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AUSTRALIAN PROPERTY INVESTOR REPORT 2020

A decade of change: A look at the average Australian property investor from 2010 to now

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INTRODUCTION

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The Australian property market is constantly moving, changing and evolving. Like watching a tree grow, it might not seem as though much is happening day-to-day, week-to-week or month-to-month, but looking back at what the state of play was a decade ago, there's a realisation of the degree to which things have transformed. Not only that, but new technologies are increasing the rate of this change exponentially.

Just as the property market is changing, so too is the average Australian property investor. Understanding shifts that occur is vital for property managers and other industry professionals, as this information enables them to be smarter with who they target and how.

How did the face of the average Australian property investor change over the course of the 2010s? This report will look at how the average investor of today compares with the average investor of a decade ago, and how a property manager should be adjusting their strategies to suit.

THE TYPICAL INVESTOR OF LAST DECADE

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To understand how the typical property investor has and might continue to change, we first need to understand what this investor looked like a decade ago.

43 YEAR OLD MALE
only 27% of investors were female

OWNED ONE OR TWO DWELLINGS
Most investors owned one property

LIKELY A PROFESSIONAL
a manager, a small business owner or a worker with a skilled trade

EARNED A NET ANNUAL INCOME OF $103,200
when excluding the top 100 earners this average dropped to **$79,404**

LIKELY TO BE MARRIED
72% of investors were married

According to data collected by the [University of Tasmania], which reviewed over 1.1 million mortgage applications from January 2003 to May 2009, the typical investor during the 2000s was:

- More likely to be male than female (only 27% of investors were women)
- An average of 43 years of age
- Had a net annual income of $103,200 (but excluding the top 100 earners of the sample this average dropped to $79,404)
- Likely to be married (72% of the sample)
- Investors were found to be more likely to be self-employed than owner occupiers—27% of investors were self-employed, compared to 19% of owner occupiers
- Likely a professional, a manager, a small business owner or a worker with a skilled trade
- The owner of one or two dwellings

The University of Tasmania study also revealed where people were likely to invest last decade. Queensland postcodes were by far the most popular, while investors were most likely to come from Queensland, Western Australia and the territories, and least likely to come from South Australia, Tasmania and Victoria.

THE TOP TEN MOST POPULAR INVESTMENT POSTCODES

1. Cairns, **QLD (4870)**
2. Mandurah, **WA (6210)**
3. Torquay, **QLD (4655)**
4. Mackay, **QLD (4740)**
5. Launceston, **TAS (7250)**
6. Gold Coast, **QLD (4217)**
7. Connolly, **WA (6027)**
8. Ballarat, **VIC (3350)**
9. Toowoomba, **QLD (435)**
10. Bundaberg, **QLD (4670)**

Surprisingly, none of these postcodes lies in a major metropolitan centre.

At this point it's important to remember that this data is from a mortgage provider, meaning the individuals represented are *buyers* who are at the very beginning of their investment journey, rather than *owners* who have held property for years or decades. Indeed, ABS data from 2009-2010 offered an alternative view on the age of an investor of 10 years ago, by focusing not on those individuals who were *looking* to invest in property, but rather those who *actually held it*.

According to the ABS's Household Wealth and Wealth Distribution 2009-10 report:

- Almost three-quarters of investment properties were held by individuals aged 45 and over
- Baby boomers (born between 1946 and 1964) held just over 55% of these properties

For property managers, who inevitably gravitate more towards new investors than established ones, the former figures were perhaps more relevant during the first decade of the 2000s. But that's not to say that established investors, particularly the baby boomer set, weren't a fantastic source of business. Indeed, as holders of the lion's share of investment properties, to ignore this group would've seen a property manager shooting themselves in the foot.

THE PROCESS OF INVESTING IN PROPERTY: 2000-2010

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The early 2000s was a time of incredible change in property investment, not because of economic or demographic shifts, but because of the introduction of technology.

In the year 2000 REA Group (realestate.com) had just been given an injection by News Corp, but with Australians still reliant on dial-up internet, the presence of it and its competitors was yet to be truly felt. Australians instead relied on newspaper pull-outs, word-of-mouth and local agent's windows to source their investments. This manual approach brought limitations to the average investor's ability to expand their portfolio. While digital services had almost taken over from analogue by 2010, they weren't yet ubiquitous.

The major consequence of this analogue approach was the limited access to information that it offered investors. To pull up demographic or property data on a certain area was difficult (and at times impossible), meaning an investor was more reliant on their agent and/or property manager for info and expertise. By choosing to manage an investment property themselves, a limit was generally put on earning potential.

THE TYPICAL INVESTOR OF TODAY

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What does the average property investor look like today? CoreLogic's Investor Report provides some broad numbers:

- 15.7% of Australian taxpayers have an investment property
- Most property investors own one investment property, with an average of 1.28 properties per investor
- The 50 to 64 age group is the most likely to own an investment property

Statistics from the RBA show that the average Australian property investor of today:

- **Has an average net income of well below $100,000:** While 45% of Australian property investors earn less than $50,000 per year, the percentage of properties owned by higher income earners is going up
- **Is decades away from retirement:** Just over half of Australian property investors are under the age of 50, although it should be noted that the share of property investors aged 60 years and over has almost doubled in the last decade
- **Owns one or two investment properties:** Whilst the number of investors with multiple properties has grown, 70% of investors still own only a single property, 20% own two, and just 10% own three or more
- **Is a professional:** Professionals like teachers, lawyers and doctors account for the largest share of property investors (22% of investors), with managers not far behind

But perhaps the most dramatic change is in the amount of female investors. According to data from the ATO, almost half (47%) of property investors are now female, up 20% on last decade.

JUST AS LIKELY TO BE FEMALE AS MALE

47% of investors are now female

OWNS ONE OR TWO DWELLINGS

70% of investors own one property

DECADES AWAY FROM RETIREMENT

Just over half of investors are under 50 years old, however, the 50-64 age group is most likely to own an investment property

NET ANNUAL INCOME OF LESS THAN $100,000

45% of Australian investors earn less than **$50,000** per year

LIKELY A PROFESSIONAL

22% of investors are teachers, lawyers and doctors

WHERE ARE AUSTRALIAN INVESTORS BUYING PROPERTY?

While CoreLogic reports that investor ownership is highest in Victoria where 30.5% of all dwellings are estimated to be investor owned, data from the RBA suggests that Queensland is still the favourite of Australian investors, with no less than a quarter of the nation's investment properties being bought in the state. However, less than 20% of property investors are from Queensland, showing the willingness of today's investor to jump borders in search of a high yield investment.

According to the CoreLogic report, the following regions are currently home to the highest amount of investor owned properties as a proportion of the total dwellings:

1. **Darwin, NT**
2. **Gold Coast, QLD**
3. **Melbourne, VIC**
4. **Sydney, NSW**
5. **Brisbane, QLD**
6. **Bal, NT**
7. **Mackay, QLD**
8. **Far North, QLD**
9. **Northern, QLD**
10. **Fitzroy, QLD**

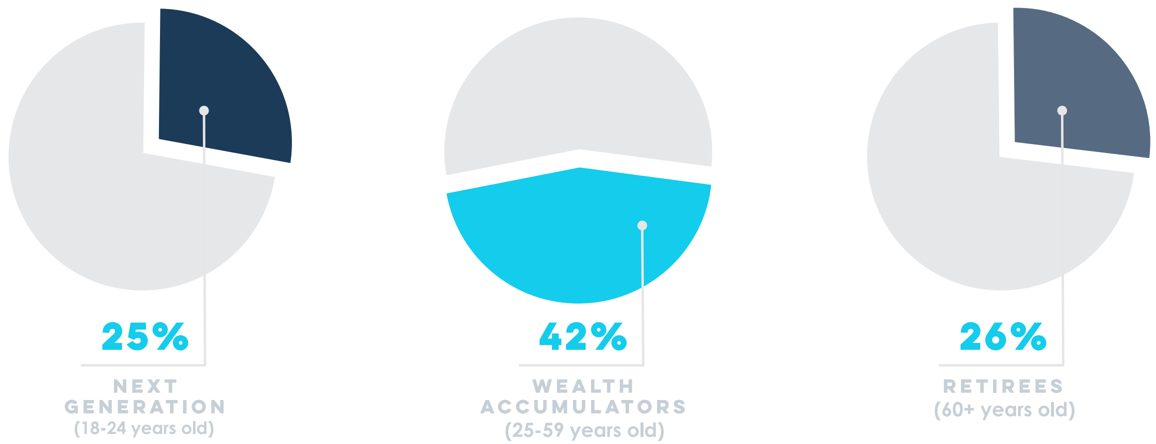
While the parameters of this data are slightly different to those used for the 2000s list, the strength of the Queensland property investment market remains evident. There is a noticeable shift from regional areas to the city from the last report to this one.

CATEGORISING TODAY'S INVESTORS

While there are some perks in boiling down all property investors into a single amalgamated individual, there are also pitfalls in oversimplification. In a non-property-specific Australian Investor study, the ASX grouped individuals into three profiles: next generation, wealth accumulators and retirees.

Type of investor	Next generation	Wealth accumulators	Retirees
Age	18-24	25-59	60+
Financial goals	Saving for a home or travel, wealth accumulation	Wealth accumulation, planning for retirement	Planning for retirement, supplementing income
Risk appetite	81% seeking stable or guaranteed returns	67% seeking stable or guaranteed returns	60% seeking stable or guaranteed returns
Trading method: Online trading platform	42%	65%	69%
Trading method: Advice or full-service broker	36%	21%	21%
Trading method: Financial planner	24%	18%	13%
% who have Invested in property	25%	42%	26%
Seek financial advice	37%	44%	52%

PERCENTAGE WHO HAVE INVESTED IN PROPERTY



Stereotypes about the **next generation** appear unfounded, for those that invest at least. This group is risk-averse, and tends to avoid online trading and non-advice brokers for the more personal and professional approach of full service brokers and financial planners. They are less likely to seek financial advice however. The fact that these investors are just finding their feet goes a long way to explaining these preferences, but the results are still somewhat of a surprise.

Wealth accumulators are developing an aptitude for investing, and are thus a little more open to risk and a little less reliant on advice than their younger counterparts. This group is the most likely to have property in their investment portfolio, and are looking to accumulate as much wealth as possible before retiring.

Finally, **retirees** are actually the most open to risk of all, and are also the most avid users of non-advice broker services and online trading platforms, preferring the new tech over traditional full service brokers and financial advisors. This again goes against their tech-phobic stereotype.

WHAT IS THE PROCESS OF BUYING AN INVESTMENT PROPERTY TODAY?

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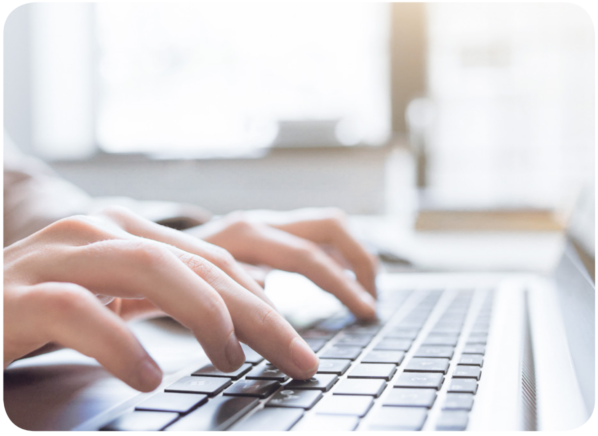
A lot has changed in a decade. Technology has flipped the whole process of investing in property on its head, transferring much of the power from the real estate agent and property manager to the investor themselves.

Firstly there's the process of searching for and choosing a property. Investors can easily access data to identify the growth areas of a city, state or country and to analyse property values, before doing a VR walkthrough to get a sense of a property, even if it's on the other side of the world.

There are peer-to-peer loan (RateSetter) or crowdfunding mortgage platforms (homefundit) that are opening up investing to even more people. There are fractional investment platforms (BrickX) which allow investors to enter the market by buying just a portion of a property. And once a property is acquired, Airbnb and rental marketplaces have given the average investor the opportunity to be their own property manager (although they soon find out exactly how much work is involved).

On the property manager side, methods of marketing to property owners have changed in a big way. The importance of social media and search engine marketing increases by the day, allowing property managers to leverage data to target their communications, convert leads and build their brands.



THE NOTABLE CHANGES

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How has the average Australian investor changed over the course of the last decade? It's fair to say that in the traditionally slow and steady world of demographics, things have shifted a surprising amount. Some changes have been dramatic and others more subtle, but even these still point to more dramatic trends into the future.

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Women are making their presence felt to a far greater degree than they have previously. From just 27% in the 2000s, **47% of property investors are now female,** almost double the figure.

The market remains surprisingly egalitarian, with the **average homeowner holding 1.28 properties**, and only one in 10 owning more than two. However, the number of investors with multiple properties has grown relative to those with a single property.

Perhaps surprisingly, **the average investor earns far less than 'triple figures'**. Low to middle income earners have managed to find ways to invest, off the back of various government grants and subsidies, as well as a number of new technologies that make investing in and managing a property portfolio easier than ever. The average investor is still likely to be a professional or a manager, as was the case in the 2000s.

On the back of the aforementioned tech, borderless investing is becoming more commonplace than ever. In PIPA's 2019 Investor Sentiment Survey, **45% of respondents said that they intended to purchase their next investment property outside of their home state.**

That state is more likely Queensland than any other, with the Sunshine state remaining the most popular investment destination over the last two decades.

45% OF INVESTORS INTEND TO **PURCHASE** THEIR NEXT INVESTMENT PROPERTY **OUTSIDE OF THEIR HOME STATE**

This isn't to say that there aren't similarities between the investors of today and last decade. **The 'average' investor is still in their forties, and baby boomers still hold the majority of homes,** although there's an asterisk here, as boomers are 10 years older now than they were, and are pushing into their 60s and 70s. As their properties get sold or passed down through families over the next decade or two, the influence of this generation will begin to wane.

For now at least, boomers continue to be the predominant force in the property market, **but next generation investors are beginning to make their presence felt.**

Demographic, economic and technological shifts are all playing their part in transforming the look and behaviour of the average Australian property investor.

WHAT DOES THIS MEAN FOR PROPERTY MANAGEMENT?

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With these changes in mind, how should a modern property manager adjust their approach?

TARGET THE RIGHT DEMOGRAPHIC

Marketing must target the right people. The average investor isn't the baby boomer adding an eighth property to their portfolio — it's the 40-something (or younger) buying their first or second. There's certainly no harm in targeting investors who sit outside that average range, like retirees and next generation, provided a property manager understands their thoughts, fears and motivations.

USE SMART MARKETING METHODS

Once a property manager understands the type of investor that they want to get in front of, they must use social media and other digital marketing methods to find and target them. They should craft marketing materials that speak directly to a specific audience, rather than generic, billboard-style advertising that can be easy to ignore. Build an online presence, and give themselves legitimacy.

USE SMART TECH TO ELEVATE THE EXPERIENCE

Property management is made so much simpler, both on the manager's and the owner's side, when mobile and cloud technology is utilised. Tech-savvy investors are increasingly looking for property managers who use cloud property management systems that enable them to keep track of their investments in real-time. The transparency and peace of mind that this technology grants is invaluable to the owner, and they soon wonder how they ever went without it.

CONCLUSION

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If the last 10 years have shown us anything, it's that the property market is an ever-changing beast, and in the words of Canadian Prime Minister Justin Trudeau, "*the pace of change has never been this fast, yet it will never be this slow again.*"

Not only are many of the changes identified in this report already momentous, the ever increasing pace of change means that some of the more subtle transformations point to far larger shifts to come; shifts that are likely to come sooner than many may think.

Whether it's the decline of baby boomers as a force in property investment, the introduction of new and disruptive technologies, or something that we haven't yet foreseen, dramatic shifts are on the horizon for the property management industry.

Identifying and understanding these changes is just the first step to negotiating the challenges to come, and capitalising upon the opportunities that they will bring.

In property management, as in any modern industry, to stand still is to go backwards. What will the average Australian property investor look like in another 10 years? And how will a property manager succeed in that market?

We're looking forward to finding out.

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