ACCRUE

REAL ESTATE

2021 Year of the Property Investor

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welcome

A message from our managing director

Welcome to 2021. Last year's challenges remain omnipresent as we head into this new year, but there is a sense of confidence within the economy and Australia's property markets.

It feels like we've turned an important corner in the pandemic's progression.

In short, the next 12-months will be a year of new-found optimism with excellent opportunities for those positioned to take advantage.

Frankly, the buzz of excitement pervading chatter among the team at Accrue – and our wide network of industry contacts – is unlike anything I can remember from my 27 years in property.

It's within this upbeat vein that we have published the Accrue magazine.

In this, our first edition, you'll discover a comprehensive analysis of why 2021 will be 'The Year of the Property Investor'. There are compelling numbers that show current positivity is well justified.

In addition, we get to meet two Accrue members who are making their dreams of financial freedom a reality.

There's also an extensive report on one of our top investment locations, plus useful statistical analysis that will prompt plenty of discussion.

Last year was a standout for Accrue and its members. The company sold in excess of 420 properties across Australia and welcomed 318 new members.

We've also been at the front of the wave on location. Queensland's appeal as a prime investment option is gaining traction in the industry, but we're ahead of the pack having predicted this back in late 2019. With 56 per cent of all sold stock in the calendar year - and 71 per cent of all sold stock in the financial year to date - being in the Sunshine State.

Our ability to select winning assets in growth zones has delivered some members five to seven per cent value gains in the last six months alone. That's an exceptional result by any measure.

With the opening of our Queensland office helping us remain at the forefront of the state's growth, Accrue's clients are only set to benefit further in the future.

Please enjoy this first edition of Accrue magazine – and don't hesitate to contact our team for any assistance throughout your real estate investment journey.

JASON NEVINS
Managing Director

2021 Year of the Property Investor

The end of any year is an opportunity to stop, reassess and prepare.

JASON NEVINS
Managing Director

This is when we reflect on the previous 12 months, assess our response to challenges and successes, and forge ahead based on the wisdom gained through experience.

I don't mean to rake back over the smouldering coals of 2020 and the pandemic. There are (and will continue to be) reams of content produced about the year we've just had.

However, 2020 is well worth your attention because it demonstrated a few things about how property markets (and humans themselves) respond to certain stimuli – and on balance, it's good news for us to carry into 2021.

For example, CoreLogic data to 31st December 2020 showed values had outperformed most expectations, with a positive outcome of 2.0 per cent across the eight capitals, and 6.9 per cent for combined regional.

Index results as at December 31, 2020

	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
Sydney	0.7%	1.3%	2.7%	5.3%	$871,749
Melbourne	1.0%	1.5%	-1.3%	1.9%	$682,197
Brisbane	1.1%	2.1%	3.6%	7.6%	$521,686
Adelaide	1.1%	3.6%	5.9%	10.1%	$468,544
Perth	1.1%	2.8%	1.9%	6.4%	$471,310
Hobart	0.7%	3.2%	6.1%	11.4%	$513,552
Darwin	2.3%	5.5%	9.0%	15.0%	$416,183
Canberra	0.6%	3.5%	7.5%	12.5%	$678,765
Combined capitals	0.9%	1.8%	2.0%	5.3%	$651,983
Combined regional	1.6%	4.0%	6.9%	11.8%	$420,502
National	1.0%	2.3%	3.0%	6.6%	$574,872

Source: CoreLogic

The way Australians reacted en masse to the variety of challenges thrown at us, often at short notice, shows that we will frequently find ways to flex, pivot and thrive.

As a business with offices in both Victoria and Queensland, we are interested in monitoring market performance on a national scale and across all state and territory borders.

ACCRUE

With this knowledge to hand, I believe a number of facets from 2020 have established a solid foundation that should have real estate investors salivating about 2021.

THE FUNDAMENTAL EQUATION

A primary economic equation states that market value is a function of supply and demand.

As the shutdown hit in early 2020, some expected property prices to plummet, including several of our country's keenest economic minds.

The Commonwealth Bank warned in May 2020 it expected Australian house prices to fall 32 per cent in a 'prolonged downturn'.

Fast forward to October and the Commonwealth amended their forecast to predict average capital city price falls of just 6.0 per cent followed a rise of 3.0 per cent in 2021.

Why the quick turn around?

In short, many sellers decided to hold off listing their property. Hence, supply tightened.

On the other side of the scale, demand remained relatively good. Bargain hunters thought they'd jag cheap deals, but with far less property to choose from, competition ensued.

CoreLogic's Market Indicator Summary showed the total number of capital city house listings over the 12 months to mid-December was down 13.7 per cent. In fact, in all capitals apart from Melbourne, listings were down between 22 and 39 per cent for the year.

So, what does this tell us about the 2021 market?

It says that property prices on the whole will not only hold firm, but likely rise so long as demand and supply remain weighted in favour of sellers – and I fully expect that to happen.

CONSUMER CONFIDENCE IS HIGH

Confidence is key when it comes to the economy and real estate. People want to believe their future financial wellbeing is relatively secure so they can move forward on important decisions such as borrowing money or buying/selling property.

Perhaps the greatest confidence booster in recent months has been the overseas approval of a COVID-19 vaccine. While it will take some time to fully roll out vaccinations across the globe, and there will be challenges around take up by the public and ongoing assessment of efficacy, there's no doubt much of our future travel and trade hinges on this medical solution. Thankfully, it seems to be progressing in the right direction.

PERHAPS THE GREATEST CONFIDENCE BOOSTER IN RECENT MONTHS IS THE "overseas approval" OF A COVID-19 VACCINE

The Westpac-Melbourne Institute Index of Consumer Sentiment lifted by 4.1 per cent to 112 in December from 107.7 in November. But perhaps what's more telling is that the confidence index is now 48 per cent above its April low, and has reached its highest level since October 2010.

To quote the source of the index:

"After only eight months the evidence seems clear that sentiment has fully recovered from the COVID recession."

It seems the bounce back is well underway, and Aussies will be opening their wallets, supporting industries, boosting employment and getting the wheels of industry turning again in 2021.

Capital city private treaty median prices

Source: CoreLogic

	Houses		Units	
Capital city	Number of Sales	Median price	Number of Sales	Median price
Sydney	1,901	$841,000	1,101	$645,000
Melbourne	2,125	$700,000	992	$570,000
Brisbane	1,222	$520,000	298	$417,000
Adelaide	736	$500,000	182	$350,550
Perth	1,008	$490,000	244	$413,000
Hobart	176	$579,000	49	$410,000
Darwin	60	$492,500	19	$320,000
Canberra	108	$732,500	138	$470,000
Combined Capitals	7,336	$653,512	3,023	$547,619

EMPLOYMENT LOOKS GOOD

Hand in hand with consumer confidence is rising employment.

ABS data released on 17th December showed Australia's unemployment rate was 6.8 per cent in November, down from 7.0 per cent in October. During the month 90,000 jobs were gained.

This demonstrates a continued downward trend after unemployment peaked in June 2020 at 7.5 per cent.

In a statement released 1st December RBA Governor, Philip Lowe, said:

"In Australia, the economic recovery is under way and recent data have generally been better than expected. This is good news, but the recovery is still expected to be uneven and drawn out and it remains dependent on significant policy support. In the RBA's central scenario, it will not be until the end of 2021 that the level of GDP reaches the level attained at the end of 2019."

Unemployment rate, Seasonally adjusted

Source: ABS

— People

And while small shocks from future outbreaks may play havoc with the number, the long-term expectation is that the trend will continue to be positive. Expect the latter half of 2021 to be very impressive as Aussies get back to work.

HISTORIC LOW INTEREST RATES

The cash rate currently sits at 0.1 per cent after a series of cuts in 2020 designed to stimulate the economy.

Think about that – this is the lowest cost of borrowing the nation has ever seen... and it's not likely to increase anytime soon.

THINK ABOUT THAT – THIS IS THE

"Lowest cost of borrowing"

THE NATION HAS EVER SEEN... AND IT'S NOT LIKELY TO INCREASE ANYTIME SOON.

In short, expect those low rates to be around for some time yet.

Another plus we can look forward to is the freeing up of lending policies.

A hearing around the removal of Responsible Lending legislation is expected to result in an easing of requirements for borrowers seeking funds.

Guidelines for borrowing have become far too restrictive – and this will never hold in a post-pandemic recovery. So, expect 2021 to deliver a more sensible approach to lending.

BORDER REOPENINGS

The reopening of borders – both internal and national – are destined to help drive property prices higher.

For example, Southeast Queensland's property market has the hallmarks of a stellar 2021, as southern state residents, fatigued by lockdown, bring forward plans to relocate to the Sunshine State.

Net interstate migration (NIM) into Queensland to June 2019 was 22,300 people. It had been steadily growing towards figures last seen during the state's 2003 property boom. While 2020 numbers have been dire due to closed borders, it's expected the state will see its NIM exceed the 2019 result by a long, long margin.

Another positive outcome from borders reopening is the freeing up of trade – especially around tourism and hospitality.

Lastly – assuming (with confidence) the global vaccination program yields its expected results, a wave of international visitors will be looking to make Australia their new home.

AGENTS ARE REPORTING EXPAT AUSSIES WITH **"deep pockets"** AND GOOD INTERNET CONNECTIONS ARE LEADING THE CHARGE TO OUR SHORES.

Our nation's response to the virus has been extraordinary on a global comparison and anecdotal evidence of our international appeal is already apparent. Agents are reporting expat Aussies with deep pockets and good internet connections are leading the charge to our shores.

One great example was a $10 million dollar home in Brisbane's ultra-prestige suburb of Hamilton Hill bought by an expat 'site unseen'.

Why does the success of the prestige market concern the average investor?

Historically, Australian property prices are dragged up from the top end, and with a surge of overseas interest certain to pave the way, gains across the board are set to arrive.

PROPERTY IS A FUNDAMENTAL NEED

One element that sets housing above asset classes such as shares is that it provides shelter. Everyone needs a place to lay their head and property fulfils that need.

This is why, despite dire predictions in early 2020 about rental markets, there remained good demand from tenants across most localities.

Property managers in April were fearful that plummeting household incomes would see substantial rent reductions being negotiated.

In the end, however, there was very little pushback. Informal discussions with leasing agents revealed most found that less than five per cent of their total rental book applied for rent relief. Of those tenants that did apply, only a fraction qualified for reductions under states' legislation.

The same applies to homebuyers who continue to purchase.

The shelter function of housing is mitigating risks and shoring up demand.

CHALLENGES IN 2021

Of course, it's not all upside. We are still faced with macro and micro hurdles that could derail some property market gains.

Firstly, the economy has a long way to go to full recovery, and recent barbs with our major trading partner China are putting a dent in the future balance of accounts.

Finding diplomatic solutions to the impasse will be crucial, while new international trade deals need to be inked.

The other primary risk in 2021 is a loss of consumer confidence as government subsidies come to an end, such as JobKeeper and JobSeeker and the HomeBuilder boost. Many professionals in our sector have been suggesting the wrap up of assistance could bring some disappointing headwinds to our recovering national confidence.

And as we've already said – that confidence is key along with increased trade, and improved employment figures.

While I'd keep an eye on the fallout from these factors, I suspect the weight of positive news will soften any blows.

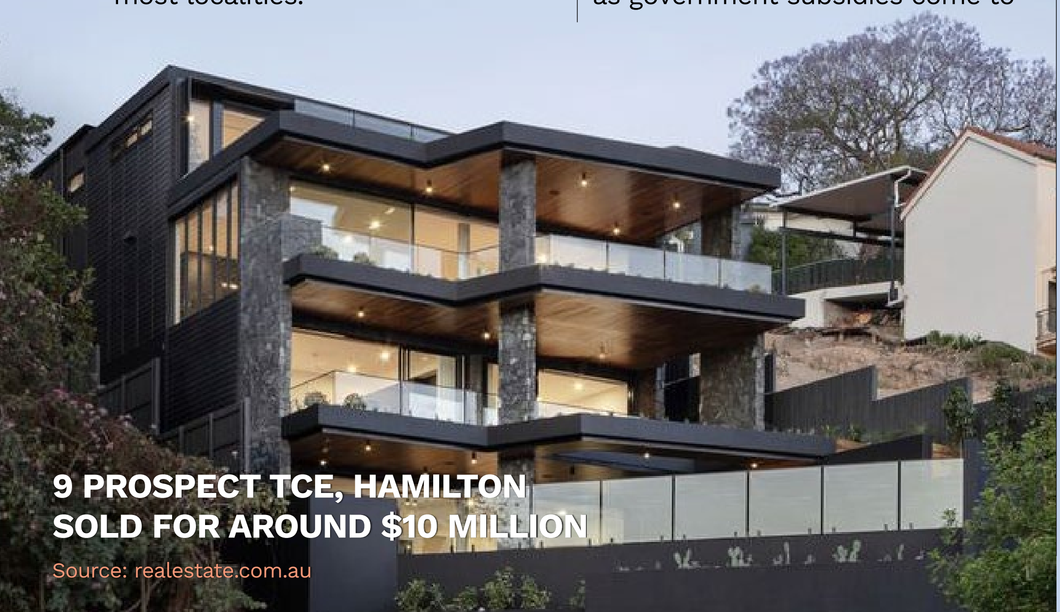
WHERE THE OPPORTUNITIES LAY

As you can see, there is far more to be confident about than to be scared of in 2021.

The key will be making sure you invest early in locations and property types that offer great fundamentals for growth with secure rental demand.

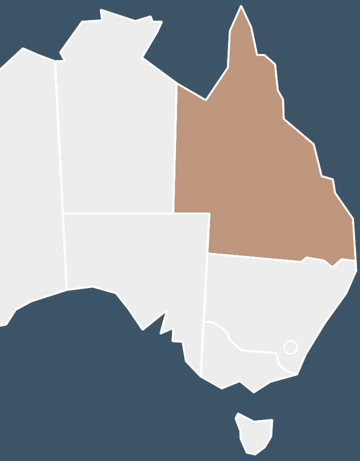
This is why it's key to seek professional advice. There are too many complex, interwoven factor at play for you to act alone. You need a representative who is well networked and can provide comprehensive due diligence on your potential property investment options.

In short, choosing the right asset in the right location will be crucial to delivering your portfolio a very profitable 2021.



9 PROSPECT TCE, HAMILTON SOLD FOR AROUND $10 MILLION

Source: realestate.com.au



Walloon

Location, location, location – it's the mantra that's helped investors build successful portfolios for generations, and Walloon in Queensland is ticking a lot of the boxes considered fundamental for growth.
In short, it's a suburb set to soar in a region that's on the up.

Our Acquisitions team identified Walloon back in 2019 as it fulfilled our stringent property criteria for both growth and yield. We secured an exclusive land opportunity for our members and have since concluded in excess of 60 sales.

If you are seeking further information please reach out to one of our property consultants.

THE CITY OF IPSWICH

Walloon is located within the Ipswich City local government area (LGA). The city has seen progressive renewal over the past decade which is boosting its investment credentials.

Ipswich is Brisbane's primary satellite centre to the west. In 1847, the city was primed to be declared Queensland's capital, but was pipped at the post by Brisbane and its well-established population and business operations.

Through much of the 70s, 80s and 90s, Ipswich was viewed as a semi-regional, blue-collar centre that also serviced nearby agricultural communities. Homes were affordable and rents were low, and nearby manufacturing centres provided employment opportunities.

And while some sections of Ipswich have excellent examples of stately colonial home on large allotments, the region earned a less-then-favourable reputation as a low socio-economic demographic area dominated by low-cost housing.

But this all began to change approximately 15 years ago.

A focussed pushed to promote Ipswich's appeal, including a program of improving safety and connectivity in the CBD and surrounds, drew in a new demographic. Many were young first homebuyers looking for affordable housing, and with them came a shift in perception about Ipswich.

The establishment of the University of Southern Queensland campus promoted growth, and the city's burgeoning arts, café and entertainment scene were born.

Ipswich continues to grow in popularity as a metropolitan centre, and many nearby rural-style community suburbs, such as Walloon, take advantage of the comprehensive services and facilities available within Ipswich proper.

Recent numbers look good too. The REIQ's quarterly Queensland Market Monitors report, released in December 2020, revealed a tightening of supply in Ipswich housing during the year which has translated into resilient pricing.

According to the QMM, the Ipswich LGA saw its total listing numbers drop 11.2 per cent over the 12 months to September 2020. Stock On Market fell 1.0 per cent while median Days On Market reduced by four.

In addition, the Ipswich LGA vacancy rate sits at 1.1 per cent which is indicative of a tight rental market with growth potential for median rents and/or investment property values.

MANY WERE YOUNG FIRST HOMEBUYERS LOOKING FOR AFFORDABLE HOUSING, AND WITH THEM CAME A

"shift in perception"

ABOUT IPSWICH

THE WESTERN GROWTH CORRIDOR

The Western Growth Corridor encompasses the Ipswich Motorway, Cunningham Highway and Century Highway extension – and Walloon is well positioned within its catchment.

The Centenary Highway extension in particular has not only improved connectivity, but a range of master-planned communities along its path – such as Springfield Lakes and the golf-course oriented Brookwater development – have helped boost investment and infrastructure in the corridor.

One of the major growth zones within the corridor is Ripley where new residential development will result in even more facilities servicing the locality. Walloon is just one suburb west of Ripley, making it the natural 'next suburb out' that's ripe for gentrification.

WALLOON

Walloon in a low density, semi-rural suburb positioned 8.5 kilometres west of the Ipswich CBD and 36 kilometres southwest of Brisbane.

Surrounded by stunning farmlands and with rural vista's incorporating mountain ranges, Walloon fulfils the wish list of residents looking for a regional-village lifestyle with big-city convenience.

Walloon had a permanent population of 1588 as at the 2016 census.

Facilities and services within its boundaries are surprisingly comprehensive given its rural village feel.

The suburb also has good public transport options. Walloon train station provides connection through to Ipswich and Brisbane City, and the line's reach extends west to the townships of Thagoona and Rosewood.

Walloon State School offers prep to year six education and has a maximum capacity of 285 students.

Retail facilities are predominately via small business offerings. Walloon Shopping Village is the primary retail hub with outlets including an IGA grocery, takeaway food, medical centre, dentist, chemist and bakery.

According to 2016 census data, Walloon is dominated by families. Couples with children comprise 47 per cent of households while couples without children make up 37 per cent of households.

Both these percentages exceed the Queensland average.

Detached housing is overwhelmingly the dominant residential property type in Walloon, with 50 per cent of houses accommodating four or more bedrooms. The average number of people per household in Walloon is 2.9.

12.1 per cent of all property is rented, and the median rent across the suburbs is $285 per week.

DRIVERS

Apart from its proximity to Ipswich and position within the Western Growth Corridor, Walloon is adjacent to one of the major hubs in the region – the RAAF Base Amberley.

In addition, Walloon is home to Waterlea Estate – a community project with a village feel. On completion, Waterlea is expected to comprise 1800 residential allotments housing around 5000 residents. Development is to be based around a natural creek feature with parklands and ponds helping promote the family appeal.

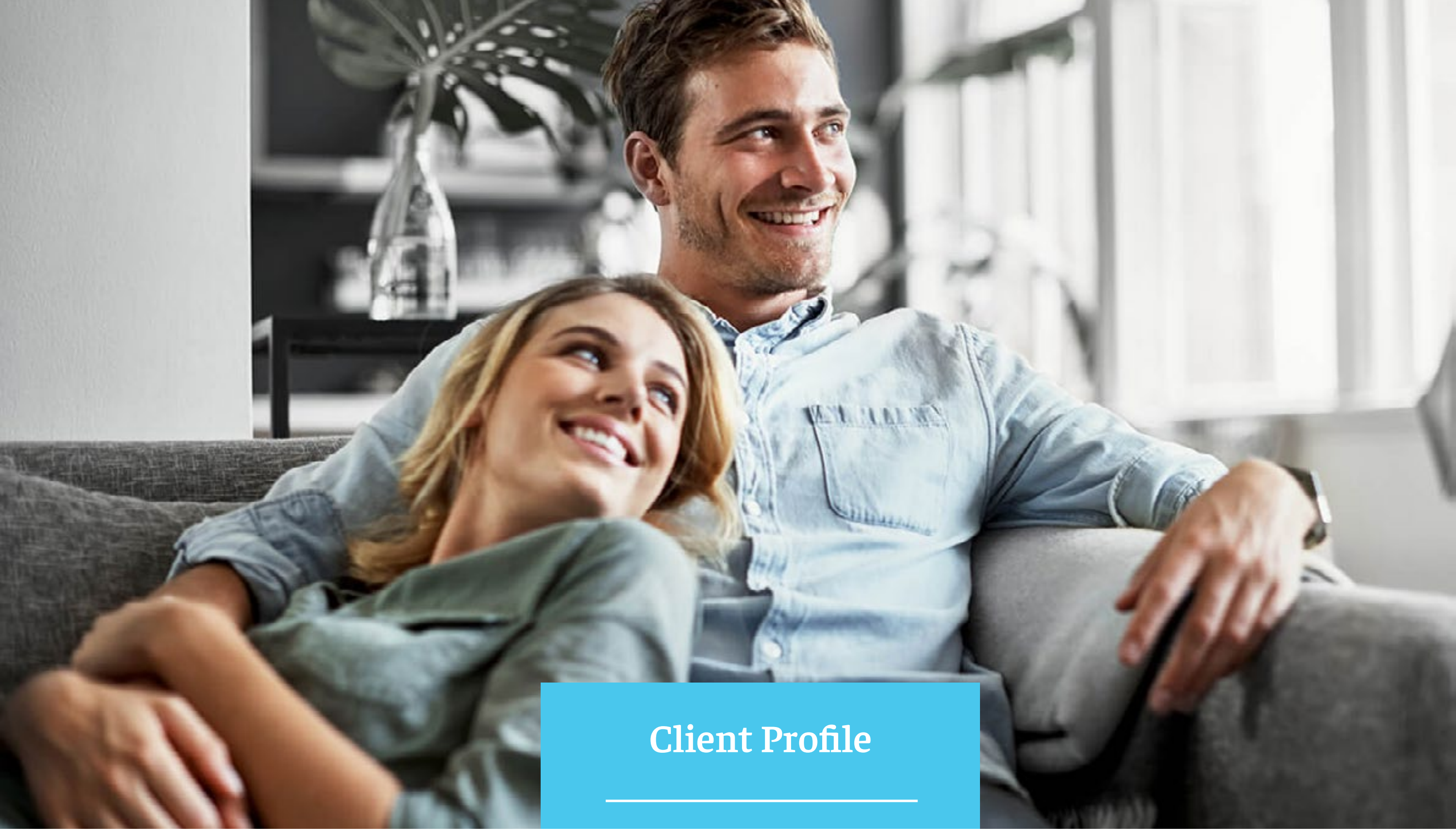
EXPECTATIONS

New home construction within Walloon is expected to deliver a combination of excellent value growth potential and rental return. As this region's infrastructure, facilities and residential attraction only continue to improve, so too will the returns for savvy property investors.

SURROUNDED BY STUNNING FARMLANDS AND WITH RURAL VISTA'S INCORPORATING MOUNTAIN RANGES, WALLOON FULFILS THE

"wish list"

OF RESIDENTS LOOKING FOR A REGIONAL-VILLAGE LIFESTYLE WITH BIG-CITY CONVENIENCE.



Client Profile

How one couple created a five-strong portfolio in a few years

When Peter and Serena were in their early 40s, they realised they had to do something different to change their financial future.

It's not that the pair was worried as such, but they just thought they could be doing more to create wealth for their family.

It's a common timeframe for many people who start

calculating how many years until retirement lie ahead once the time stamp "40th birthday" has come and gone.

So, it was about six years ago – as the couple was having their epiphany about their future wealth position – that they met the team at Accrue Real Estate.

The pair had their own home at the time, but had never started down the property investment path, so the meeting was fortuitous timing.

Peter and Serena were also interested in making their superannuation work harder for them via self-management at the time.

The couple soon met with Accrue and were impressed with the in-depth information and research that the team had on hand as well as their professional manner.

"What's really good is they have a wealth of information, but they're not pushy. I think that's very important," Serena says.

"Basically they have all their information because, naturally, being the first time going in, we got the info and then we went back and did our homework, and it all added up."

BEING THE FIRST TIME GOING IN, WE GOT THE INFO AND THEN WE WENT BACK AND DID OUR HOMEWORK, AND

"it all added up"

The couple were soon the proud owners of not one, but two investment properties – one bought in their self-managed super fund and the other in their own names.

But it wasn't long before the pair bought another property using Accrue's expertise – and then they bought another one.

In 2021, the pair aims to add a fifth investment property to their portfolio using the Accrue team.

While Serena and Peter not only have a sound understanding of using "other people's money" (i.e. the banks) to improve their financial future, they also ensure they have cash flow risk mitigation strategies via buffers in place for any unforeseen expenses.

Serena says they have always been impressed by the preciseness of Accrue's recommendations of potential property investment locations over the years.

"They have a lot of connections and they come up with all of these locations with plans," she says.

"What really impressed us is they actually were very precise with the percentage of owner-occupier and

tenants in the locations that they introduced to us.

"From there, we actually decided which area we'd want to go with and, of course, what kind of properties."

Serena says during the course of their years working together, the Accrue team has always been able to provide more information about a recommended location whenever they have asked.

Indeed, she says, it's the firm's in-depth insights that have helped the pair feel very satisfied with the progress of their portfolio thus far.

"They always have their information, so, when you throw a question to them, they always come back with an answer," she says.

"Naturally, when they recommend an area, we started asking about the demographics, the development, the council planning, and everything.

"They've got it all, so, they've done their homework before they come to us, which is great."

Over the years working together with Accrue, Serena and Peter have added units and houses to their portfolio with no plans to stop anytime soon.

Serena says the couple wants to keep investing strategically while they are both still working, so they can give their portfolio as much time in the market as possible.

She laughs that they'll probably only stop investing when the bank stops lending them money!

And when asked what was the number one thing that impressed the pair the most working with the team at Accrue, Serena doesn't miss a beat in her answer.

"Their research," she says immediately.

"Their end-to-end has always been really good and their research is always on the mark."

FROM THERE, WE ACTUALLY
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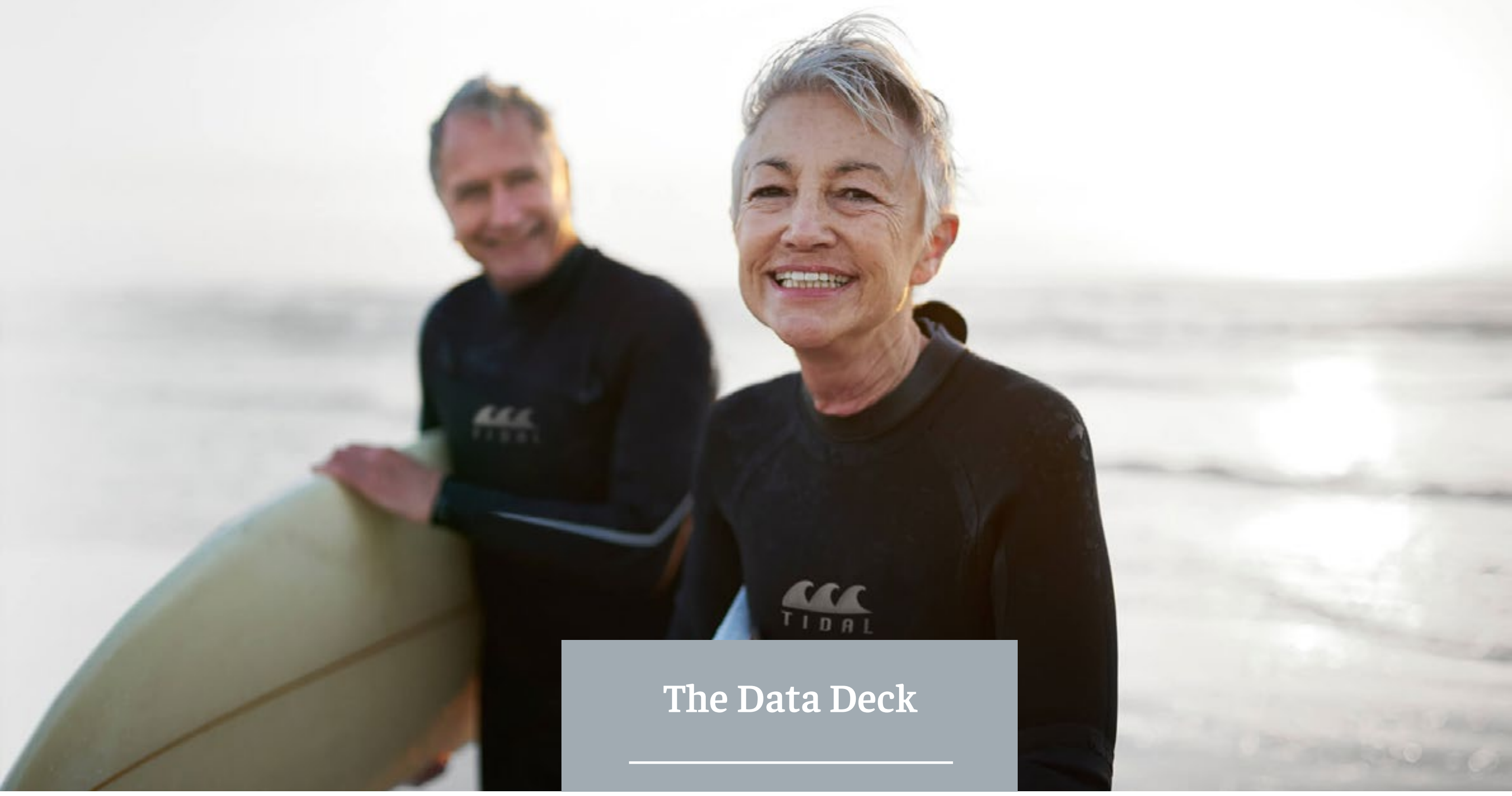


The Data Deck

Identifying the next hotspots

Our research and acquisition team use data and analytics to identify the nation's next property hotspots, keeping our members ahead of the market.

Investing is a science and by using the latest data we are able to predict market trends and growth suburbs. Here's just some of the analytics we're tracking at Accrue.

Hobart
Launceston

Canberra
Geelong
Ballarat
Sunshine Coast

Melbourne CBD
Melbourne Southbank
Sydney CBD
Brisbane CBD

Outer West Brisbane
South Brisbane
Gold Coast
Bendigo
Gippsland
Shepparton
Outer West Melbourne
Coffs Harbour
Newcastle
Adelaide - North West
Perth - South West

Melbourne
- Outer South East
& Northern
Sydney
- Outer West
& South West

JANUARY 2021

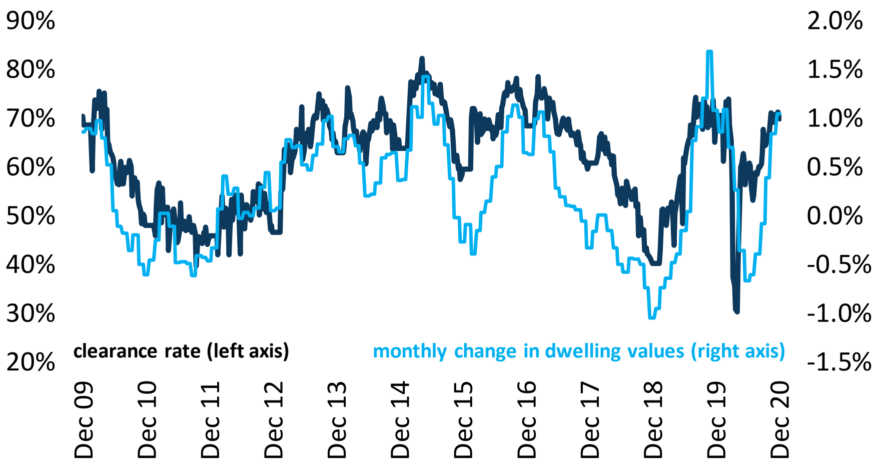
Australian Property Clock

Please note: Property Clock positions are based on the subjective opinion of our highly informed Accrue team. They are not based on a defined algorithm or specific data points.

AUCTION CLEARANCE RATES

Auction clearance rates across capital cities to 31st December 2020 demonstrate how market performance is returning to its long-term average after a challenging start to 2020.

Auction clearance rate, combined capitals



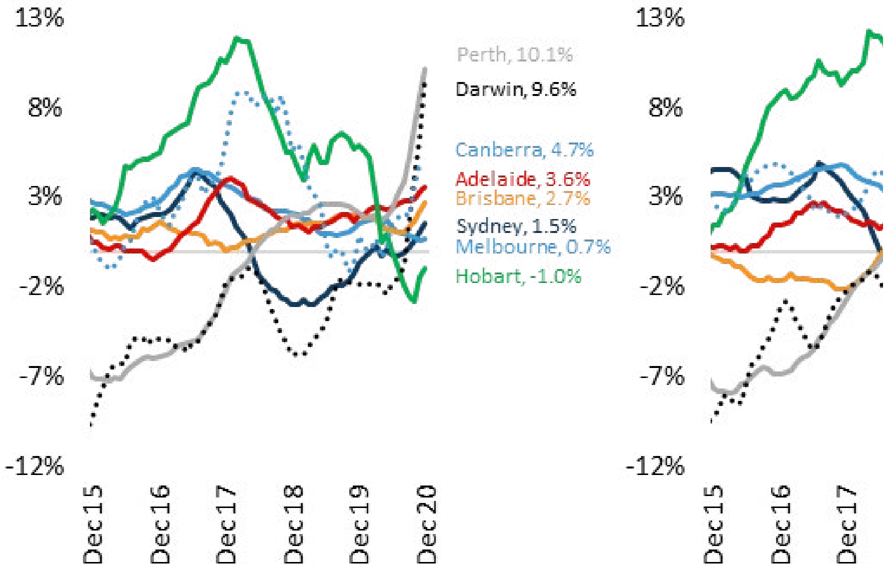
Source: CoreLogic

RENTAL MARKET PERFORMANCE

Changes in rents and gross yields have a direct impact on investor cash flow. The latest data from CoreLogic shows key housing market returns are rebounding.

Annual change in rents, Houses

Annual change Units



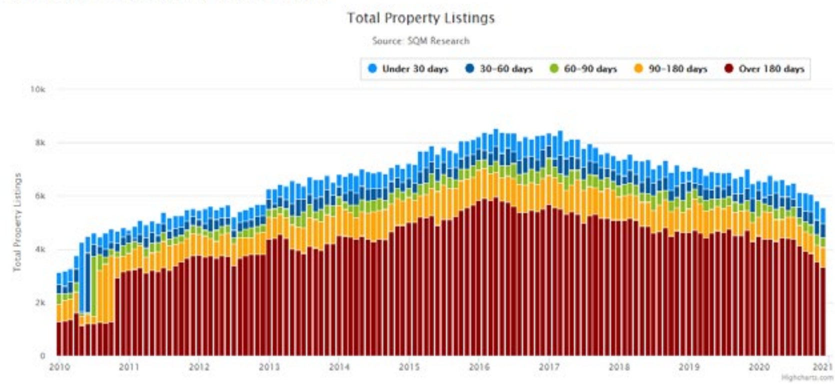
Source: CoreLogic

PROPERTY LISTINGS

Listing numbers are a measure of supply within a given market. A trending fall in listings, as demonstrated by this chart for Southern Queensland, bolsters values as buyers find themselves with reduced options when seeking a property to purchase.

TOTAL PROPERTY LISTINGS

REGION: SOUTHERN QUEENSLAND



Source: SQM Research

PROPERTY VALUE SENTIMENT

Sentiment is a measure of confidence in potential property value growth. The ANZ/ Property Council of Australia index shows how strongly sentiment has rebounded in Australia in the latter half of the year.

Source: Property Councils of Australia/ANZ

ACCRUE

REAL ESTATE

Buy like a professional by taking advantage of our experience.

Our investment property acquisitions services expand Australia wide.

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