How will property benefit from the Coronavirus?

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Like any economic disturbance, the Coronavirus will no doubt create both winners and losers. This is especially true for the real estate sector, but those with patience, good knowledge, quality advice, access to capital and an analytical approach will see a range of investment opportunities emerge.

1. Population growth

Australia's population is growing by around 360,000 people per annum, meaning we need to build around 170 to 180,000 new dwellings each year to accommodate all the new households.

Corona virus will not affect this statistic - people need to live and rent somewhere

2. Declining housing supply

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3. Interest rates are low and will go down further

Lower interest rates will increase demand for property.

The prevailing low interest rate environment is making it easier to own a home, either as an owner occupier or investor.
In fact it's never been cheaper for investors to own a property with the "net outlay" – the out-of-pocket expenses – being the lowest they've been for decades considering how cheap finance is today.

4. Smaller households are becoming the norm

Sure many people live in multigenerational household, but pretty soon Millennials will make up one third of the property market and their households tend, in general, to be smaller as are the households of the booming 65+ year old demographic.

More one and two people households means that, moving forward, we will need more dwellings for the same number of people.

The types of properties immediately at risk from the Coronavirus could include, for example, hotels that rely heavily on Chinese guests; student accommodation providers waiting for students to arrive; or conference centres reliant on unrestricted business travel.

By contrast, properties that are well-placed to take advantage of increasing values are residential houses with fixed 12 moth rental agreements in solid growth areas as opposed to large apartment complexes where tenants are in very close proximity. People need to live and rent somewhere.

5. More renters

Soon 40% of our population will be renters, partly because of affordability issues but also because of lifestyle choices.

The government isn't providing accommodation for these people. That's up to you and me as property investors.

6. First home buyers are back and Corona won't stop them

First home buyers are back with a vengeance, in part thanks to the government's new scheme to encourage them, but also because of cheap finance and rising property values.

As opposed to established homebuyer who have a "trade in" that is increasing in value, if first home buyers wait to get into the market they're finding the market moving faster than they can save, so they're hopping on board the property train as quickly as they can.

7. The underlying fundamentals are strong regardless of Corona

Sure our economy is facing challenges, and the share market is volatile, but our property markets are underpinned by the fact that 70% of property owners are home owners who are there for the long term.

They're not going to sell up their homes – they'd rather eat dog food than give up their homes.

While share markets continue to create uncertainty and losses for investors through super funds, share portfolios and managed funds, the residential property sector offers sustainable returns, capital preservation and extremely strong yields, especially in more affordable capital cities like Brisbane and across southeast Queensland.

Interest rates are at an all-time low which is increasing demand for houses across all buyer platforms and rates of return through rental yields provide significant security against falling term deposit rates which are far below inflation.

Investors are seeking security and yield, and where Sydney and Melbourne have median rental yields of just 2.4 percent,

We have a range of brand new house and land packages with rental yields of around 5-7 percent for dual key properties.

Conclusion

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