

THE FUTURE OF REAL ESTATE



Overview

We know that buying in the right suburb and getting the right property will always reap rewards, no matter the market, but we also know the Australian and New Zealand markets have been going through huge changes which have really hit investors hard.

SO HOW DO WE STAY ON TOP OF WHAT REAL ESTATE HAS TO OFFER AND STAY AHEAD OF THE MARKET?

In this ebook, you'll find out more on the up and coming trends that will change the way real estate is transacted and how it could directly affect your properties.

Globalisation

Real estate has historically been viewed as a “local” phenomenon, only really impacted by major global events such as a worldwide economic crisis. This is changing, rapidly.

With globalisation, the interdependence between key international cities is growing exponentially. The real estate industries in these critical players in the market, “global cities”, are being driven by both local and global demand. In these markets, local companies are competing with giant offshore enterprises for warehouse space, offices, logistics centres, driving commercial property prices and rents. With more jobs and career opportunities, global cities attract masses of people (both nationals and immigrants), all competing with each other for accommodation.

In global real estate markets, researchers and economists noticed a bizarre pattern – that the growth of office space rents in these markets tend to wax and wane more or less in unison (“co-movement”), rather than some markets being at a low while others peak. The study found that the co-movement of rents in these markets was actually correlated to fluctuations in global GDP, rather than national or local economic drivers.

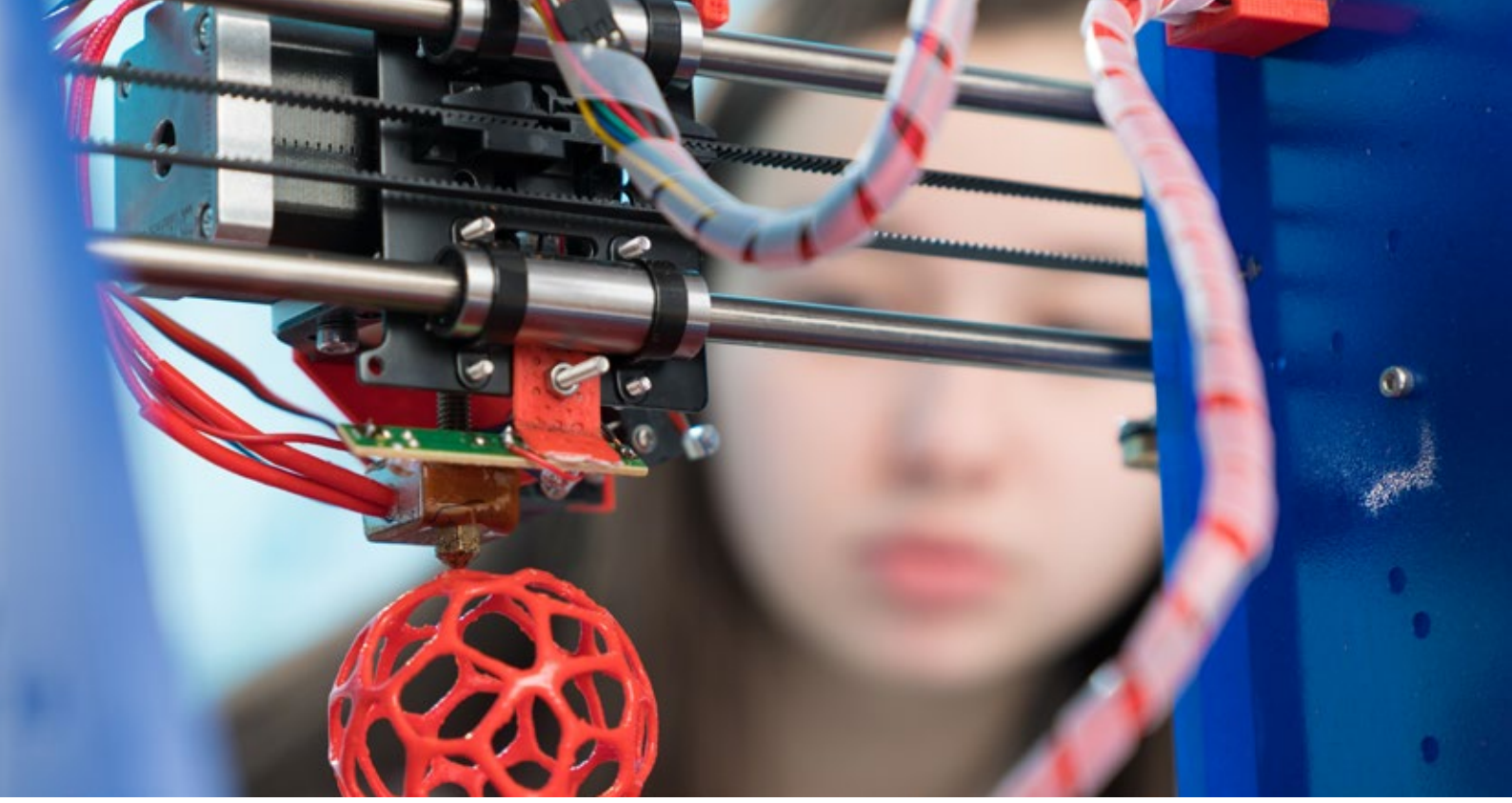
(You can purchase the full study [here](#).)



Advances in technology also come hand-in-hand with globalisation. In retail, the rise of ecommerce has meant increased demand for online retailers to have international logistics and shipping centres.

The definition of a “global” city differs, but it is generally measured by density of population, density of public transport and economic links, the number of global companies (especially headquarters) in relation to local companies and presences of global political institutions.

CITIES LIKE NEW YORK, TOKYO AND LONDON OFTEN FEATURE AT THE TOP OF LISTS OF GLOBAL CITIES. SYDNEY IS OFTEN REFERRED TO AS A GLOBAL CITY, AND AUCKLAND HAS POTENTIAL TO BECOME GLOBAL IN THE FUTURE.



Technology

Technology has drastically changed the way we interact with brands, as we look for direct, instant, human-to-human responses from giant corporations.

The internet has given us a way to do this without having to spend hours on hold listening to elevator music! Now, we can publicly “out” companies on social media for poor customer service – sometimes these complaints go viral, with potentially massive ramifications to the company. On the flipside, corporations can now access more consumers on more platforms than ever before, giving their brand unprecedented reach.

TECHNOLOGY HAS LEAD TO A RELATIVELY NEW CONCEPT - “THE SHARING ECONOMY.”

Think Uber, PledgeMe or Airbnb; these are classic examples of the sharing economy in action.

Another way technology is disrupting real estate is in the construction industry. Recently, there was an apartment building erected in New York that was entirely prefabricated. And 3D printing, though still in very early stages, has already been applied to the construction of homes.

Beyond this, think about the number of people who are able to work remotely. Now, instead of offices with thousands of files in dozens of filing cabinets, everything’s stored in the cloud. No more printers, no more stacks of books and paper, even stationary is becoming obsolete. This sounds dramatic, but remote workers and freelancers are changing the office rental market, with co-working spaces and shared offices becoming more common.

DISRUPTING THE HOLIDAY MARKET

We've had investors say "Airbnb doesn't work"... then we look at their property and it's a rural lifestyle property five hours' drive from civilisation. If you're considering Airbnb, make sure you do your research first. Check out the

demand for properties like yours in your area, estimate your gross income based on the average rent of similar properties, calculate your costs, and run the numbers. Like any strategy, it's not 'one size fits all.'

If you are looking to replace your regular long term rental income with short term, remember it

doesn't mean increased cash flow for just any property. Though we have had clients in Australia who have increased their rental income by 172%! Sound nice? **Check out these example properties and see if yours stacks up.**

www.airbnb.com.au

EXAMPLE 1

Botanica

PREVIOUS LONG TERM RENTAL RETURN: \$2,720 PER MONTH

CURRENT SHORT TERM RENTAL RETURN: \$5,533 PER MONTH

KEY FEATURES:

- Rooftop amenity - gym, pool, private dining room, movie theatre and more
- Close to transport
- Walking distance to conference centres and the CBD



EXAMPLE 2

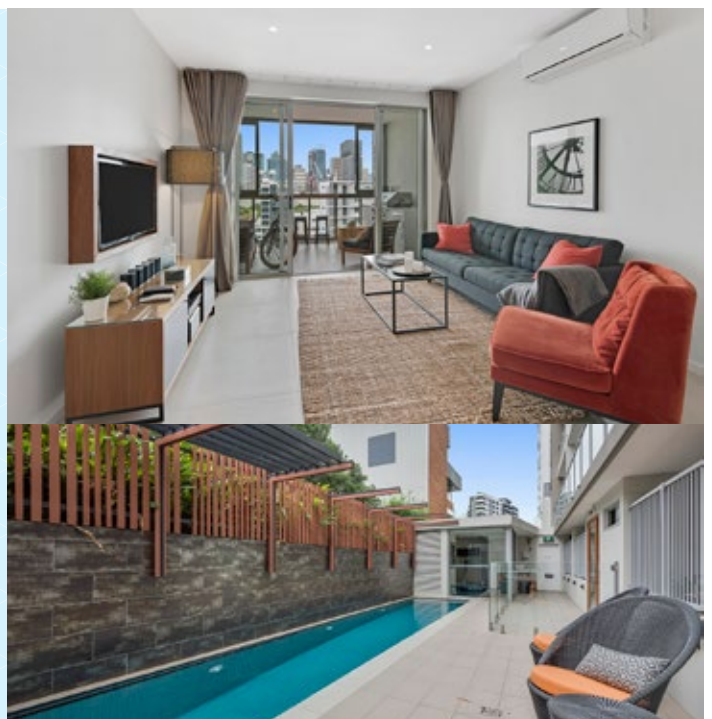
Artisan

PREVIOUS LONG TERM RENTAL RETURN: \$1,600 PER MONTH

CURRENT SHORT TERM RENTAL RETURN: \$2,464 PER MONTH NET

KEY FEATURES:

- Close to amenities
- Great design
- Award winning developer
- Coffee shop downstairs
- Close to train and 5mins to the CBD
- Specific short term letting features



Purplebricks

DISRUPTING BUYING AND SELLING

Purplebricks is a low cost real estate agency model which allows sellers to spend a flat fee in order to get their property sold. Everything is online and you are assigned an expert local property expert. Costing \$4,500 (AUD) for private treaty sale and \$5,870 (AUD) for an auction, your expert will handle the sale process from start to finish. They will write the ad, organise photos, floor plans etc and guide you through the sale process when an offer is accepted. The pros? You don't pay commissions. And who doesn't love it when someone

completely organises everything for you? The cons? You pay the fee whether or not your property sells, traditionally you would only pay the majority of costs on the sale of your property. You also have to have buyers book appointments to view your property, there is no "open homes" as you would normally expect. Also, you have to show the property yourself (or pay an extra fee).

www.purplebricks.com.au

OpenAgent summaries it this way:

"Purple Bricks is a Hybrid Estate Agency. This means the level of service they offer to sellers is more than 'for sale by owner' but less than a traditional, full-service real estate agent."

BrickX

DISRUPTING INVESTING

Simply put, BrickX goes out and purchases a property. The purchase price is then divided up into 10,000 shares, or "bricks" as they are known, and investors can purchase these. Purchasers can then potentially get return each month through the rent collected as well as on any capital gains made. If your property goes up in value, so does the value of your brick, which you can then onsell at any time.

Why? Soaring prices mean that it's hard to keep up with inflating prices just by saving. There's also a lot of competition in the marketplace when you are looking to buy, which means First Home Buyers or Investors are often pipped at the post. BrickX is a great way to get into the market place. Of course, it comes with it's pros and cons, but many younger or First Time investors are using disruptive technology like BrickX and Acorns to start small and put their proverbial foot on the proverbial ladder.

www.brickx.com

RentBerry

DISRUPTING THE RENTAL INDUSTRY

Australians and New Zealanders can soon expect the rise of rental bidding app, RentBerry, which is already rattling the rental market. The app has been described as a "one-stop shop" uniting all aspects of finding and leasing rental properties. Landlords can access prospective tenants' background reports, credit checks and references, while maximising their rental income as potential tenants bid and compete for rental properties.

The app has been criticised as speculators believe it will drive up rental prices in an already unaffordable market. Others argue that landlords are not after an extra \$40 a week, but rather the quality tenants that apps like RentBerry would allow them to access. Either way, the app has been confirmed to launch, so it's only a matter of time before we see how RentBerry really influences the market. Read more about it [here](#).

www.rentberry.com

Virtual Reality

Virtual Reality may sound like a thing of the future but it's making its way into real estate more quickly than you think.

I guess you guys aren't ready for that yet. But your kids are gonna love it! Virtual Reality (VR) uses specially designed headsets which immerse us into a computer generated simulation of a 3D environment. This technology is being rapidly adopted in real estate to revolutionise property tours and off-the-plan investments. Companies such as Watson Real Estate in New Zealand and Start VR in Australia have already adopted



VR, allowing potential buyers to walk through the property, wander through its garden and even admire the views without the

need to physically be there. Virtual reality really signifies a huge step in improving confidence for off-the-plan and out-of-town investors!

3D Printing & Prefabrication

These two technological advances are already changing the construction industry as we know it.

Prefabrication has become popular with developers to decrease development construction times, completing the structures in a factory rather than building onsite. This eliminates the days lost to poor weather conditions, and allows better site control and access.

3D printing is still in its early stages, but the important thing is that we know it's possible. At the moment, limitations are around cost (the required robotics are still expensive) and quality control.

REFERENCES

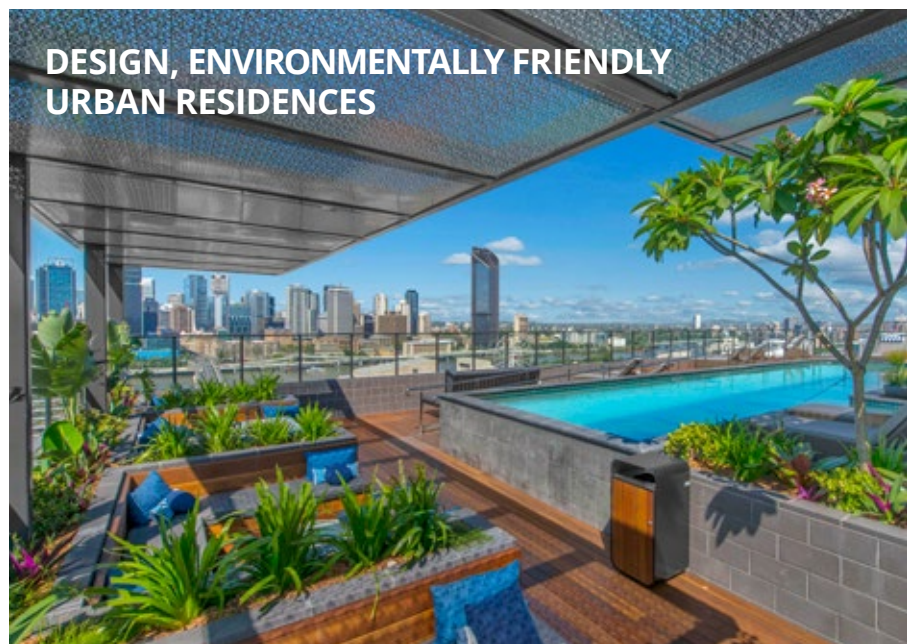
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Flight to Quality and the Dawn of Design

As we have read so far, the market is changing rapidly in both Australia and New Zealand. But what does this mean for investors? How do we now choose the property we buy and sell?

In Australia, the word “oversupply” has been a hot topic, and we mean *HOT*. This has been at the forefront of everyone’s conversations and plastered all over the media. Investors have been particularly scared of purchasing units and apartments in cities like in Brisbane, Melbourne and Sydney. Remember, you can make money in any market at any time. So how is this possible with this oversupply in mind? **A market driven by quality.** For too long the right dwelling and the level of quality has been overlooked. So what is this all about? The keyword here is desirability.

Sadly there is a lot of misinformation about supply but the crux of it is true, there is a lot of supply in our capital cities. *BUT it is an oversupply of sub-par real estate.* There is a genuine undersupply of quality real estate on offer that we would walk into and fall in love with.



SOME ASPECTS WE LOOK AT WHEN EVALUATING QUALITY ARE:

- Fixtures and fittings
- Parking and storage
- Aspect and outdoor living
- Internal amenity and/or walking distance to
- Daylight, space and ventilation
- Space and volume
- Pedigree of the builder, developer and architect (if you have the chance, walk through some of their most recently completed buildings)

At Positive Real Estate, we are strong believers in the 'flight to quality' strategy – you can see it in the stock we source for our clients:

RECENT POSITIVE REAL ESTATE DEAL

Suburb: South Brisbane (an extremely oversupplied suburb in Brisbane, QLD).

Bought off the plan for \$595,020

Settled Dec 2016

Sold: March 2017 for \$675,000

What happened in that micro-market (suburb/area growth) in that time? *Nothing*. Literally...the market didn't move, if anything it went down. The reason this property performed so well was purely due to the building and what it had to offer tenants and owner occupiers. A real "vertical-living experience". The best bit is doesn't cost anything more in your Body Corp fees (2 bed units approx \$4000 per annum) because things like solar panels and impeccable design allow for great airflow and natural cooling/heating.

In New Zealand, the media's all about "the housing bubble" – but the reality is the national housing market is still in a state of undersupply.

However, the "flight to quality" strategy is still imperative for investors in New Zealand.

If you're investing in quality property, then you may be better off in the long term. Quality property offers more options in your exit strategy (owner occupiers will be more likely to buy), better quality tenants, potential for more capital growth and is less likely to be vacant for prolonged periods than a lower quality property.



Another part of the flight to quality strategy is researching the location.

Here are some great resources to help you research whether your property is in a good location:

WALKABILITY

Does your property have everything close by?

www.walkscore.com

GOOGLE MAPS

It sounds obvious, but check out things like arterial routes, commute to the CBD or how long it takes to drive to the hospital. Plus, you can "walk" through the streets nearby and get a really good idea for what's around.

www.maps.google.com

LOCAL GOVERNMENT / COUNCIL RESOURCES

Find out what projects are planned in the area, e.g. rezoning, major infrastructure.

DETAILED SUBURB REPORTS (AUS):

Find out about key features of a suburb. Easy to interpret information including ratings on suburb convenience, community, tranquility and lifestyle.

www.microburbs.com.au

You can see buying, renting and living close to transport and amenity is only part of the driving force of supply and demand, which we know is what drives prices up (or down).



Urbanisation

Globally, our cities are changing. With advances in technology, transport and the way people live and work, cities are booming.

TWO MAIN THINGS ARE HAPPENING IN CITIES THAT ARE TRANSFORMING THE REAL ESTATE INDUSTRY:

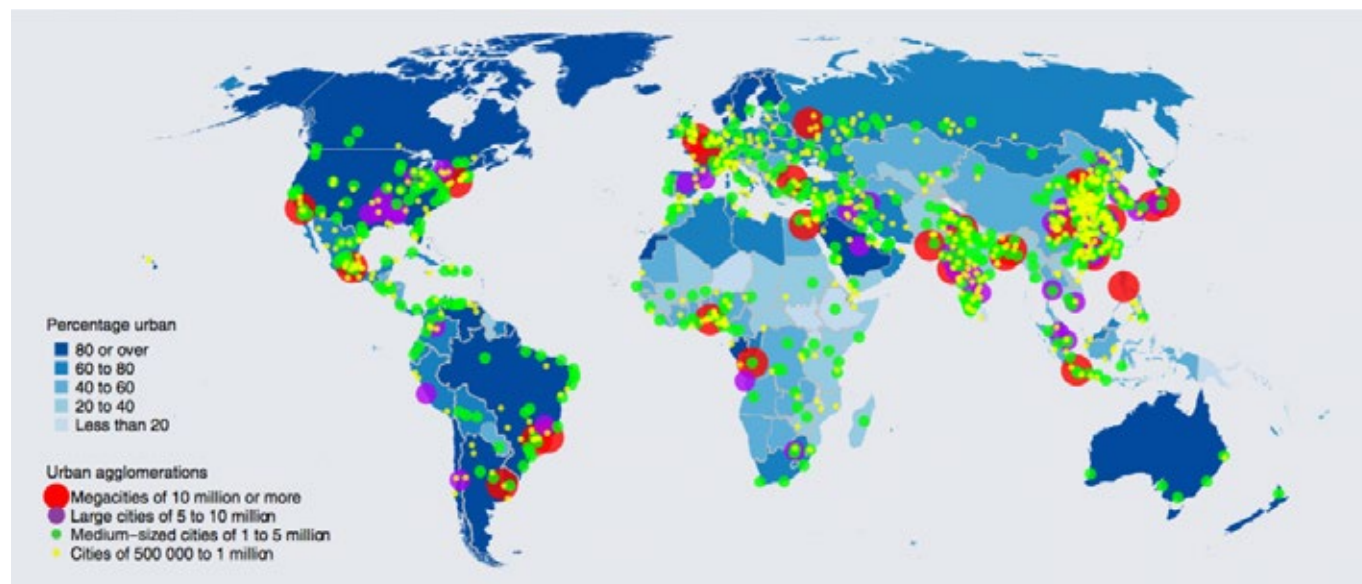
- More apartments are being built
- A higher proportion of people are living in urban areas than ever before

There is a downward trend of the size of dwellings, with household sizes getting smaller in both Australia and New Zealand. In 2011, the ABS recorded an average 4.5 people in every home, but in 2006 the average household was 2.4 people, a massive drop of 46% in just 5 years. The size of the average Australian home,

historically increasing every year since 1985, has been shrinking since a peak in 2009. In New Zealand, one-person households are projected to become the fastest growing household type, increasing from 390,000 in 2013 to 580,000 in 2038 (Statistics NZ, 2015).

A huge shift in urban planning in recent decades also plays a huge part in the overall dwelling downsize. Particularly in Australian cities (but also in Auckland) every inch of infill or brownfield land is given a purpose, and homes in these kind of places are built for efficiency – to maximise the number of dwellings on the space available.

The image below illustrates projections of urban population growth, and the percentage of people living in urban areas, by 2050. (Source: NBIM)



With urbanisation a major global trend, these cities need to “future proof” to prepare for increased demand for industrial, commercial and residential spaces to cope with the impact.

THIS WILL INCLUDE ALL THE USUAL SUSPECTS...

- More affordable housing solutions
- Better infrastructure
- Forward-thinking, efficient and reliable public transport
- Healthcare
- Schools and higher education
- World-class entertainment, culture and hospitality

But successful cities will also need to attract global talent, have a thriving economy, and draw in tourists by the droves.

In New Zealand, Wellington is future proofing by solidifying its position as a world-class tech and startup destination to boost its economy. How? The Kiwi capital recently ran a campaign called Looksee to attract experienced tech talent. The 100 people selected would be wined and dined, flown to the city for free from anywhere in the world, and set up with job interviews at over 50 tech companies around the city. 48,000 people applied.

In Australia, Aria Property Group are future proofing their developments with forward-thinking design and sustainability elements. The development group have unveiled plans for a visually striking apartment complex in South Brisbane with greenery on the sides of the tower, and a waterfall cascading down from the top. Aria is embracing the shift to apartment living and creating the kind of spaces people will aspire to live in.

With advances in technology and a shift to eco-friendly energy, huge changes in urban planning, transport and residential living are already in the horizon. These are just a couple of examples of how cities and developers are using innovation, creativity or design to adapt to the growing trend of urbanisation.

Summary

Due diligence is key. Due diligence is key. That's not a typo. Read it again, *research is key!* With the real estate landscape changing constantly, make sure you stay on top of what is happening in your suburb, city and country. If you are investing interstate or intercountry, it's even more

important you have a team of people around you who can help you work through all these changes *and* find the best properties to fit into your strategy and portfolio. So go and find out more about Airbnb, find out if your city is global and how that might influence your property.

Read more about urbanisation and how you could "future proof" your investments. Finally, go out and find beautifully designed properties in your area, walk through them and start to understand what flight to quality really is...or maybe you can just get a VR tour.

Here's One Thing That's Certain

You don't need to be left alone, guessing where the best places are to take advantage of these future real estate trends. Watching these developments and finding the best places to invest is what our team "lives and breathes" for; it's precisely what we are trained to do.

You're invited to come and see how we are building a future proof real estate investment strategy.

This free Property Investor Night is loaded full of information and investment insight. You can come along and see some of the where, why, what property and at what time we are implementing our investment strategy in different parts of Australia.

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your seat now

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