



# 5 Reasons Inner City Property Will Always Be Pricey

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TRIOZY  news  
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When it comes to real estate, size isn't everything. Obviously. Just look at the majority of inner city accommodation. The housing is generally smaller, but relatively more expensive than most outlying suburbs.

As far as city living goes, many people are prepared to sacrifice square feet for the convenience of an easy commute to work and a plethora of leisure activities to keep you entertained in your downtime.

It's true...sometimes less is more. Here are 5 reasons why the 'less' that comes with inner city living will always cost you more as a homebuyer, property investor and tenant.

### 1. Amenity & infrastructure

Our major population centres were all built around large ports, which makes sense given we're girt by sea and heavily reliant on global trade and accessibility.

Further, with vast expanses of our country so arid you'd be hard pressed to sustain a humpy with a man and his dog, we've become a very city-centric nation.

In fact we're one of the most urbanized nations in the developed world, with 89 per cent of us nestled in and around the bosom of our largest cities.

Sure, we've mushroomed out a bit over the years as our population has grown, along somewhat pre-planned 'urban growth corridors', but we largely live huddled together.

Like moths to a flame, we're drawn to hubs of infrastructure and amenity, heavily reliant on public transport and major road arterials, as well as healthcare, education and other industry.

We will always pay a premium for the things we place most value on in life. Including the abundant lifestyle amenity on offer throughout our major cities, such as restaurants and cafes, upscale retail precincts and natural features like our much-loved bays.

### 2. Employment

Logically, with a larger concentration of infrastructure and amenity comes a more extensive jobs pool. And Australia's big cities are no exception to this rule.

Much of the infrastructure support required by an array of industries can be found in our urban centres, where you also have the necessary foundations to support a growing number of workers.

While other areas might experience 'flash-in-the-pan' moments of greatness when a particular sector hits a home run – such as occurred with some regional towns during the resources boom – our cities offer consistency due to a diversity and relative abundance of employment opportunities.

### 3. Lifestyle

Of course a home is about more than just a base camp for when you're off duty from your day job. So it's a good thing our major city centres also have an abundance of emotional appeal.

We love a good lifestyle here in Australia, and are globally recognised as the most chilled out, fun loving bunch of people you could meet.

Not surprising then that the areas we increasingly call home in order to be closer to work have developed into bustling, multi-cultural hubs bursting with 24/7 activity.

Buzzwords like 'walkability', 'commutability' and 'café culture' have become synonymous with city living. And areas once considered the domain of poorer, newly arrived immigrants have become nuclei synonymous with upwardly mobile lifestyles.

Again, as more lower income earners are priced out of inner city areas, it's likely we'll see this trend continue. More disposable income attracts more businesses offering an outlet for your cash.

In turn, we see a further increase in lifestyle amenity, which leads to a flow on rise in the location's...

### 4. Desirability

How much do people want to live there? Often we hear about Australia's 'chronic housing shortage', but rarely is this topic presented in perspective...that is, in consideration of demand relevant to supply.

Sometimes you see people spruiking outer suburban OTP dwellings and quoting alarmist data regarding forecast accommodation shortages to support their contention that property values are set to soar.

What they don't tell you is that all those extra people are not necessarily clamouring to live on the outskirts of town.

Most of us want to be real close to the action. Hence, many inner urban neighbourhoods have morphed into our most sought after areas to live.

With extra amenity, comes extra desirability, comes extra people looking for a home, comes more business investment and amenity...and the cycle continues.

### 5. Scarcity

This goes hand in hand with the above and is perhaps the most fundamental reason the future of our inner city property markets is something you can virtually bank on.

We're quickly running out of developable land, with our urban corridors hemmed in by zoning restrictions and natural impediments, such as mountains or harbours.

A piece of dirt in Sydney or Melbourne is as scarce as hen's teeth now. And I'm sure people would pay a pretty penny for something as rare as hen's teeth on EBay.

As demand continues to escalate, supply continues to dwindle across our inner urban areas. One and one make two. It's simple cause and effect.



# Banking Sector Speculation Increases With Questions Around Risks And Levies

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Never has there been more speculation as to the future of Australia's banking sector than in recent times. Word on the street is that housing markets are largely sustaining, not just our nation's financial services industry, but the fate of the economy itself.

This message was apparent in the recent federal budget proposals intended to consolidate Canberra's coffers and generate sufficient revenue to address the gaping economic deficit.

### Mind the gap

A new bank levy was one of the primary sales pitches Treasurer Scott Morrison led with, suggesting taxing the big banks would generate an extra \$1.6 billion annually, or \$6.2 billion over four years.

Interestingly though, recent reports suggest a miscalculation between what the government says the bank levy will earn them, and what the banks claim they'll be required to contribute, according to the proposed percentage amount.

Last week, the Commonwealth Bank, Westpac, ANZ and NAB estimated they would be contributing a combined \$965 million a year after tax, or \$1.38 billion before tax. It seems someone, somewhere has fudged some figures.

Yet to be accounted for is Macquarie Group's contribution, however analysts speculate that even with its forecast, the investment bank will fill a very small part of the gap between government expectation and fiscal reality.

According to Deutsche Bank analyst Andrew Triggs, even with Macquarie's contribution, there's an obvious shortfall in anticipated revenue from the proposed levy, as it currently stands.

"As such, the levy may need to be lifted in order to achieve the government's goals for budget repair," he said.

Concerns around present and future governments using banking sector profits as a ready-made revenue raiser, by lifting the levy contribution at will, was voiced by the sector after the budget announcement. The same thing has already occurred in Britain, where their banking levy has been raised nine times since its inception.

Morgan Stanley analyst Richard Wiles said it remains unclear right now as to how the tax will impact bank earnings and the stability of the financial services sector, as it depends on the potential for an upward adjustment to the levy and how lenders might reconcile the cost burden with their own repricing.

Of great concern, says Wiles, is the timing of it all, as growth prospects and future bank profitability is under more pressure than ever, raising the risk of unintended consequences.

### It doesn't rain...

Banks are coping it from all directions right now. Not only are they staring down the barrel of an uncertain bottom line, with the government revealing very little about how much they intend to take in the proposed levy, there's also regulators and ratings agencies to worry about.

The Australian Prudential and Regulatory Authority is once more making a song and dance over the requirement for more detailed information around the financial wellbeing of borrowers.

Coincidentally, the 'third and final' warning from APRA (it must be at least three by now!) came after 23 regional banks across Australia had their credit rating downgraded by global ratings agency Standard and Poor last week.

S & P's credit analyst Sharad Jain said the "rapid rise" in household debt and house prices has exposed our nation's financial system to "greater economic risks", with property values vulnerable to "sharp correction".

While regulatory moves were welcomed by S & P as viable solutions to address our perceived financial systems imbalance "in an orderly manner" the risks, they say, are still substantially elevated.

Let's face it, the last time regulators rode in all gung-ho and proclaimed the banks must henceforth toe the line they'd drawn in the sand, we saw a minor disturbance in the housing market at best, before it was business as usual. This is particularly true of Sydney and Melbourne.

"The impact of regulatory measures on house price trends is often hard to predict," Jain said.

"It may be premature to conclude that the trend of house price growth in Melbourne and Sydney has abated sustainably. Over the past four years, there have been periods where house price growth has appeared to be tapering off before resurging strongly."

Major banks have avoided the ratings downgrades due to an implicit guarantee from the federal government. However, shares in Bendigo Bank and the Bank of Queensland fell yesterday by 1.6 per cent and 2.4 per cent respectively after the ratings slip.

### All bark and no bite?

Perhaps the government has, with the proposed inception of a banking tax, found the greatest leverage when it comes to restricting the banks' freedom around internal lending practices, and increasing accountability to regulatory bodies.

Where APRA has tried and failed, could it be a direct hit to banking profits would be a better mechanism of control?

APRA is now requesting for the first time that banks supply information on borrowers' debt-to-income ratios, increases in debt limits and loans to unincorporated private businesses, as concerns over heightened risks in the residential mortgage market grow.

But while the regulator's bark has been loud, its bite has been delayed, as the banks complain that they lack the necessary resource to compile all the data APRA is demanding.

APRA general manager of statistics Katrina Ellis has criticised lenders for their apparent failure to adequately invest in their management systems.

"APRA expects that a prudent (bank) with material exposure to residential mortgage lending would invest in management information systems that allow for appropriate reassessment of residential mortgage lending risk exposures," she said.

"Nonetheless in response to feedback received, and given the volume of changes to reporting requirements underway, APRA has deferred the first reporting period for the new reporting requirements."

And just like that, the banks have dodged another regulatory bullet with very little by way of even a flesh wound. So, just how bulletproof is Australia's banking sector? As household debt rises and more bluster is made of potential housing bubbles, only time will tell.





# How To Level Up Your Property Investment Game

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It's said that the Law of Attraction is every bit as real as the Law of Gravity. Just as you can drop an apple and watch it fall to the earth due to natural energy patterns working to keep us on the ground, we can draw things into our life that will either help or hinder our journey through this world.

While this might seem slightly far fetched to the more practical part of your brain that tells you reality is simply the world around us and hence, impossible to shift, particularly with our minds, think for a moment of the possibilities such power could bring..

### Imagine...

Imagine, as a property investor, having the capacity to conceive of the exact amount of wealth you desire from your portfolio. And then, through the taking of action to demonstrate just how serious your intention to become wealthy with real estate is, manifesting that objective just as you envisioned?

This is said to be not only possible, but also very plausible when you have faith and belief in your own capacity to create due to your connection with the infinite abundance of our expansive Universe.

Throughout the ages, there's been evidence as to men and women manifesting their desires. In his book 'Think Rich, Grow Rich', Napoleon Hill embarks on a quest to explore the inner workings of some of history's wealthiest people.

Hill contends that to become rich, once must first believe you are deserving of that wealth and that you can attain it. Then you must have faith and take action to demonstrate how set you are on your heart's desire.

### Breaking through fear

Perhaps the biggest thing that holds people back from employing principles like The Law of Attraction to level up their property investment endeavours is that niggling doubt.

Will it really work? Maybe it won't work for me? What if I try it and it doesn't work, does that mean I have a broken abundance button?

Okay, so maybe you haven't contemplated that last question, but chances are, fear has made you think once or twice on the validity of things like manifesting your material desires in this world. Fear may even have held you back from making some very lucrative deals and decisions in your lifetime.

Particularly given many people have issues around self worth and self-confidence, and don't necessarily consider themselves deserving of riches beyond their wildest dreams.

Then there are the limiting beliefs many walk around with, regarding the evils of money. Which is quite amusing given that money is simply another form of energy..when you get deeper into philosophical ponderings anyway. Hence, the term currency being used to define money.

The truth is, most things we tell ourselves about money and wealth stem from fear. When you can turn that fear into faith, you can reprogram your subconscious to attract more of what you need and desire into your life. It's true!

### How to reprogram your mind

There are many ways to think more money into your life. I would highly recommend 'Think Rich, Grow Rich' if you're yet to read it. Hill literally shares the same abundance formula used by some of the world's richest and most successful business people throughout the book.

Techniques like creative visualisation and affirmations to reflect your heart's desires that when employed can drastically start to reshape your reality.

Aligning yourself with positive people can have a similar impact, because it's said that like attracts like.

Finding a mentor and investing in expert knowledge is another way to skyrocket your property investment swagger, reaffirming your willingness to invest in the expansion of your knowledge and demonstrating your intent to get ahead of the game!

Mentors can also help you break thorough any fear barriers, because if they're already at the place you want to be, you can guarantee they were standing on that precipice and had to decide to act, irrespective of the fear, just like you might be.



# What Type Of Disruption Will It Take To Address Housing Affordability?

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Disruption. It's somewhat of an industry buzzword these days. Corporate banter is peppered with the concept of 'disruption' that suggests some type of radical change or new approach to an old problem is necessary, if you want to stand out in today's sea of 'sameness'.

When virtually every man, woman and child on the planet can talk to a global audience via the world wide web, there really are no limits on where we can take the new world order of innovation that many suggest is currently evolving.

These are indeed, exciting, edge of your seat times we're living in. If we can focus on the positive potential of what we are capable of creating, in terms of interesting and groundbreaking new solutions to the same old problems, then disruption can be a powerful tool.

It's time we shook things up a little and got uncomfortably real about where we want the future to go.

### Accentuate the positive!

One thing I guarantee that successful property investors are not doing on a daily basis is absorbing every bad news story on our property markets like it was gospel.

Abundant investors know that dwelling on hard news stories will only beget bad luck. Because you make your luck, just as you make your fortunes.

My point being, it's high time we step out of the chaos of an over-analysed problem – and the fear that goes with it – and discuss genuine, authentic, plausible solutions.

And it seems that's what disruption does. It encourages discourse around hard to solve, habitually problem dominated industry issues, because it challenges stagnant stereotypes and social inequities head on.

What does that mean? Well take, for instance, the issue of housing affordability that's plaguing our property markets.

Most people would agree that we have a 'housing affordability' problem in Australia. I mean, the media hits us over the head with it constantly, not to mention the realities we see future generations facing when it comes to particular pockets of major city housing markets.

As with any problem however, there's surely a solution to be had. It's really all perspective. But when you have a newsfeed that largely runs on negativity, it can be tricky to see those solutions. It's much easier to see ongoing issues. The reasons why it's too hard to tackle.

During the recent federal budget announcement, there was a very real sense that the housing affordability 'crisis' had become too big of a problem in the collective political minds of Canberra, to the point they seemingly decided to skirt around it.

They promised a lot in the lead up...but genuine solutions for affordable housing were largely overlooked in favour of vote grabbing bank levies. It's almost like the government threw its hands up and said, "Tax the banks! The people will love it! They hate the banks almost as much as they hate us!"

### Tackling the hard issues head on

The reason disruption is such an interesting concept in this world is that it challenges apparent 'hard to fix' problems with often simple and logical solutions. And the people who come up with these practical solutions get paid lots of money! As they should, because they are ringing in change!

Of course disruption isn't necessarily always positive, but it can be in many instances.

When we talk 'disruption' in the housing affordability equation for instance, many new ideas that are surfacing (and some older ones that are resurfacing) to put property back within reach of 'the masses', often speak to more sustainable living and less environmental impact as well.

In solving a large social AND financial issue, disruptors are also helping to address an environmental one, and often there are flow on effects in stronger community connection and the like as well. All the good things!

See what focusing on the solution brings? So in celebration of solutions, and creative disruptors looking for a way to make housing not simply more affordable, but also financially and environmentally sustainable, let's look at a few ways innovative thinkers are taking back their home buying power throughout the world..

### Micro-apartments

Sydney and Melbourne property prices in particular are beyond many middle income earners, who are often employed in the essential services that communities need to thrive, such as teachers, nurses, police officers and the like.

So where do you live when the average one bedroom apartment costs quarter of a million plus? Well, as many New York and London dwellers are doing, you could consider a teeny tiny apartment.

So-called micro-apartments have caused some controversy, with Melbourne's Lord Mayor Robert Doyle, openly opposing their construction in his city. However, for proponents who have little other option, these apartments are just as liveable, albeit somewhat snug.

The most spacious micro apartments boast around 50 square metres of living, but some can be as little as 35 square metres, just within the Sydney planning parameters.

Of course there's also certain financing considerations when you start talking tiny spaces too. But director of Plus Architecture Craig Yelland, says there's no reason small apartments couldn't be some people's big dream homes.

"Should you have a right to choose a smaller, affordable apartment or should you be forced to buy something \$120,000 more expensive and as a result you can't have your own apartment anymore?" asks Yelland.



## Big World Homes

Another disruptor on our doorstep is Big World Homes. Founder and architect Alexander Symes conceived the creation of pop up, transitional housing communities, with the first home of its kind constructed in Sydney last year.

Big World Homes are portable, off the grid constructions, designed to be built in a just a few days by two people using a hammer and drill. Plus, they're technically considered caravans and can be parked on any private land, with permission of course.

Without the labour and land costs, the purchase price of a Big World Home is 80 per cent cheaper than your standard Sydney dwelling, at a cost of between \$60,000 to \$80,000 to buy and complete.

Dr Joanne Jakovich, co-innovator of BWH says, "The re-thinking of 'space' and 'wealth' is to housing what the sharing economy was to capitalism – Big World Homes has an expansive effect, creating a new life and new communities in the city."

## Co-living with class

Community is a common theme running through most ideals around disruptive problem solving in otherwise restrictive property markets, with various forms of collaboration and shared use of resource.

Co-living is upscale share housing for young, career-minded professionals. All across America people are moving in to purpose built, high-end group accommodation with communal living spaces.

In one complex, tenants enjoy weekend art workshops, Sunday potluck dinners, and a social messaging app for residents to post invitations to one another when they feel like some company.

This is the micro-apartment trend, with a conscious bent toward community living.

## Disruptive construction

Methods of manufacture for more cost effective housing is another obvious area in which disruptive practices can positively address affordability levels in Australia's real estate markets.

Tiny homes are of course creating big solutions for today's first time property buyers who are willing to start out with a more modest home ownership dream, as previous generations once did.

Modular homes that are prefabricated in a factory and then transported to the construction site where all the pieces are assembled are growing in popularity throughout the world, with many companies actively exploring ways to make them increasingly eco-friendly.

And another high tech advancement in residential building processes will eventually see the creation of dwellings by 3D printer. While this technology is still evolving, a few rudimentary structures have already been printed around the world, with a two-storey, concrete building recently printed in China over 45 days.

As our inner city real estate markets continue to trundle along, pushing more potential buyers to the periphery as they go, we'll have to come up with other creative solutions to inspire more affordable housing options.

Moaning about it and becoming entrenched in a problem you can't possibly see a way around is futile. Indeed, we need to disrupt that pattern, which seems ingrained into the very fabric of the real estate world, where people sit around and talk up a property bubble based on the fear of what might one day eventuate.

It's time to celebrate the disruptors and challenge conventional thinking about what constitutes affordable housing. Affordable doesn't necessarily mean compromise. Quite the contrary, in many instances of disruption, it seems to mean finding your community and living the dream on a whole new level.