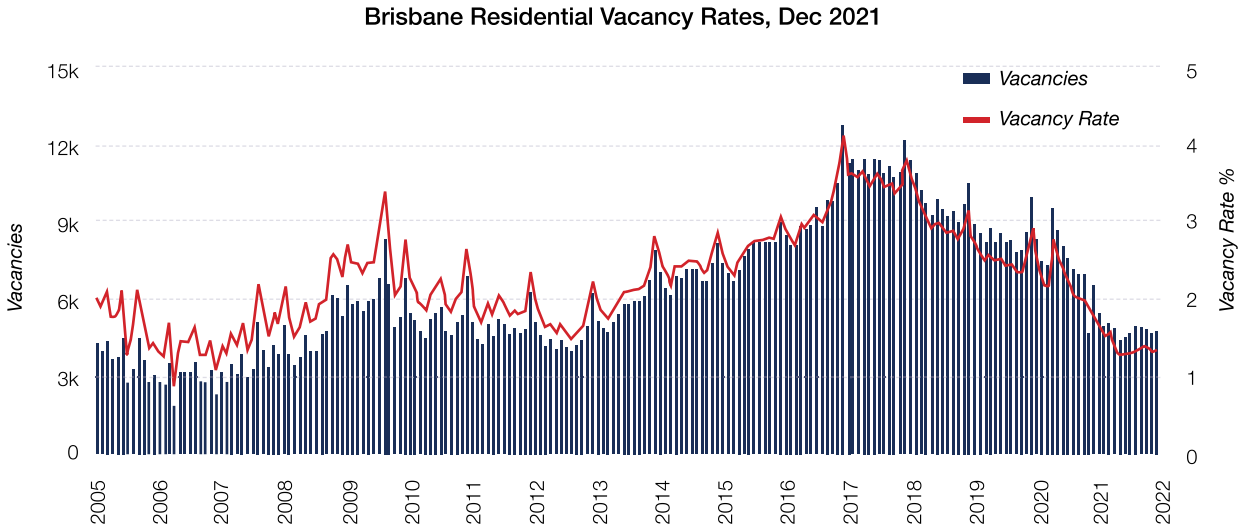


Figure 4: Brisbane’s residential vacancy rates have traditionally been very tight, but in 2021, it hit a 9-year low.

As most segments have exhibited solid price growth, pundits are predicting a strong outlook through 2021 and 2022. Properties in the middle and inner ring suburbs, particularly detached homes within reach of schools, parks, transport and amenities, as well as in gentrifying locations, will do better compared to high-rise apartment towers in the CBD.

The excitement of the Brisbane 2032 Olympics games certainly adds to the allure and will serve to underpin strong infrastructure growth, economic growth and population growth over the next decade.



Quick Facts: Brisbane

- Fastest population growth with the highest interstate migration numbers
- Population boom expected with the Brisbane 2032 Olympics Games
- Tight vacancy rates reflecting good rental market
- First of Australia's economies to predict post-pandemic surplus in 2024-25
- Affordable property prices allow more room for future growth



Speedy Economic Turnaround

Strong consumer spending and residential dwelling investment has brought about an economic rebound of 3.25% in the Sunshine State—13 times higher than originally forecast in the state’s Dec 2020 budget!

Uncertainty surrounding global recovery and risks related to trade with China notwithstanding, growth projection revisions in June 2021 show that Queensland’s economy is on track to be in the black with a surplus by 2024, and grow at more than 3% over 12 months. Queensland was the first of Australia’s biggest economies to predict a post-pandemic surplus to the tune of A\$153m in 2024-25.

Unemployment rates have improved and were initially forecast to come out at 6.25% in the June 2021 quarter, but recent figures have actually shown a bigger improvement to 4.9%

The economy is supported by various major infrastructural and mixed use developments including the Queen’s Wharf, the transformational Cross River Rail which will give Brisbane its first underground rail line and the Brisbane 2032 Olympics.

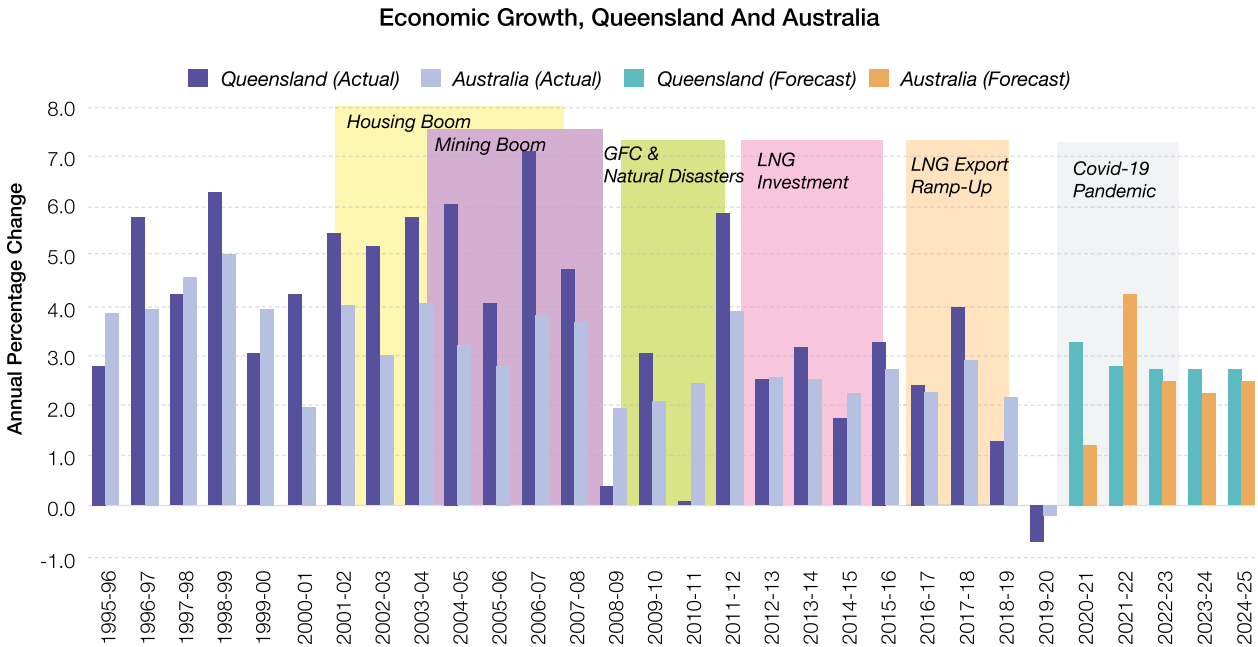


Figure 5: Queensland’s economic growth has generally been higher than Australia’s in the last 20 years. Forecasts show a repeat of this trend in the next 5 years. Note: *Chain volume measure (CVM), 2018-19 reference year. Source: Queensland Treasury Corporation, ABS National Accounts, Australian Treasury and Queensland Government 2021-22 Budget.

Brisbane Olympics 2032

Brisbane has long been overshadowed by the larger cities of Sydney and Melbourne, but the Olympics in 2032 may well change that. The Games is expected to deliver A\$8.1bn in social improvements e.g. health, volunteering and community benefits, and support 91,600 full-time equivalent jobs in Queensland and 122,900 nationally.

Based on the impact of the Sydney Olympics 2000, Brisbane's Expo 88 and the G20 Summit 2014, economists are tipping Brisbane's house price to exceed the A\$1m mark well before the Games opening ceremony in 2032. House prices in key inner Brisbane suburbs are forecasted to more than double in the next 10 years leading up to the Games.

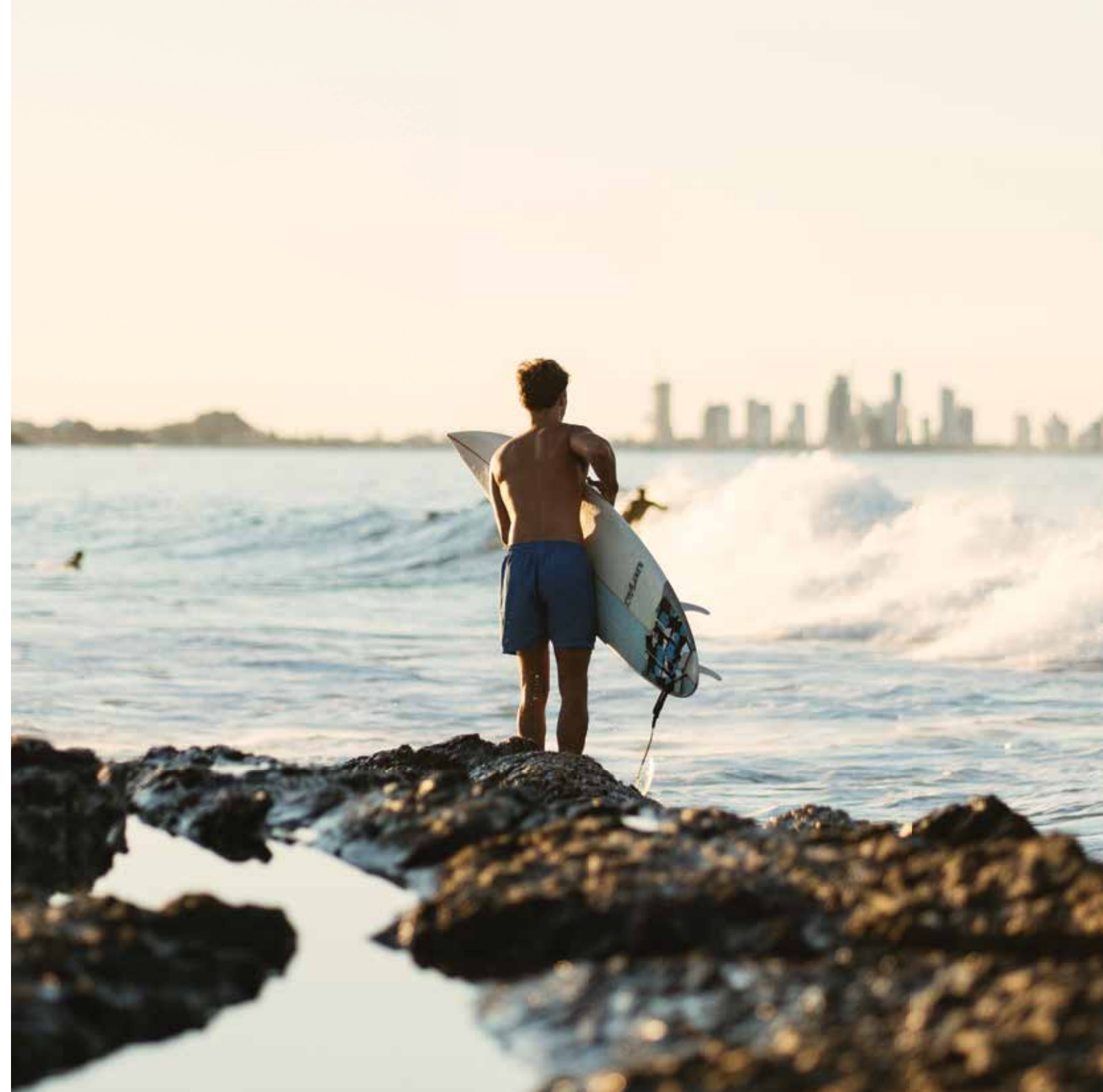


Cross River Rail

A critical public transport infrastructure project with more capacity and frequent rail services, the Cross River Rail will provide greater connectivity between the Brisbane city centre and the greater South East Queensland (SEQ) region. The 10.2km rail line will include 5.9km of twin tunnels under the Brisbane River and Brisbane CBD—the city's first underground rail line—and the construction of 4 new underground stations as well as upgrades to 8 above-ground stations. With the population in SEQ forecast to grow from the current 3.5 million to 4.9 million in 2036, the project will provide crucial connectivity to high-growth residential and employment areas. The project is expected to provide an average of 1500 jobs annually, including 450 apprenticeship and traineeship opportunities during its construction. The Cross River Rail is expected to commence its services in 2025.

End Word

Despite being a late bloomer compared to Melbourne and Sydney, the viability of Brisbane's property market has now been thrust into the spotlight. With the growing infrastructure and coming Brisbane Olympics, pundits are looking at population expansion over the next decade or so which will drive demand for housing. There is plenty of growth left in the property cycle as Brisbane's property remains very affordable compared to the larger East Coast capital cities.





PERTH

CITY OF LIGHT

“Now, one thing I tell everyone is learn about real estate. Repeat after me: real estate provides the highest returns, the greatest values and the least risk.”
- Armstrong Williams, Entrepreneur

After some 5 years on a downward trend, Perth’s economy picked up when the mining sector boomed again in 2019. The housing market also began its ascent in the property cycle after finally hitting bottom. Thus far, the rapid onset of Covid-19 has done little to sway Perth’s nascent curve to economic recovery. The mining boom has spurred greater demand for rental housing, bringing vacancy rates to record lows, although house price growth on the whole seems to be moving at a different speed. The eventual reopening of borders is expected to drive an increase in population and, hopefully, incite greater growth in house values.

Perth Key Economic Indicators ¹

AUS	Western Australia (Perth)	
25.8m	Population	2.7m
5%	Economic Output	1%
8%	House Price Growth	8%

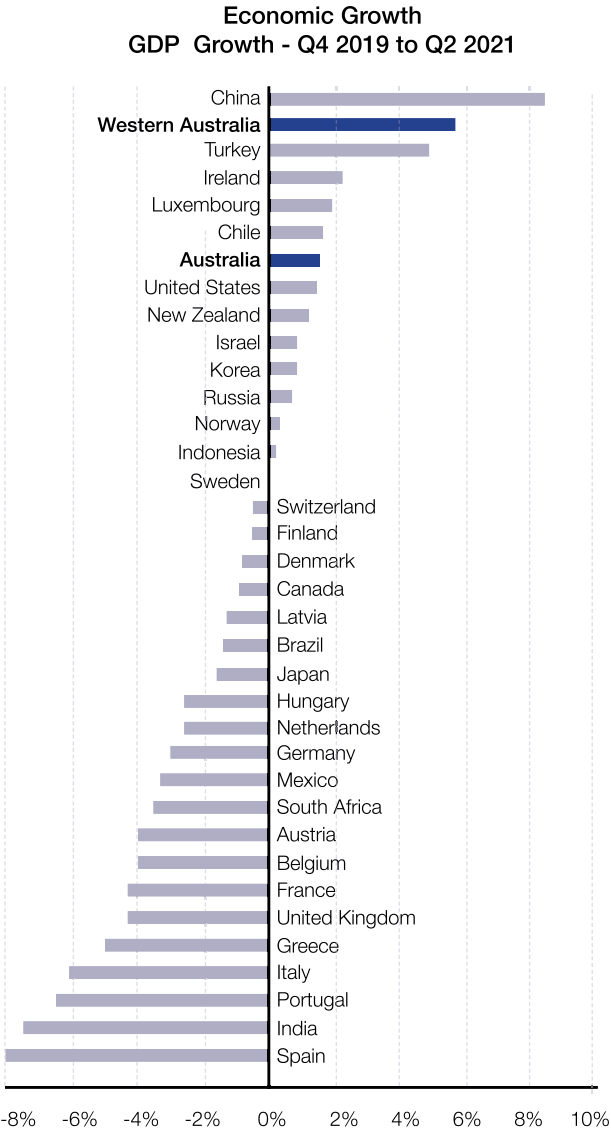
¹All indicators are projections.
Economic output measured by Gross State Product / State Final Demand, whichever data available.



Economic Boom

Of all the states Down Under, Western Australia (WA) has been flying above and beyond in terms of economic output in the face of Covid-19. Its domestic economy grew by 4.3% in 2020/21—the strongest of all the states and the only one to record any growth, for 2 consecutive years.

Not only has its economy outperformed nationally, it has also been one of the world’s best performing economies. WA exports the bulk of Australia’s mining commodities, and, in Q2 2021, due to strong export prices, contributed 3.2% increase in the national nominal GDP.



The strength of Perth’s economy is underpinned by the mining boom (mining comprises 43% of the national economy), as well as its success in containing the spread of Covid-19, thus ensuring the local economy remains open and maintains business and consumer confidence.

To date, Perth has one of the lowest Covid-19 cases and death rates in the world, not just because of its uber restrictive border closure, but also because it has less exposure to industry sectors heavily impacted by the virus.

Figure 1: WA has a huge feather in its cap as one of the world's top performing economies, thanks to the mining boom and its success in handling the Covid-19 virus. Source: Dept of Treasury WA

Unemployment rate is at its lowest in 8 years as of mid-2021—also the lowest in Australia—and expected to remain almost as low over the next 2 years, thanks to incentives and upcoming infrastructure projects initiated by the government. A record A\$30.7bn infrastructure investment has been earmarked in the 2021-22 state budget to provide job certainty and support WA businesses over the next few years.

Efforts towards infrastructure include road and railway initiatives across the state and a Perth city deal which will bring government and private investment into the CBD, while creating thousands of jobs.



Quick Facts: Perth

- Lowest incidence of Covid-19 deaths and infections in Australia
- Strongest economy in Australia in the 2 years of the pandemic
- Strong rental demand & yield due to current mining boom
- Tight rental vacancy rate of below 2%
- Affordable house prices, market now on the upswing

Metronet & Transport Initiatives

In a city that is traditionally heavily dependent on cars, the transformative Metronet project will literally be a breath of fresh air as improved railway connectivity and public transport network reduce emissions and traffic congestion.

Comprising 15 projects at a budget of over A\$5.7bn to be disbursed over 4 years, Metronet will see 72km of railway and 22 new trains built and thousands of jobs created. The first Metronet project opened in June 2021, and 3 major projects are scheduled for completion before the end of the 2021–22 financial year.

The 15 projects planned, under construction or completed include the Forrestfield–Airport Link, Morley–Ellenbrook Line, Thornlie–Cockburn Link, Yanchep Rail Extension, New Bayswater Station, New Lakelands Station and New Midland Station.

The Metronet system could see a boost in house prices between 0.3%–4.5% depending on how close the property is to the line. Another A\$11.7bn has also been allocated to road projects and upgrades over the next 4 years, whilst A\$265m has been allocated to cycling and pedestrian initiatives, which will holistically enhance the Metronet system.



Figure 2: Metronet is Perth's single largest investment in public transport, aimed at improving connectivity and public transport networks, ease congestion, reduce emissions and support the job market. Source: Metronet.



A Modest Upswing Maintains Affordability

The economy hasn’t been the only thing that has been rocking it in Perth. After 5 years of decline, Perth house and apartment prices reached its highest point of \$578,612 and \$371,445, respectively, in March 2021, signalling that the housing market has moved into the upward phase of the price cycle after hitting bottom at the end of 2019.

Like the rest of the country, the price of houses in Perth saw a surge since the onset of Covid-19. That said, Perth still has one of the lowest landed house premiums of all capital cities in Australia.

While annual home sales and prices have risen over the year (annual home sales reached its highest level since 2006), the pace of growth has slowed. Market players ascribe the softening of property prices in Q4 2021 to a reduction in home lending since Feb 2021, a rise in new listings and closed state borders, limiting demand flowing from interstate migration.

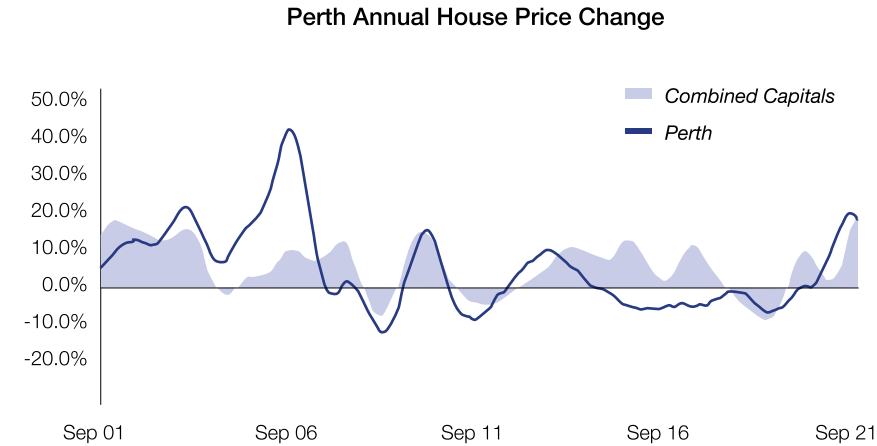


Figure 3: The housing market went on an upswing after bottoming out at the end of 2019, but price growth has softened since June 2021. Nonetheless, there is still some way to go in the cycle. Source: CoreLogic

Home prices aside, Perth’s rental market is among the tightest in the country. As recent as mid-2021, rental yields for houses and apartments rose to 5% (increase of almost 10%) and 6% (increase of 11%) respectively over the year. Yields have shot up as a result of increased demand for long term rentals, thanks to the mining boom.

More workers have opted for long term rental due to the state lockdown while more mining companies and engineering firms are requiring workers to have a fixed address in WA to ensure steady labour force. Vacancy rates are also among the tightest in the country at a very slim 0.6% in Dec 2021, compared to 0.9% in Dec 2020.

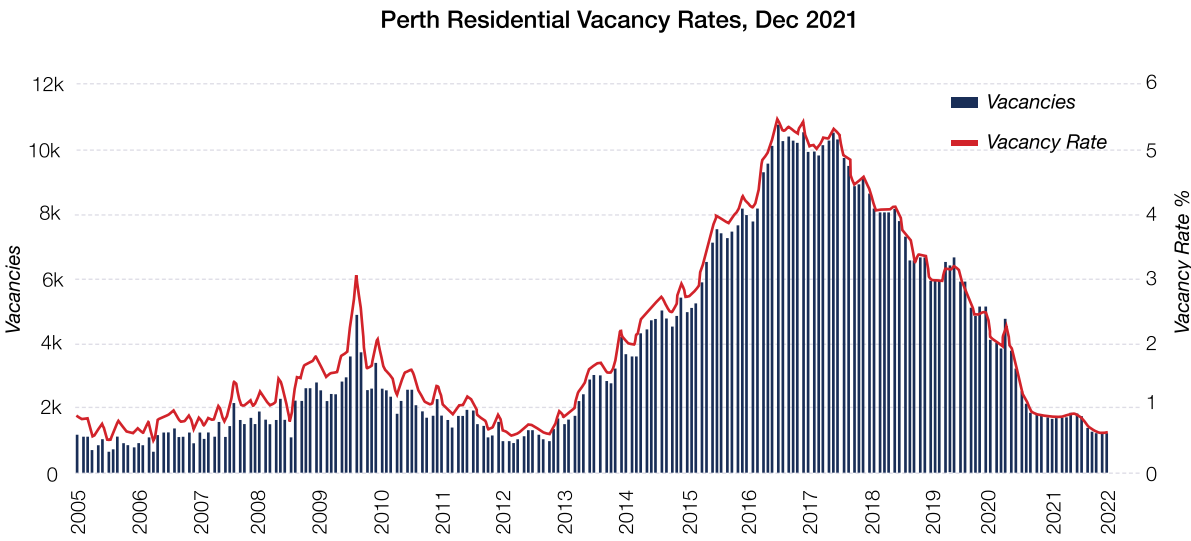
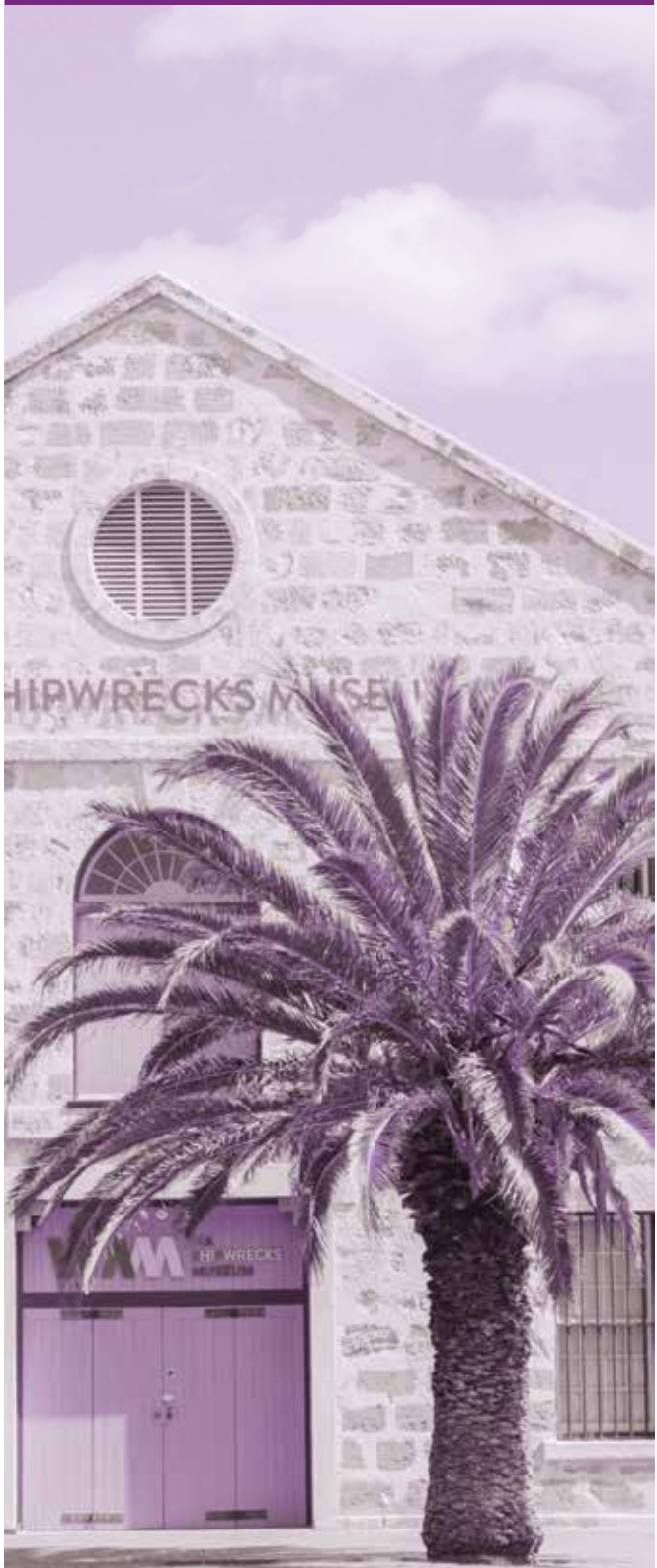


Figure 4: Perth’s rental market is among the tightest of Australia’s capital cities, reflecting low vacancy rates of 0.6% as of Dec 2021. Source: SQM Research



Did You Know

In 2021, Perth recorded the highest annual number of house sales in 15 years!

Closed Borders Limits Population Growth

Over the last 2 years, Perth has closed itself off from the rest of the country and the world, becoming an insulated, safe bubble. The state government's draconian border restriction is elemental to why Perth has among the lowest cases of death and infection rates in the world.

But it has come at a price—it has limited population growth from overseas migration. While natural increase remains almost the same as the previous year, net overseas migration sank to a negative at -5,600 people in June 2021 vs 19,000 in Dec 2019—4 times less—as previous migrants returned home. A long term lockdown will inevitably result in slower house price growth, as declining demand and supply balances the overall effect on prices.



Assuming no further disruption from border closure, long-term population estimates for WA look positive and is expected to hit 3 million by 2029 and 3.3 million by 2035, up from 2.6 million in 2020. The increased population will drive demand for housing and absorb new completions that come into the market, although a consistently vibrant economy and low unemployment will drive demand and continue to stimulate capital growth in the future.

End Word

In the last 25 years, house prices in Perth have grown some 350%, the 3rd highest in house price growth among Australia’s capital cities. With a robust economic performance, healthy mining sector, a mild experience of the pandemic, housing affordability and reopening of migration inflows, the outlook appears pretty rosy for WA.

Recent rental conditions have been favourable for investors given the undersupply of rental accommodation as a result of the reduction in investment activity since 2014. Thus, the combination of affordable housing, government initiatives and expectation of a better economic outlook should bode well for the housing market.

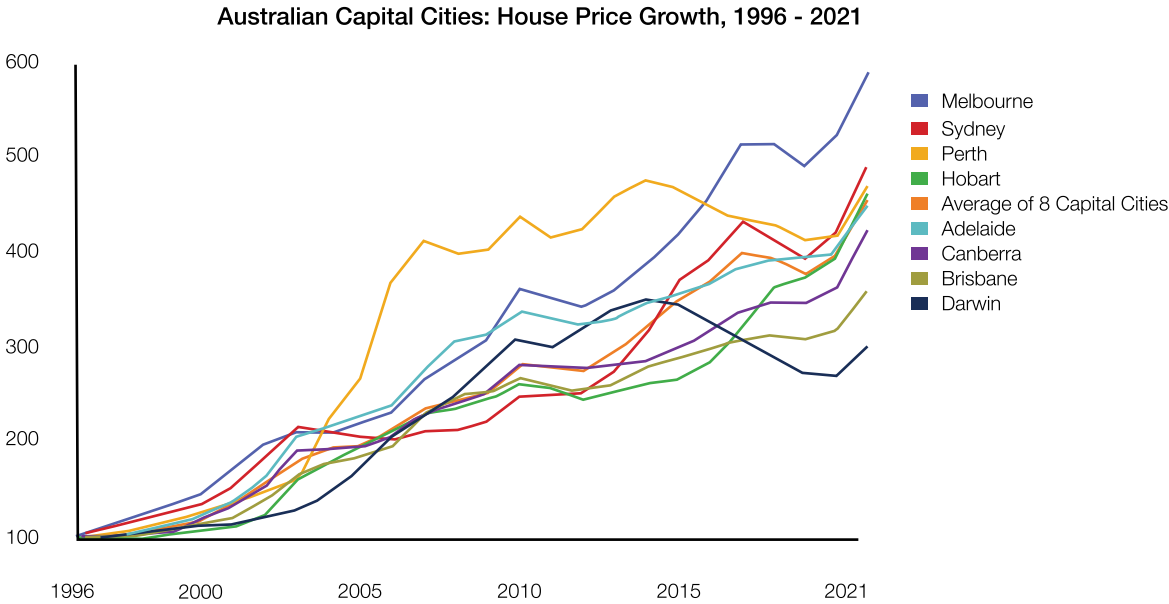


Figure 5: Perth has the 3rd strongest house price growth among Australia’s capital cities over 25 years. Source: CSIPROPResearch, Abelson & Chung, Australian Bureau of Statistics

Affordability is an investment advantage given the room for price growth in the property cycle. The mining boom has been instrumental to the growth of the property market in WA, and after having remained isolated as a result of interstate and international border restrictions, Perth will benefit from people relocating to the state once again as border restrictions lift.



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