DYMPHNA BOHOLT

Creator of *'Conquer The Chaos'* Blockbuster

# AFTER$HOCK AUSTRALIA

WARNING DANGER AHEAD

## How To PROTECT Yourself And PROFIT From The Worst Economic Meltdown In 100 Years

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*Welcome to*
# THE AFTERSHOCK

*The GFC was a lonely time for me.*

I remember standing on stage in front of a packed auditorium. It was a leadership summit that was being headlined by Tony Robbins.

I had to follow a Robert Kiyosaki – author of Rich Dad, Poor Dad, and one of the legends in the wealth and freedom space. He had made his fortune in property – literally written a book about property investing – and was now saying the property prices in Australia were going to fall 40%!
40%!

And now here comes little old Dymphna to say that Robert was wrong. Not only were property prices not going to fall, they were about to boom.

I think I was pretty much the only economist in the country who mas making that call.

In fact, Steve Keen, a professor in economics at Western Sydney University was also predicting house prices were going to fall 40%.

He was so sure he was right he actually sold up his apartment in Surry Hills, Sydney.

Following the GFC, the market was in a classic fear cycle. I don't know if you've seen the sentiment cycle they teach to first year finance students.

It looks like this:

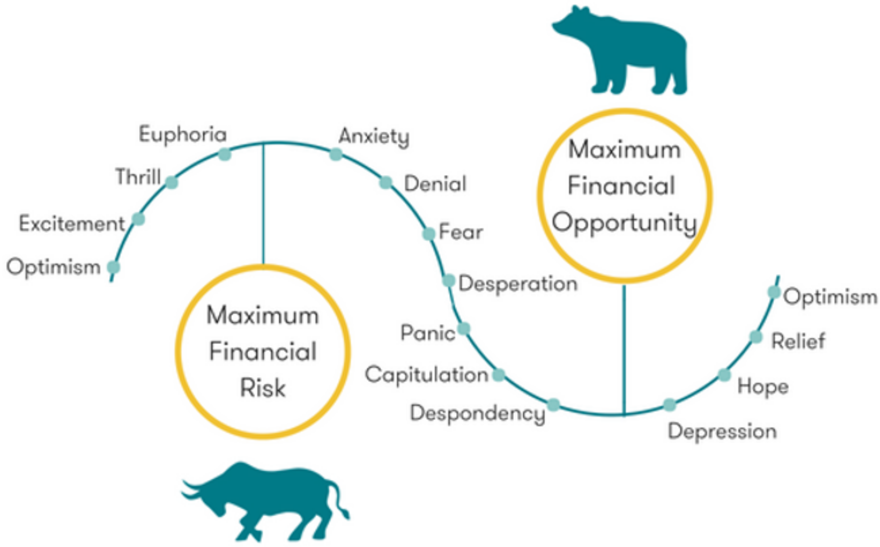



**Chart 1: The Sentiment Cycle**

The market was in maximum fear and maximum despondency. People extrapolated on the present, and the future looked bleak.

People were ready to hear about house prices crashing 40%. They wanted to hear about it.

And when you have one of the most famous property investors in the world in Robert Kiyosaki, as well as a literal professor in economics telling you that was what was going to happen, well of course people believed it.

But I didn't. I knew they were wrong. I knew that house prices were going to boom.
Because Kiyosaki and Keen just didn't understand the context. Kiyosaki didn't understand the particular nuances of the Australian market – nuances that meant we were never going to follow down the same road as America's housing market.

And Keen didn't understand how things work in the real world – away from his fancy mathematical models. He just didn't see what impact massive interest rate reductions and stimulus packages would actually have on the market.

Ten years on, history has proven me right. House prices in Australia have seen phenomenal growth over the past decade, and if you were able to hold you nerve, you made a lot of money.

It just goes to show that sometime the advice you get for free is the most expensive advice you'll ever get.

Actually, it's worse than that. Because you've got to remember that while Keen and Kiyosaki were telling people to sell, they were also telling people to stick their money in gold and silver and precious metals – the so called 'stores of value'.

So what happened if you did that?

## THE COST OF FREE ADVICE

Steve Keen sold his apartment in 2008, at the very bottom of the cycle, for $526,000.

If Keen had held on to his house instead of selling it, it would have gone up 96% in value, based on median Sydney prices, to just over a million dollars. If we assume that he had a loan to value ratio of a standard 80%, or a mortgage of just over $400,000, then he would of turned $106,000 into $616,000.

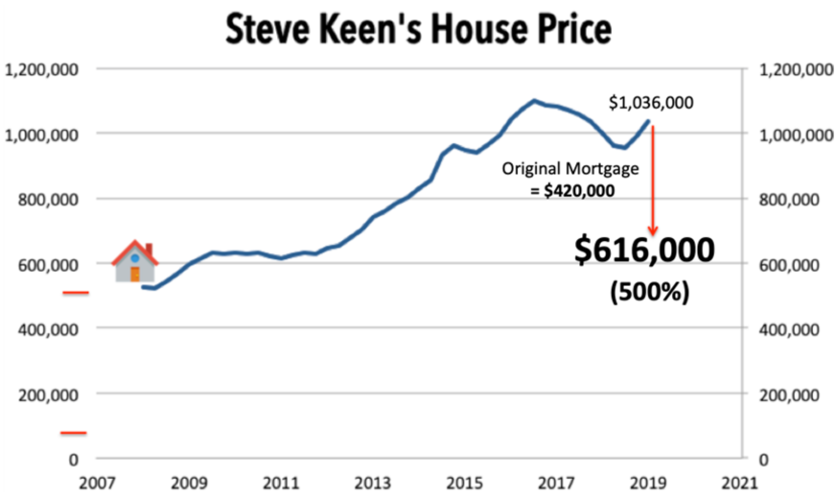



**Chart 2: If Keen Had Held**

That's a gain of 500%. That's impressive in anyone's books.

But what if Keen had followed his own advice – if he had sold up and put the money into gold. Well gold prices grew 95% over the same period, so maybe it evens out?


**Chart 3: Gold Prices**

The difference is leverage. Because if Keen had sold up and taken the $106,000 he had in the house and bought gold with it, at the end of the decade, that $106,000 would be worth just $206,000. That's less impressive.

What's worse, if he sold up and started renting, you've got to include that expense as well, since gold doesn't pay you're a return.

If we assume $100,000 over ten years, which is the cheapest rent ever, then we completely wipe out our equity gain.

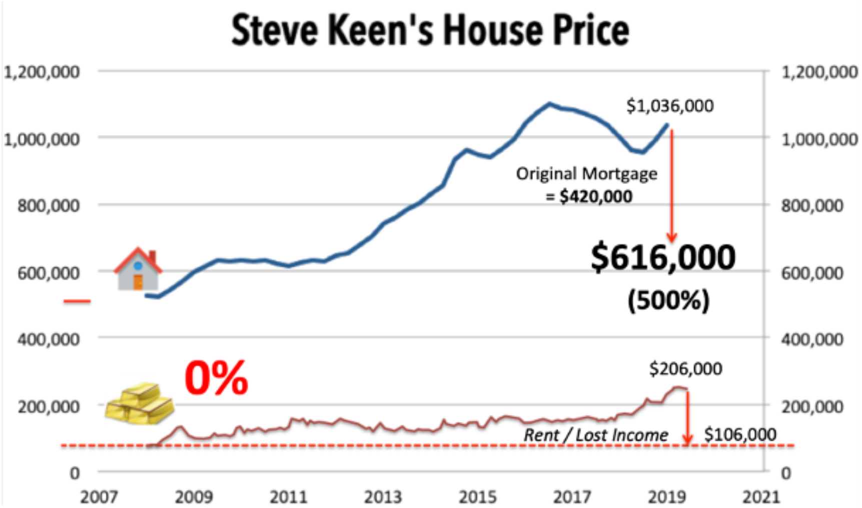



**Chart 4: If Keen Bought Gold**

After ten years, and after a boom in both house prices and gold, you're exactly where you started.
So with the benefit of hindsight, it was terrible advice. Even though it was advice you were getting from every direction at the time.

## DOES HISTORY REPEAT?

Ten years on, we're in the middle of an entirely different crisis, but many of the same lessons apply.

There's a lot of fear out there. The property market in particular is completely frozen. No one is selling and there are very few buyers in the market.

If we go back to our sentiment cycle, we're at maximum fear.

There are also hints of a second wave building in Australia, and many of our major trading partners, particularly America, are really struggling to stay on top of things.

Things look grim.

However, looking through the noise, I'm seeing the exact same market conditions that set us up for the last boom.

There are four things that I have my eye right now.

Call them the 'four drivers of the boom'...

- **First, the fundamentals of property are primed for growth again** – demand is rising and supply is very tight.

- **Second, there is a ginormous amount of infrastructure spending coming online** in the coming months.

- **Third, governments around the world are throwing a huge amount of money at the Corona Virus.** It's only a matter of time before this money filters its way through to asset prices (which is exactly what happened in the GFC!)

- **Third, we are entering the expansion phase of an 18-year credit cycle**, a cycle that has underpinned every boom and bust in the market for over 250 years.

(If this is all new to you, don't worry; I'm going to explain how it all works in this book.)

The only point I want to make here is that there's all this talk about how things are 'unprecedented'; how we're in 'uncharted waters' and so on.

And to an extent, that's true.

However there is a lot that we do know. It is possible to map out, with a fair degree of certainty, what the next 18 months or so is going to look like, and how far the next leg of the cycle is going to run.

So that's what I'm going to do in this book.

This is the roadmap:

- I'll show you just what a **disaster cycle** looks like, and the key turning points to look out for over the next 18 months or so.

- I'll then show you exactly how this disaster cycle played out **last time we had a pandemic**, and what happened to property prices in the aftermath.

- I'll help you understand **the true nature of this crisis**, and show you why most people have fundamentally misdiagnosed what this crisis is about.

- I'm going to show you **why October is going to be a pivotal turning point for us**, and why a **'Black October'** might end up scaring the pants off most investors… and potentially give us **the buying opportunities** of a life time.

- I'm going to help you understand **the four drivers of the next boom** – and just why we're laying the groundwork for some of the biggest opportunities of my investing career.

- I'm going to then pull that all together, and layout what I think is **the most likely scenario for property prices over the next five years**. There's a degree of speculation here, but history does give us a useful guide.

- **SPECIAL BONUS!!** As an added extra, I'm going to share with you **the exact 10-point action plan** I'm sharing with my mentoring students, right now.

Now a lot of what you're going to see here is going to scare you. A lot of it is going to come like a slap in the face.

I'm not doing you any favours if I sugar-coat things, and make no mistake, this crisis is truly unprecedented. The economic implications are huge.

However, in every crisis there is an opportunity. We know that every crisis that has ever hit the economy like a wrecking ball has also made a large number of people incredibly wealthy.

**This will be no exception.**

So look, I know there's a lot to take in here. This took my team and I weeks to research and there's over 40 charts here to digest. Some of it gets a bit technical.

We're also trying to get a handle on a very fluid situation. All of the charts are current at the time of writing, but I can't guarantee they will be by the time you see them. I can't even guarantee they'll be current tomorrow. So keep that in mind.

But at the end of the day, the exact data points are not as important as the broad themes I'm trying to show you – themes that investors can rely on to drive multi-year investment strategies.

I'll try to keep it as simple as I can, and at the end of the day, there's only one key message:

**This crisis is the opportunity you've been waiting for…**

**… if you know how to prepare yourself.**

# Life Changed: **Desley**

**It's not all bad news, here's the true story of a farmer who'd never paid an electricity bill herself who with the right education, set her family up with a tax-free income of $160,000 a year!**

Desley had spent her adult life on a farm. Her family had been through it all: droughts, floods – you name it. Though her husband was a fourth generation farmer, Desley could see that the stress was taking its toll. In 2015, they decided to sell up, which gave them something of a war chest to work with, but they needed to create income – and quickly.

Desley, her husband, Murray, and their four kids left their farm in Queensland with nothing. Their furniture was 30 years old, so they put it all in a pile and set fire to it. Shortly after arriving in the Sunshine Coast, they started burning through their savings. They desperately needed a source of income but as they'd been farmers all of their lives, they didn't know where to turn.

At the time, their investment advisor recommended managed funds but Desley and Murray wanted something that 'they could touch'. When Desley stumbled across an ad for Dymphna Boholt's one-day seminars, she was keen to learn more.

*"As soon as Dymphna started talking about asset protection Murray was hooked. We'd come close to losing our farm a couple of times."*

Murray had always taken on the responsibility of the farm, so Desley wanted to give him a break and was adamant about doing the course herself.

Joining Dymphna's Ultimate Program and then Platinum Program was a steep learning curve. Desley had never done anything more than buy the family's food and clothes. In fact, she'd never even filled out a tax return.

However, the Platinum Program gave her access to some of the leading property experts in the country who helped her pull off the deals that she made later on.

Desley and the team knew that commercial real estate was the best way for them to generate income quickly. They were at a stage in their life where using a self-managed super fund made sense and they purchased a set of storage sheds for $450,000 and then followed that up with a $2.3M retail complex.

These two deals were enough to create a yearly passive income of $160,000. Furthermore, since Desley and Murray are pensioners, this money is tax-free! This is how

Desley did it.

## Deal 1: The Low-Ball Offer

Desley and Murray used the money from the farm sale to purchase their new home on the Sunshine Coast outright, which gave them some stability. However, they were burning through their savings and needed some money coming in.

Desley looked at half a dozen deals before landing on one. Each time she went through the feasibility studies, the contracts and the negotiations, she learnt a little bit more. Finally, she came across a set of 31 storage sheds in Townsville. The vendors were a couple in the middle of a messy break-up and, with Townsville in a bit of a soft patch, they wanted to get out.

The sellers had an asking price of $800,000, but Desley decided to throw them a low-ball offer of $455,000. Murray worried that it might be insulting, but the vendors went for it!

The complex earns $42,000 a year, which puts $33,000 a year into their pockets after costs. Better yet, some of the sheds are still available for rent which means even more income.

**DEAL 1: 31 STORAGE SHEDS**

| | |
|---|---|
| Asking Price | $800,000 |
| Purchase Price | $455,000 |
| Gross Cashflow | $42,000 PA |
| **Net Cashflow** | **$33,000 PA** |

## Deal 2: Knock Half A Million Off

Although the success of her first deal gave Desley some confidence, her next deal really pushed her out of her comfort zone.

A friend of Desley's had recently put an offer of $2.8M for a shopping centre at Yeppoon, which had full capacity of seven tenants. The vendor's asking price was $2.88M but when Desley and her team crunched the numbers, they realised they could only make it work if they got it for less than $2.4M. She put in an offer of $2.325M, which the vendor accepted with one condition: they needed to close the deal within the week.

*"Seriously, without ILRE, without Platinum and the whole team, I would still be chasing my tail, with no idea what I was doing. I couldn't have done this alone."*

**DEAL 2: SHOPPING CENTRE**

| | |
|---|---|
| Asking Price | $2,880,000 |
| Purchase Price | $2,325,000 |
| **Net Cashflow** | **$130,000 pa** |

With her team and the guys at Pacific Law working over time to get the right structures in place, Desley and Murray drove seven and a half hours up to Townsville to inspect the property and close the deal. They signed the contract in a service station in Rockhampton, and the vendors signed the next day.

All told, the complex will pay Desley and Murray a passive yearly income of $130,000.

## Off-Farm Income, Off-Farm Lifestyle

Desley has achieved what she set out to do; she has taken the financial burden off her husband's shoulders and set her family up with stable, tax-free income.

She has also found the strength and stability that comes with having multiple sources of income.

Now, Desley is passionate about sharing her newfound knowledge with rural communities across Australia. Many farmers struggle with the intense financial pressures of farm life and Desley believes that our tragically high rural suicide rates reflect this. However, if we can set farmers up with sources of off-farm income, then she believes that this will alleviate some of that pressure.

It's a worthwhile cause that Dymphna Boholt has signed up to. It looks like there's no stopping Desley and we wish her the very best of luck.

**Watch the full session of how Desley set her family up with a tax-free income of $160,000 a year by clicking the link below or going to https://youtu.be/IGXDbdmPUug**

**PRE-DYMPHNA**

| **Property** | **Value** | **Equity** | **Nett Cash Flow** |
|---|---|---|---|
| PPR $920K | $920K | $0 | |
| SMSF | $1.8M | $1.8M | $0 |
| Cash $300k | $300k | $0 | |
| **Total $3.020M** | **$3.020M** | **$0** | |

**POST-DYMPHNA**

| **Property** | **Value** | **Equity** | **Nett Cash Flow** |
|---|---|---|---|
| PPR $1M | $1M | $0 | |
| Storage Sheds | $445K | $445K | $33K |
| Shopping Centre | $2.88M | $1.88M | $130K |
| **Total $4.325M** | **$3.325M** | **$163K** | |


## 7 Reasons You Must Attend This Brand New Online Class

- **Find Out Exactly Where House Prices Are Heading –** This little known 18 year property super-cycle has accurately predicted price movements for over 150 years. And it's doing it again.

- **Create Your Own Property Boom** – Don't wait for the market to move. Discover how investors have created capital gains of $30,000 in 4 weeks … $40,000 in 8 weeks … and even $120,000 in 7 weeks.

- **Positive Cashflow Strategies** – How to enjoy lucrative returns from your properties and put money in your pocket every month.

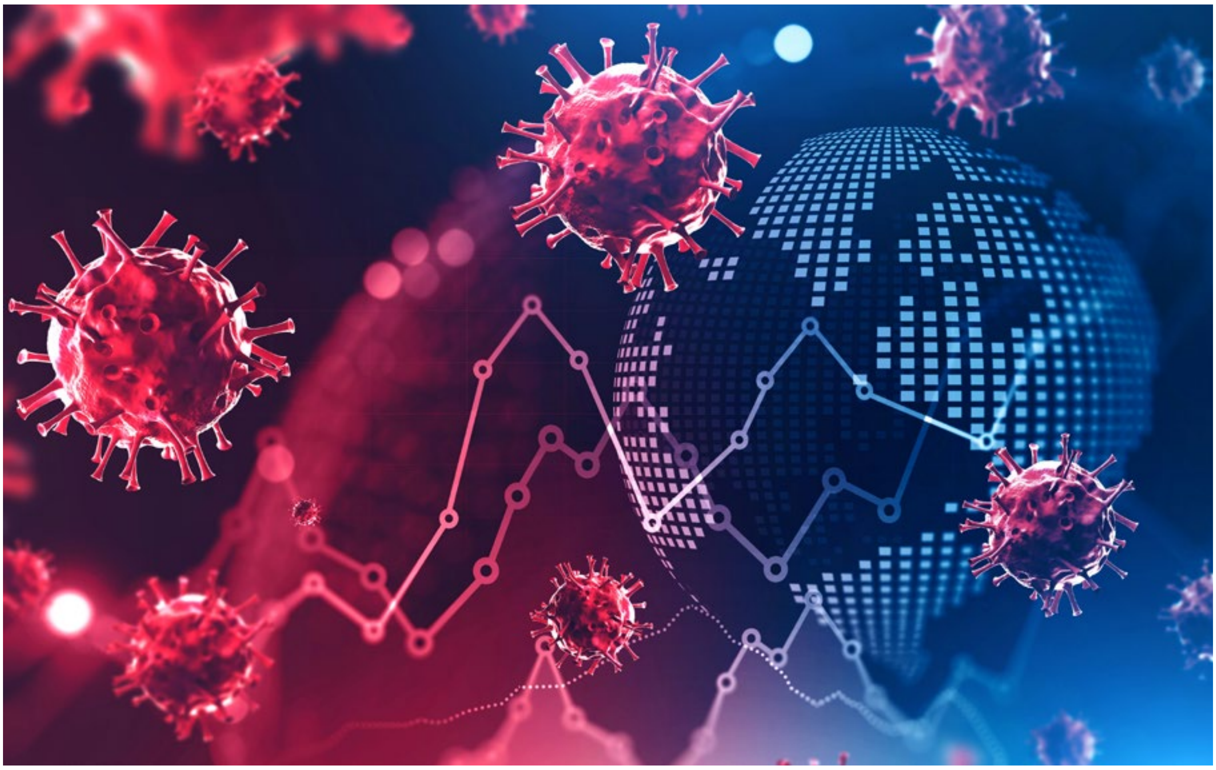
- **Tax Secrets Of The Rich** – Discover how the wealthy pay far less tax, and how you can potentially slash your taxes by thousands of dollars a year just like them – completely legally.

- **Real Case Studies** – Case studies of ordinary Aussies just like you who replaced their income quickly. What they did, how they did it and how you could do it too.

- **Protect Your Wealth** – Australia is the second most litigious country in the world. Don't lose your wealth to a lawsuit. Do this and make yourself virtually bullet-proof and give yourself total control over your assets.

- **Quit Work Sooner** – Discover how you could potentially replace your income and retire in as little as 3 – 5 years from today.

**TO SECURE YOUR SPOT CLICK THIS LINK**



# *The Disaster Cycle* EXPLAINED

Ok, so a lot of what's happening with COVID-19 is 'unprecedented'. We all know that. In fact, if I hear the word 'unprecedented' one more time I might throw up.

But while many aspects of the current crisis are unique, there are many things that are the same. There are many things that we can rely on. And while there might be some uncertainty about exactly how and when things play out from here, there is a lot that we do know.

So let me chart out for you how I think the next 18 months or so are going to play out.

What I'm going to show you here is a classic disaster cycle. Now, this has all been well studied, and while the timing and the magnitude of the phases might differ, this is a good stylised representation of how a disaster affects the economy.

It's a good stylised representation of how a disaster like COVID-19 is going to affect the economy.

Now what I'm going to show you in this next chart is economic activity. Often we look at prices, because as investors, that's often what interests us most.

But prices are a layer that sits on top of fundamental activity. They reflect what's happening at the base, but they can also be driven by sentiment and expectations and a whole bunch of difficult-to-quantify things.

So let's keep our attention on the base for the moment – on the fundamental level of activity in the economy.

So obviously the first phase here is the crash. That's what happened in March as the world went into lockdown, and economic activity tanked.

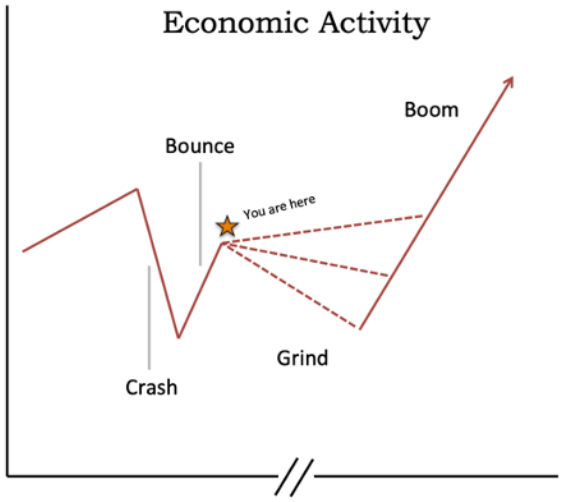



**Chart 5: The Disaster Cycle**

After the crash comes the bounce. The immediate threat of the disaster passes, and the economy begins to come back to life.

However, to some extent, the disaster has a lasting impact. Economic activity recovers, but not fully.

This 'output gap' is likely to be particularly pronounced with COVID-19. The economic impacts will linger. They are lingering.

So that's where we are now. We've had the crash and we've had the bounce back.

That sets us up for the next phase – the grind.

In this phase, the lingering impacts of the disaster weigh on the economic recovery.

Three things can happen here. First, a string of minor flesh-wounds can snowball into a broader economic downturn. Multipliers kick in and the economy beings a fitful grind lower.

At this point, the economy is particularly vulnerable to triggers like the Black October triggers I've been talking about, or sudden shifts in share market sentiment.

In the second scenario, the economy just grinds sideways. We manage to hold ground, but those 'lingering impacts' stop any meaningful recovery from taking root.

In the third scenario, we get enough momentum (or government stimulus) to offset the lingering impacts, and the economy returns to growth. However, the disaster has left permanent scars, and the economy struggles to return to previous output levels, or previous rates of growth.

This is the grind phase. The economy labours under the lingering impacts of the disaster, and grinds, more or less, sideways.

It's hard to say exactly how long the grind phase will last for. With a natural disaster, like a bushfire, it could be very short lived, as the economy shrugs it off and gets back to business as usual.

However, with COVID-19, we're not likely to be so lucky. It's not even clear that Australia has gotten on top of the virus, and we're one of the better-placed countries on a global scale.

The impact of COVID-19 is likely to have a long tail. That means the grind phase will be longer too.

At this stage, I'm expecting something under 12 months, but that could easily get to 18 months or more, depending on how the virus itself plays out from here.

However, we can say one thing for certain, and that's at some point, we will put the disaster behind us. Those pesky impacts will linger no more, and the economy will find its stride again.

At that point, the fundamentals will reassert themselves, driven by cumulative pent-up demand. We also know that government stimulus measures always come off much later than they should.

Together, these fundamentals and government support will drive the economy into a boom phase.

In the case of COVID-19, this boom phase is going to be substantial. I'd even go so far as to say that it's going to be massive.

Because we know that the fundamentals of property are strong – as strong as they have ever been.

And we also know that the government stimulus package – unheard of fiscal spending, record-low interest rates and a money-printing press on full-bore – these things are going to have a massive impact.

We already know that they've had a massive impact. They've carried the economy as pretty much the entire nation was moth-balled.

That's a big weight to carry.

But these measures will linger too. Spending measures will remain in place longer than they should, rates will stay lower for longer than they should, and the printing press will churn out way more cash than it should.

I can guarantee it. And that's why the boom phase of the current disaster cycle, when it kicks in, will be massive.

I just wanted to lay this out because I keep hearing people say how 'unprecedented' this is.

And sure, it is true that COVID-19 is unique. But economies have seen disasters before. These patterns play out and repeat, time and time again.

So don't feel overwhelmed.

We know where we are. We know where we're going.

There's a lot of uncertainty, of course there is. But we're not totally flying blind here.

## A HISTORY LESSON

In fact, history has given us a pretty good example already: The Spanish Flu.

The Spanish flu started in Europe in 1918 nearly or just over 100 years ago. It found its way to Australia with the soldiers returning home at the end of the First World War, and quickly spread to all our major centres.

The global death-toll was horrific – something like 50 million causalities. And so of course, the media went crazy and people started to panic (sound familiar?). It was a different age. Transport and communication networks were completely different. But some things stay the same.

Anyway, with people panicking, the government acted quickly. They quarantined overseas arrivals, including soldiers and nurses, they closed schools, hotels and theatres, and they cancelled major sporting events. They even cancelled the Royal Easter Show and the war victory celebrations were postponed.
Now obviously this was a massive disruption. 40% of the population caught the Spanish Flu, and 15,000 people died – a number that could have been much worse based on other countries' experiences, if the government hadn't acted quickly and decisively.

Good job, Australia.

Now when the dust settled, as it always does eventually, housing demand was totally overwhelmed. Property markets in capital cities didn't fall at all. In fact, they actually boomed in 1919 and then continued to rise by more than 10% each year until 1921.

The reason why house prices boomed was simple: supply and demand – what we could call the 'economic fundamentals' of the property market.

This is how it charted out at the time:

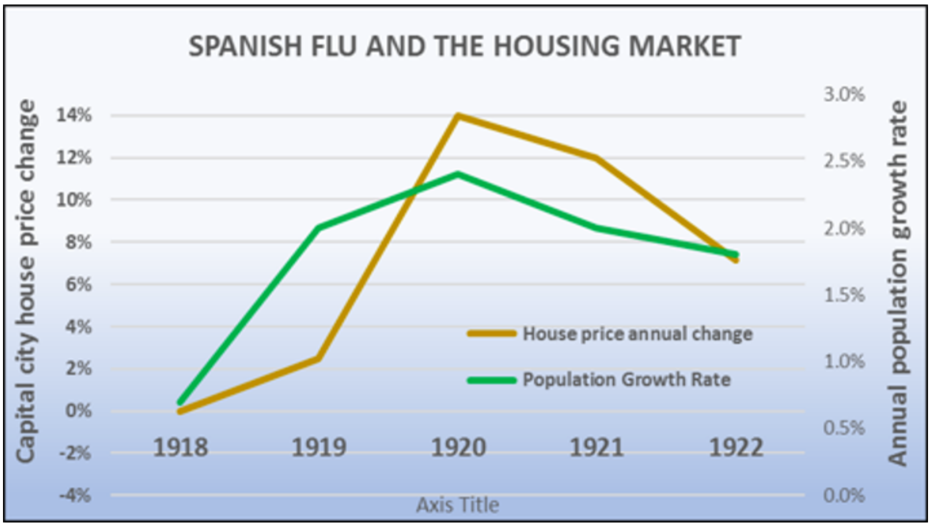



**Chart 6: House Prices after WWI**

So what this chart shows us is that after the fear and panic around the Spanish Flu subsided, the economic fundamentals reasserted themselves.

And those fundamentals were a) strong demand on the back of strong population growth; and b) an enduring undersupply thanks to the war-time hit on construction levels.

Demand was strong, and supply was constrained. That is ALWAYS a recipe for house prices increases. (Remember this point. We'll come back to it.)

So look, the point I wanted to make is that crises come and go.

As investors, we need to look through the noise to the fundamental drivers of the market. These will always reassert themselves and drive the market in the longer term.

## Life Changed: **Shiral**

**Let's take a break to discover how this young man from Sri Lanka turned $40,000 into $32 million of property deals – in just five years.**

Born into a humble household in Sri Lanka, Shiral never had much money growing up. He remembers at one stage his father didn't have enough to pay for his karate uniforms, and he had to quit.

When he was 17, Shiral's father suddenly passed away. This taught Shiral that are no certainties in life so he became driven to work hard and become financially secure.

Shiral and his teenage sweetheart, Chani, worked incredibly hard to set themselves up. They studied very hard and came to Australia to work as nurses, both going on to do post-graduate study.

They both then got 'good jobs'; Shiral became a Clinical Nurse Specialist and worked in management positions. To save for a house they both worked long shifts, often leaving at 6:30 in the morning and coming home at 11:30 at night.

*"A lot of people at work said, "Oh you're going to go broke. You're not going to make it." I didn't argue but I didn't let it stop me either. Don't listen to people who have never done anything."*

But Shiral felt that there must be more. He wasn't there when his sons first started to speak, or when they first started to crawl. He was living to work.

To make matters worse, Shiral couldn't see a way out. Robert Kiyosaki, the author of Rich Dad, Poor Dad, says that a job is a short-term solution to a long-term problem, and Shiral knew that as long as he was trading time for money, they'd never be able to live the life they dreamed of.

One day, one of his colleagues invited him to a one-day event Dymphna Boholt was running, and this gave Shiral the hope he was looking for. He threw himself into the study materials, watching the training videos over and over.

*"I've done very well, but I didn't come up with any of this. I learnt these systems from Dymphna. I just made them happen."*

In the meantime, Chani was jealous. Shiral was spending more time with Dymphna than with her. But the study paid off. Shiral and Chani had just $40,000 to work with, but Shiral identified some strategies that could get them moving forward, and in his first deal Shiral turned that $40,000 into $150,000.

That gave Shiral and Chani the start they needed, and after another couple of similar deals, Shiral moved into larger development deals. His first was a 26-lot subdivision, which created over $2 million in profit for Shiral and his investors.

From there, Shiral and Chani were on their way. They have now organised two more deals, each one bigger than the last, and they have almost $32 million worth of property completed or in progress. More importantly, Shiral and Chani now earn almost $100,000 a year from their investments. This has enabled Shiral to quit his nursing work and stop trading time for money.

And, they were able to do all this in less than five years. This is how they made it happen.

### Deals 1 & 2: Starting with nothing

Through all of his study, Shiral learnt about property options. An option is the right, but not the obligation, to purchase a property. That gave Shiral the ability to complete the deal before he was required to pay for it.

He found three vacant lots in north-west Sydney, engaged a builder, and sold them on as house and land packages. The option fee and the legal cost Shiral $40,000, but he created a profit of $150,000 on the deal in a matter of months.

This worked so well that Shiral did it again, turning a quick profit of $75,000 on another three-lot deal.

### Deal 3: Bigger This Time

Dymphna had taught Shiral that it's best to become an expert in a small number of strategies, rather than running around and trying lots of different things. So Shiral went for another option deal, only this time on a parcel of 11 lots.

Using the same builder, Shiral created half a million dollars in profit, of which his share was $400,000.

*"Successful completion of projects not only benefitted myself but also the people that trusted in me – thanks to Dymphna's Education."*


**DEAL 1: RIVERSTONE NORTH WEST SYDNEY**
3 Lots sold as House & Land


**DEAL 3: RIVERSTONE NORTH WEST SYDNEY**
11 Lots sold as House & Land

## Deal 4: Into the big league

At this point, north-west Sydney was becoming too expensive, so Shiral went looking for deals in south-west Sydney. He did a letter-box drop himself, walking door to door on foot, dropping off bright pink envelopes with offers to buy.

This turned up a large three-acre property that Shiral engineered into a 26-lot house and land project. That deal alone has created over $2 million in profit.

## Deal 5: A system that works

Shiral now has a system he knows and loves, and he has secured another 26-lot project in Sydney's south-west. The DA is with the council now, and it should also create several million dollars in profit.


**DEAL 5: AUSTRAL SOUTH WEST SYDNEY**
26 Lots Land Subdivision

## Dreaming big, remaining humble

In just five years Shiral has created a personal fortune of over $4 million and has created an income stream of over $100,000 a year. He has quit his day job and finally has the time he wanted to spend with his family.

However, Shiral and Chani remain humble, and they currently sponsor five children in Sri Lanka through school and university. They want them to have the start in life that they had to fight so hard to achieve themselves.

**Watch the full session of how Shiral and Chani turned $40,000 into $32 million of property deals in just five years by clicking the link below or going to [https://youtu.be/CgnspXk6_6Y](https://youtu.be/CgnspXk6_6Y)**

| PRE-DYMPHNA PROPERTY | VALUE | EQUITY | DEBT |
|---|---|---|---|
| PPR | $650,000 | $200,000 | $450,000 |
| CREDIT CARD | - | - | $20,000 |
| **POST-DYMPHNA PROPERTY** | **VALUE** | **EQUITY** | **CASHFLOW** |
| DEALS & DEVELOPMENT | $4,300,000 | $3,020,000 | $100,000 |

## *Understanding The True* NATURE OF THE CRISIS

Now, as I said, most people are totally unprepared for the coming crisis because they don't really understand what this crisis actually is.

If you think this is just a health crisis, you're totally behind the curve.

If you understand that this is also an economic crisis, you're getting closer. But this is a very unique crisis because it is composed of three distinct parts.

### PART 1: THE DEMAND SHOCK

The first component of this economic shock is what we call a 'demand' shock. Now, as I'm sure you know, huge numbers of people have become unemployed since the crisis began.

The latest data I have to hand at the time of writing showed the unemployment rate jump up to 7.1% in May, up from 6.4% in April. In any other month, a 0.7% jump would be horrendous. But in times like these, it almost feels comfortable.

But like most things in economics, the devil is in the detail. Because while the pick up in the unemployment rate has been on the tame-side, the loss of jobs has been brutal.

Check out the chart:

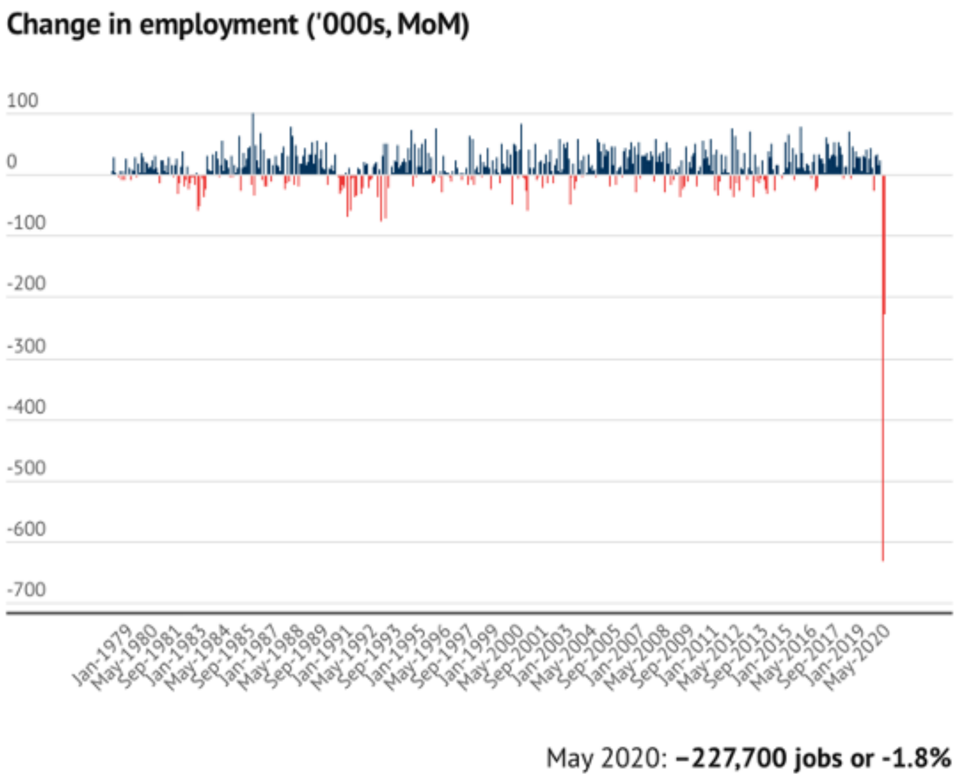



**Chart 7: Employment in Australia**

That's over $200,000 jobs in May, following up on the 600,000 odd jobs that were lost in April. Put it together, the Australian economy has seen 850,000 jobs go up in smoke in the past two months.

That's staggering.

And why isn't the unemployment data telling a story of staggering like the jobs data?

Because the unemployment data only counts people who were actively looking for work. A lot of people who lost work in April didn't bother looking for other work. They knew there was none to be found.

And so what happened was our participation rate – the share of working age Australians actually working or looking for work – fell sharply.

The light blue line in this chart shows just how sharp that drop off was.

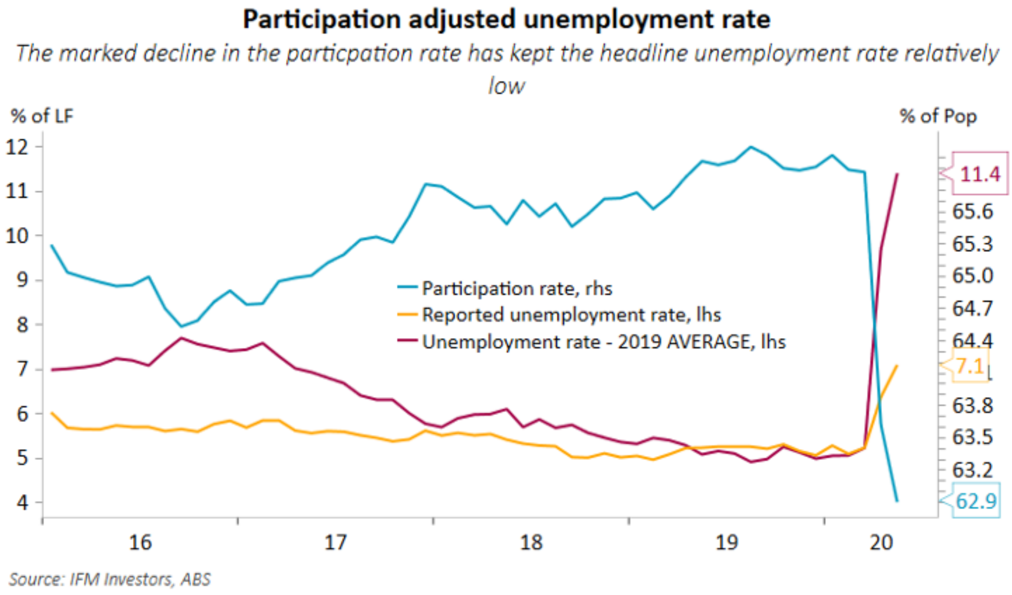



**Chart 8: The True Unemployment Rate in Australia**

So when the participation rate goes over a cliff like that, it helps keep the unemployment rate down.

If you assume that people didn't leave the labour force – that everyone who lost work kept looking for work and the participation rate remained constant, then you get a very different read on the unemployment rate.

That's what the red line above shows us – it shows the unemployment rate spiking to 11.4%.

That's vicious. It tells a story of one in ten workers out of work.

But wait, it gets worse.

Because a lot of those people who technically had jobs in the survey month actually lost hours, or worked no hours at all.

360,000 people were employed in May, but worked zero hours.

If you include those 'zero-hours' workers, the unemployment rate spikes even higher to 13.7%.

Can it get any worse?

Well, what about the 3.5 million Aussies on JobKeeper?

If you include them, then you're looking at something like 20%.

And that number, as downright terrifying as an unemployment rate of 20% is, is actually a better reflection of how the Australian economy is tracking.

So let's keep it real.

2.3 million Aussies have lost work since the crisis began. They have either lost their job altogether or seen a significant reduction in their hours.

Let's not polish that turd.

And this has real implications for the economy.

We know that when people lose their jobs, they bunker. They stop spending. That means that they stop demanding goods and services, and the economy is hit with a 'demand' shock.

If this was the only shock we were looking at, it's be something like a garden-variety recession, and polices aimed at stimulating demand would be appropriate.

But that's not all that we're looking at.

## PART TWO: THE SUPPLY SHOCK

The Corona Crisis has also given us a shock to the supply-side of the economy.

That is, a lot of the components that go into our economic activity just aren't showing up. The construction industry is a case in point, with a large amount of construction materials originating in China.

So even if builders had and were able to do the work, they might not be able to because they just don't have the components they need.

**AUSTRALIAN SUPPLY SHOCK BUILDS** – *Australian Financial Review*

*Now, the picture has worsened with Australian Shop & Office Fitting Industry Association CEO, Gerard Ryan, claiming its members are looking at delays to projects of up to six weeks because the coronavirus outbreak is delaying the supply of products from overseas:*

*Major building projects involving shops, offices, airports and hotels are set to be delayed by at least a month because of the coronavirus…*

*Australian Shop and Office Fitting Industry Association CEO Gerard Ryan said his members were preparing for delays to projects of between four and six weeks, but the longer the outbreak went on, "the worse that will get".*

*About 98 per cent of lighting comes from overseas, while marble, tiles, and bathroom and door products are often sourced from Europe.*

*"Any delay potentially stops the whole project. It's like a jigsaw puzzle — everything needs to follow something else," Mr Ryan said.*

The Australian construction industry was already heading towards a downturn, with construction rates falling over recent years.

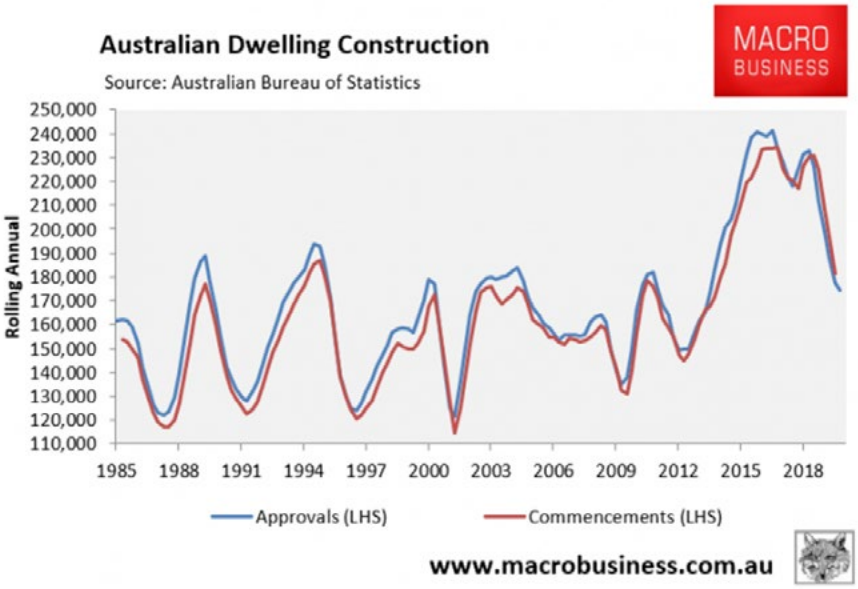



**Chart 9: Australian Construction Rates**

That all puts construction workers directly in the firing line.

So you've got a demand shock and a supply shock building, but you also have a credit shock looming, as bank liquidity dries up.

## PART THREE: CREDIT SHOCK

In many ways, the COVID-19 Crisis couldn't have come at a worse time for the Australian economy.

The summer of fires had already left many people and local economies reeling. Bad debts were already rising, across the country:

**BAD DEBTS RISING** – *The Australian*

*Australia's economy is set to experience consumer confidence levels not seen since the global financial crisis after an "alarming" surge in people falling behind on credit card and mortgage repayments in the lead-up to the coronavirus outbreak.*

*Banking and financial transaction data from August to February showed the bushfire crisis triggered a spike in debt repayment and consumer discretionary spending and indicated the economy will take a "far steeper" hit from the coronavirus, Illion data analytics CEO Simon Bligh said.*

*"A generation of business people have never seen economic circumstances like this and we think many are unprepared."*

And it gets worse. Because if firms start going bankrupt and defaulting on their debts, that puts pressure on the banking sector.

## THE DEBT CRISIS TRIGGERS

The bitter truth is that we're potentially staring down the barrel of a debt crisis because even if the virus is donked on the head tomorrow, we're still looking at:

**Huge unemployment** – the official numbers are hiding a lot of pain, and even those who haven't lost jobs have lost a lot of hours. The labour market typically takes years to recover from a shock like this.

**An ugly wage outlook** – wages will be held down by high-unemployment, and with reduced hours, we may actually see wages fall across the country.

**Lower Immigration** – it is politically difficult to run a high-immigration program into a slack labour market with high unemployment and low wages. This means lower aggregate demand (and lower housing demand!) in the short term – at least until travel restrictions are lifted.

**Consumer bunkering** – shocked consumers will look to increase savings and cut back on discretionary spending. We're already seeing this happen, even in households that haven't suffered an income shock.

**Deleveraging Households** – Like most of the developed world, a lot of growth this decade has been driven by increased household debt. That driver will turn negative as households bunker… if it hasn't already. Debt, as a driver of growth, has been taken out of the game.

**Deleveraging Companies** – all of that is true for companies too.

**The end of just-in-time** – this crisis has shown us just how vulnerable our supply chains are to disruption. There will be a push for more slack and flexibility going forward, driven by companies themselves but also by nations looking to build more resiliency. Greater slack in the supply chain means reduced profits.

**Falling property prices** – with falling rents and reduced demand, house prices will fall and the banks mortgage books will start to sour.

**An ugly global outlook** – Australia is leveraged to global growth, and the global outlook is not pretty. China, months after reopening, is still down 10-20%. And how's the US doing?

All of this will see the Australia economy start to slide backwards. These are the drivers of that period of 'grind' I was talking about.

As households struggle to service their debts due to falling income or the loss of income altogether, and as leveraged companies begin to go bust in the face of falling demand, the banks will quickly find themselves exposed.

They'll struggle to raise capital and increase provisioning, which means cutting credit is the only option.  At it's worst, they'll be very reluctant to lend, if they can at all, and they'll be looking to restructure the bad debts they have.

Now I don't know if we'll find ourselves in a full-blown debt crisis – I don't imagine things will get quite that bad – but it's also not hard to see it coming.

## A CLUSTER CRISIS

As I said, I don't think people get how unique this crisis is. It's a demand side shock, a supply side shock, and a credit shock, all coming together at once. At the same time, we're in the middle of a health crisis that makes our normal policy responses complicated at best and counter-productive at worst.

This is a cluster crisis.

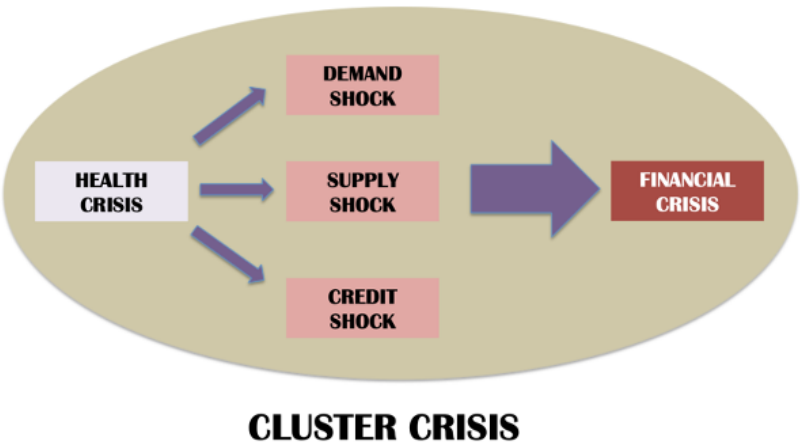



**Chart 10: Anatomy of a Cluster Crisis**

This isn't to be underestimated. We've never seen anything like this before.

However, there are many facets of the current crisis that are familiar to us. There are many elements that are predictable.

I'll explain what those are in a moment.

But first I need to warn you about the potential for things to take a wicked leg lower.

I need to warn you about Black October.

## BEWARE BLACK OCTOBER

As I said, right now we're in the 'grind' phase. We're going to grind sideways for a while here. Maybe a little up, maybe a little down, but probably not decisively in any one direction.

But the thing about this phase is that the recovery is vulnerable to any further shocks. And right now, at the time of writing, it looks like we're set for October to be an important turning point.

We've calibrated our emergency settings to all come to a head in October.

If all of these go bad, all at once, then that could be a dangerous trigger for the economy. If that happens, the grind could give way and the economy could fall.

That doesn't mean the boom won't happen. It just means we'll have a larger correction in the short term.

(Which, by the way, means there will be a lot more and a lot bigger opportunities on offer.)

But October is going to be a key moment to watch.

If we're not careful, we'll have the four horsemen of the economic apocalypse come trotting down the Queen Street mall.

Let me introduce you to them...

## HORSEMEN #1 – THE END OF JOBKEEPER

JobKeeper, despite being put together in the middle of a crisis, is actually great policy.

It injects money into the economy, it keeps people on the books, and it paves the way for things bouncing back quicker than they otherwise would.

Credit where credit is due.

The government has just announced an extension to the JobKeeper program, although for a reduced number of people at a reduced rate, through to March next year.

We're talking about going from $1500 a fortnight for full time workers to $1200 a fortnight, and we're talking about 2 million people no longer getting payments.

So we're talking about a pretty serious reduction in government support for the economy at a critical juncture. .

Will the economy be up for it? It remains to be seen.

However, the real question here is how businesses are going to be tracking. Even if JobKeeper is available, will businesses even want it?

JobKeeper relies on businesses taking the punt that they're better off putting the business on ice, rather than winding things up.

In March, amidst all the chaos, I think most businesses were willing to try it out and see how things looked in six months.

Six months on though, it's going to be a very different calculation. “Am I really willing to keep things going, just on the hope that things will get better soon?”

And they've got to make that decision just as Victoria is showing us that it could take years to get on top of COVID-19.

And, the small business council is telling them that JobKeeper might send them broke!

*The Morrison government will revamp and extend the JobKeeper program beyond September but struggling business owners are being cautioned to think twice before signing up again because it might send them broke.*

*The small business lobby and the government are aware that workers who have been kept on the books using the $1500-per-fortnight wage subsidy have continued to accrue annual leave and other entitlements.*

*Should the business owner decide at some stage to let the workers go because the business will not bounce back, these entitlements will have to be paid out from cash reserves or from dwindling or non-existent profits.*

*Council of Small Business Organisations Australia chief executive Peter Strong said the accruing of entitlements was "a huge issue'' in the sector and one which business owners needed to consider before signing up to what will be a new but revamped JobKeeper scheme.*

*Mr Strong said in some cases, it would be the "better thing'' for a business to close and reopen when conditions improved. The preferred option was for businesses to scale right back and expand again when possible.*

*But keeping so-called zombie workers on the payroll due to JobKeeper ultimately benefited no one.*

*"Don't put your business at risk because that means everybody loses their job and you lose your home,'' he said.*

Yep. This is going to be a huge decision for many business owners. JobKeeper helps, but it doesn't totally protect them. They're still taking a risk.

And so you'd have to think at least some of them will withdraw from JobKeeper, pay out entitlements, and wind things up.

That means that come October, a significant number of employees might move from JobKeeper, at $1500 a fortnight, to JobSeeker, currently at $1100 a fortnight.

The cumulative impact of that could be significant.

But wait, JobSeeker is reducing too…

## HORSEMAN #2 – END OF THE JOBSEEKER SUPPLEMENT

Part of the crisis response was to increase unemployment benefits, from the usual $550 a fortnight, up to $1115.70 a fortnight.

That's a substantial increase.

However, the government recently announced that they'll be reducing the COVID-19 supplement to $250 a fortnight, and flagged that there may be further reductions later in the year.

When you put the reductions to JobKeeper and JobSeeker together, you get a pretty substantial amount getting pulled from the economy, in a pretty short amount of time.

## THE FISCAL CLIFF

When you put horsemen one and two together, you get something experts have been calling the fiscal cliff – the moment where the huge amount of public spending and support suddenly evaporates.

The Grattan institute help us get a sense of what that looks like with this chart here:

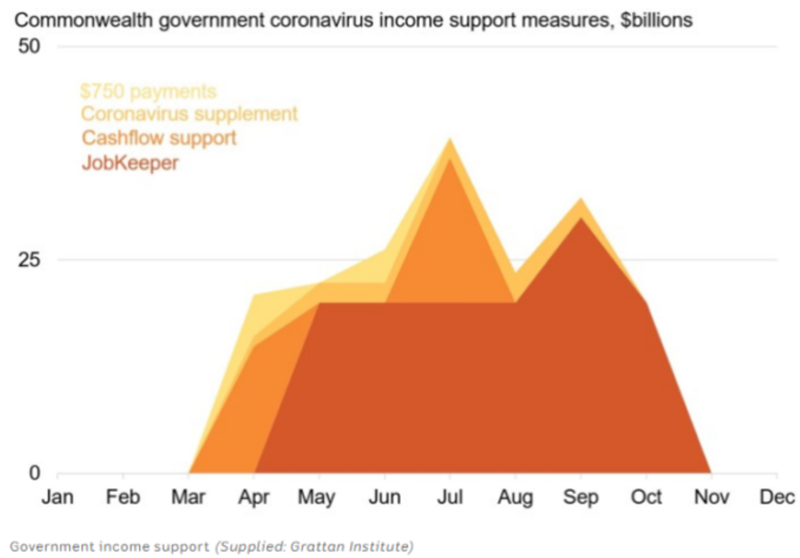



**Chart 11: The Fiscal Cliff**

With the recent extensions to JobKeeper and JobSeeker, we've gone from talking about a 'fiscal cliff' to a 'fiscal slope'. However the slope is pretty steep.

To put some numbers on it, the JobKeeper and JobSeeker spending is worth $100 billion in the September quarter. After the reductions take effect, we're looking at that spending falling to around $20 billion.

So the 'fiscal slope' is worth $80 billion. That's substantial.

## HORSEMAN #3 – END OF MORTGAGE HOLIDAYS

To their credit, the banks have offered distressed borrowers debt deferrals or 'mortgage holidays'.

So far, according to the Australian Banking Association, repayments on nearly 500,000 mortgages have been deferred, totalling $175.6 billion.

That's 10 percent of the mortgage market. That's substantial too.

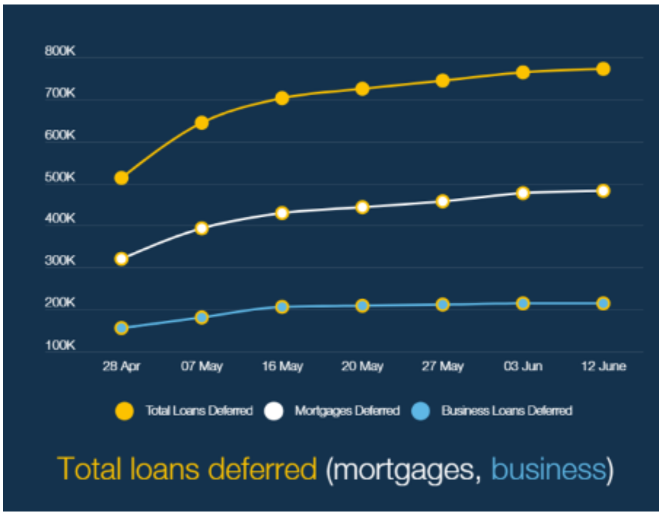



**Chart 12: Number of Loan Deferrals**


**Chart 13: Value of Loans Deferred**

While the mortgage freezes are welcome news, it is clear they are papering over growing stress in the housing market.

Mozo reports in a survey that almost half of all homeowners expect to struggle once we go over the fiscal cliff in October:

*Almost half of all homeowners (43 per cent) will struggle to meet their loan repayments after their JobKeeper payments end, according to Mozo.*

*And, with the Australian Banking Association reporting that $175.5 billion in loans has been paused due to COVID-19-19 hardship, that means the potential default figure could be up to a whopping $75 billion.*

*… The research also found 53 per cent of mortgage holders were worried they could be forced to sell their home if they're unable to meet their repayments in six months.*

*What's more, 38 per cent of Aussies on JobKeeper said the payment wasn't enough to cover their current bills, let alone when the payments would end in September.*

*"It's clear the Federal Government's JobKeeper payments are proving a vital lifeline for many paying down their home loans. But when these payments end and the banks' eventually turn off the hardship support tap, the mortgage market could start to crumble," Godfrey said.*

Recently, the bank regulator, APRA, announced that it would be letting banks extend mortgage holidays for another four months, helping home-owners bridge over the fiscal cliff in October.

However, the banks have also let us know that they'll be extending debt deferrals on a 'case-by-case' basis, and where possible, will be encouraging borrowers to restructure their loans, or sell properties to pay down debt.

Now banks probably aren't going to force you to sell your home, but they could definitely be putting the hard word on investors to sell, especially if they've made that old mistake of having more than one mortgage with the same lender.

The truth is that the banks don't want to end up with bad loans on their books. They'll be looking at the debt deferral period as a window of opportunity to clean up their mortgage book.

And if that means forcing investors to sell, then so be it.

That introduces a wild-card into the whole story. We could see a lot of disruption in the property market, as investors start off-loading, and banks start a race to credit quality.

Expect stress levels to soar.


## HORSEMAN #4 – CREDIT CRUNCH

As these debt holidays end and household incomes begin to bust, the banks are going to get very scared.

Already we're seeing the banks trying to pretty-up their mortgage books – they only want quality borrowers on their books, and we're already seeing much stricter measures of credit worthiness being applied.

For the moment, that's not a crisis. The banks are still lending.

But if it really hits the fan – probably in October if it happens – the banks will run for the hills.

You won't be able to get a mortgage for love or money, and the housing market will totally freeze up.

Credit is the life-blood of the economy. Without it, things fall over pretty quickly.

The key thing to watch here is America.

By October, the election campaign is going to be in full swing. With the Donald, COVID-19, China, Russia and the Black Lives Matter Movement all in play, you can be sure it's going to be a heck of a show.

Markets are going to be freaking out.

In many ways, the entire global economic recovery swings on the US making a decent fist of things.

At the time of writing, it's not going as well as you'd hope. The number of daily cases is on the rise:

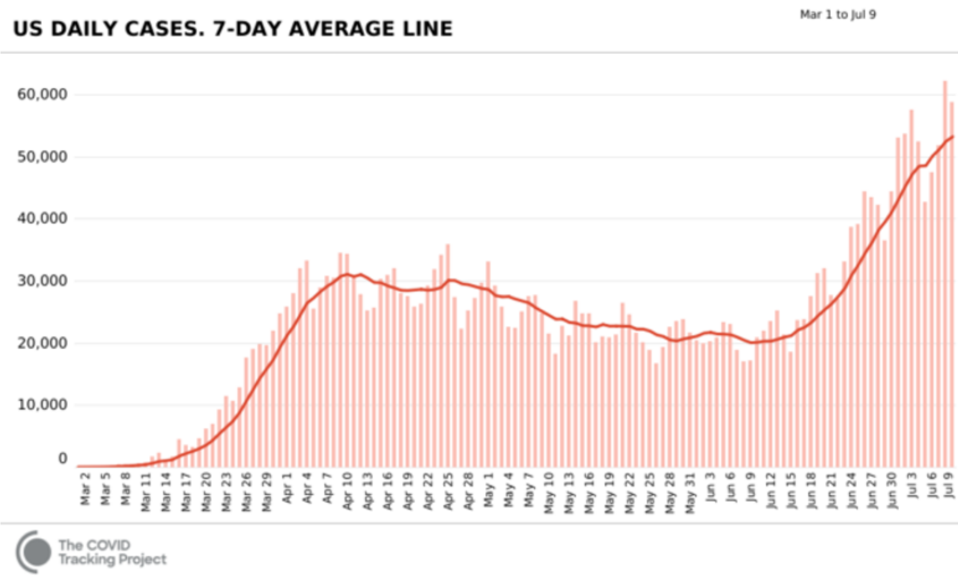



**Chart 14: Daily COVID-19 Cases, US**

That's starting to have its impact on the health system. Hospitalisations are starting to rise again. We're still aways off April's peaks, but definitely going in the wrong direction.

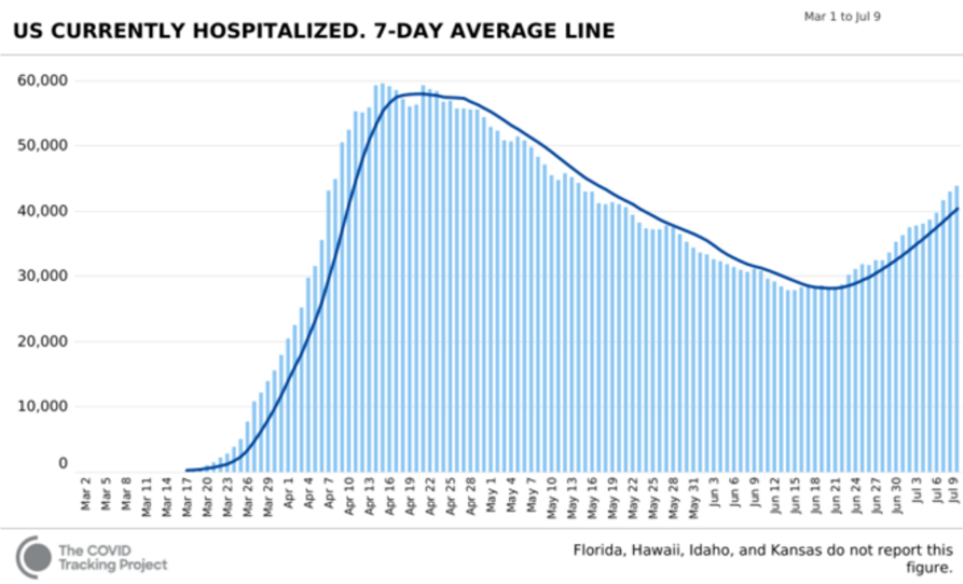



**Chart 15: Currently Hospitalized, US**

And ultimately, the only chart that matters is this one – the daily death rate. That's three days in a row just shy of 1,000 deaths, and again, moving in a very worrying direction.

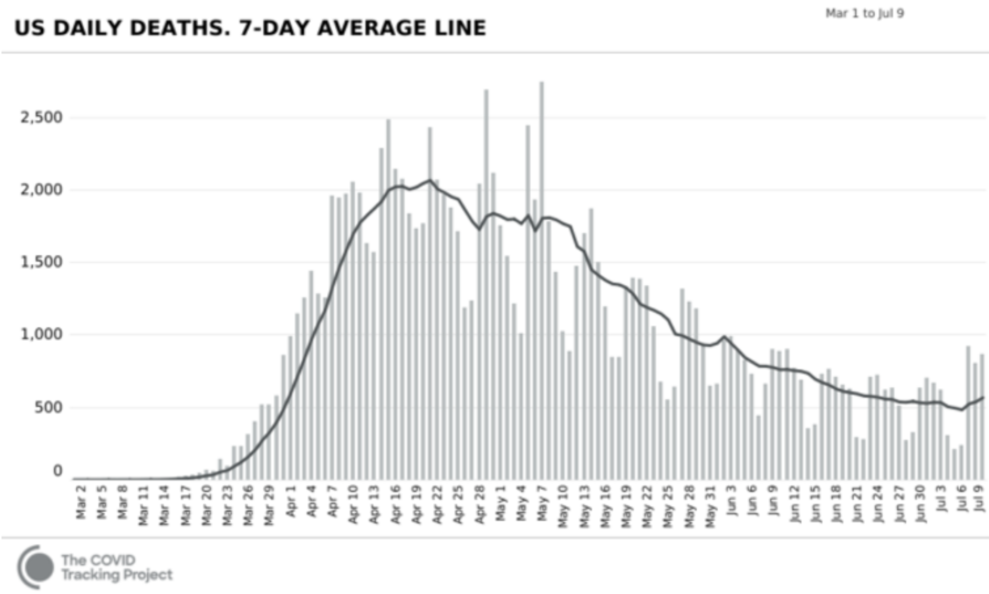



**Chart 16: Daily Deaths, US**

That daily death rate is key. Everything changes if that gets away from America again.

And if it does get away, I think you can rule out any chance of Donald Trump securing a second term.

Trump's approval rating is already falling quickly, and that seems fair enough. Protecting the American population is the number one job of the American President. If you can't do that, it's not surprising people are getting angry.

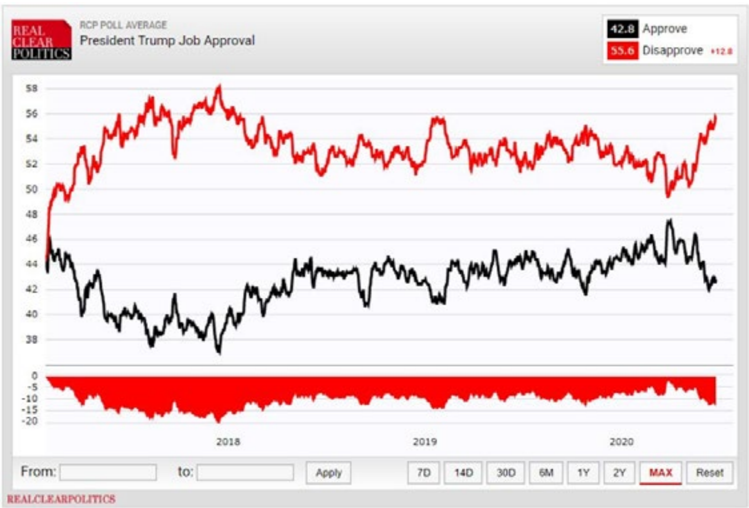



**Chart 17: Trump Approval Rating**

Trump's approval rating has been lower, but the runway between now and election in November is pretty short. Trump really needs to be able to put Corona Virus behind him.

If it's a big issue come November – if it's still an issue – it's hard to imagine the American people are going to be forgiving.

And even though Joe Biden has all the charisma of a freshly unearthed corpse, his polling numbers are on a break-away:

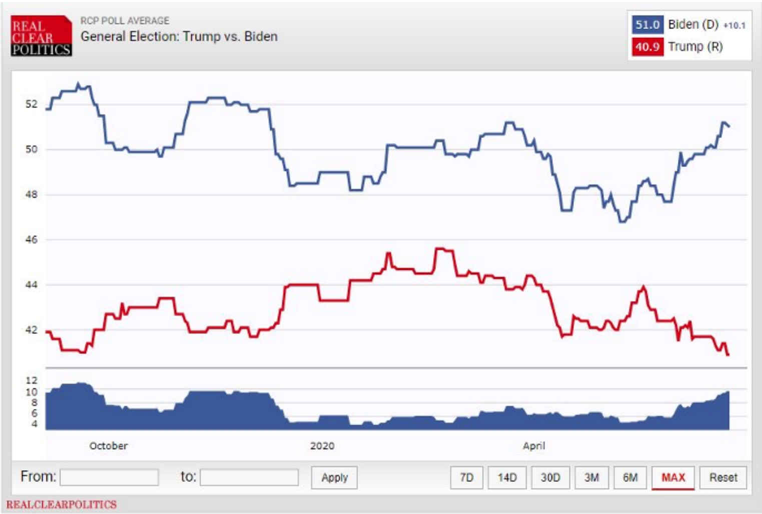



**Chart 18: Preferred President**

And betting odds have clearly turned in his favour:

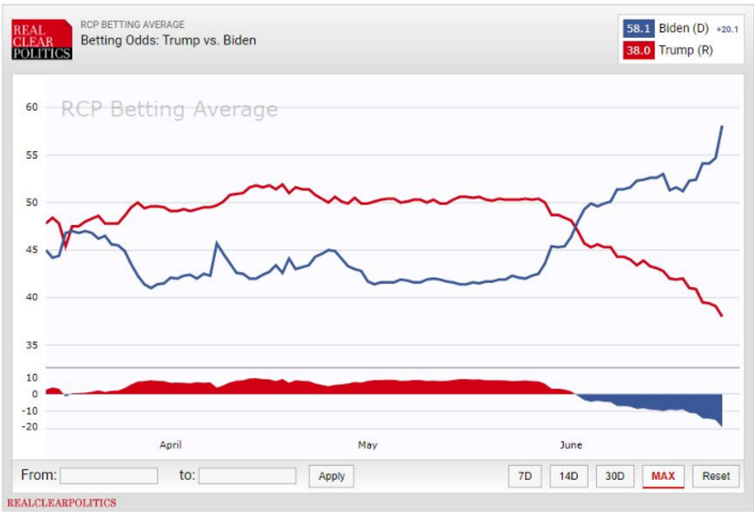



**Chart 19: Betting Odds – US President**

Now, we should take this with a grain of salt. The polling numbers were hopelessly wrong in 2016. But still, Trump was untainted fresh-blood back then.

There's a good chance he'll be going into the election with the blood of the Corona Virus on his hands.

That's going to be hard to get off.

**And so what would a Biden presidency mean?**

There's a lot of unknowns there, but Biden has set up tax policy as a clear policy difference.

Wall Street's not happy:

*Boston-based Christine Todd, who is head of US fixed income for Amundi, Europe's largest investment manager… put out a special bulletin showing that while Biden might be better for markets than Sanders he would still dramatically reduce US share values, particularly when combined with the higher COVID-19-19 infection rates.*

*…Todd and Amundi calculate that Biden's tax increase agenda would reduce the S&P 500 earnings estimate for 2021 by roughly $US20 per share, from $US170 to $US150. As a rule of thumb, every percentage point change in the effective corporate tax rate should change S&P 500 earnings by 1.2 per cent, or $US2 per share.*

*Todd and Amundi concentrated on corporate taxation but the Biden agenda also has a range of increased taxes for higher income individual Americans…*

*The money raised by the higher corporate and individual taxes will be directed towards increased access to healthcare and support minority communities through a new affordable housing program. There will also be substantial investment in infrastructure.*

*We are looking at a different America under Biden and one that will not be anywhere near as favourable to the share market.*

Cry me a river, Wall Street.

It's not the President's job to juice share markets.

And long term, a more stable tax base and increased infrastructure investment are good news for the American economy.

But still, in October, this is going to matter.

If it all becomes a circus, markets could freak out, and debt and equity markets could go into a tail spin.

If a Biden Presidency looks likely, markets could also freak out then on the prospect of higher taxes.

Or if Trump is returned but Coronavirus is still savaging the population and shows no sign of stopping, markets could tumble.

And this isn't just a curious sideshow for us. This will hammer debt markets, just as we need banks to be lending again.

On top of the JobKeeper and JobSeeker wind-backs, it could be the straw that breaks the camels back.

## BE ALERT, NOT ALARMED

Now, I'm not telling you all this just to scare you. I want you to be alert and awake to the risks, but that's not the point here.

The point is that if something like a Black October event sends our grind phase into a tail-spin, it is potentially going to create the buying opportunity of a life time.

If fear really takes hold of the market, then you might be able to snaffle up bargains incredibly cheaply.

And you might be able to do that just as our boom phase kicks into gear. Because we know the boom phase is coming.

How do we know that?

I'm glad you asked…

## Life Changed: **Julie**

**With the right knowledge you can take action to turn a crisis into opportunities. Julie made $237,000 and gave her family hope again.**

Julie had lost money on property in the GFC, and it was a case of once bitten, twice shy. With a divorce, a drug addicted daughter and a grandson to look after, Julie needed to step up and save her family. With the right property training, she was able to do so. Here's how.

Julie and her husband bought two house and land investment packages in Perth in 2006. When the GFC hit and smashed the Perth market, Julie and her hubby had to bunker down and ride out the storm. They sold one of those investment properties for a loss, and moved into the other after selling the family home. It was a bitter experience, and one that almost put Julie off property investing for good.

To make matters worse, Julie's teenage daughter started mixing with a bad crowd, eventually becoming addicted to drugs, fleeing north to Karratha and leaving her two-year old son behind, Julie knew she had to step up. She wanted to be able to care for her grandson, and to be there for school pick-ups and drop-offs.

Her day job wasn't going to give her that flexibility.

And so she came back to property investing, although this time she committed to doing it properly, signing-up to study with the ILRE community.

*"When my daughter got tangled up in drugs, I needed to be there for my grandson. I never could have done it if I was still working a day job."*

This opened her eyes to what was possible, and she found an investment strategy that made her feel safe: quick renovation flips, often working with joint-venture partners.

These strategies allowed Julie to get in and out of the deals very quickly – sometimes in as little as four weeks.

This gave the market no opportunity to move against her as it had done during the GFC.

It also meant that Julie could stick to Perth, a market she knew well. And since she was creating her own profits, she could still make money, even though the Perth market overall has not done well in recent years.

This strategy gave Julie the control she was looking for.

*"I needed a new strategy. Something I could do without much money, but that allowed me to get out of the rate race."*

Since joining ILRE, Julie has now done eight renovations, creating $237,000 in profit for herself. This new income stream has given her the ability to quit her day job and be there for her family.

However, Julie says that it has been amazing to offer her family a different kind of role model, demonstrating that you can take charge of your life and make it what you want. Julie's daughter has now cleaned herself up and moved back home, and following her mother's inspiration, has started her own horticultural business.

Here are some of the deals Julie did to make this transformation possible.

### Deal 1: A diamond in her backyard

Julie had been hunting around Perth, when one of her real estate contacts proposed a deal. The owners of a property in Queensland wanted to be rid of the house, so Julie put in a quick offer of $360,000, which was accepted.

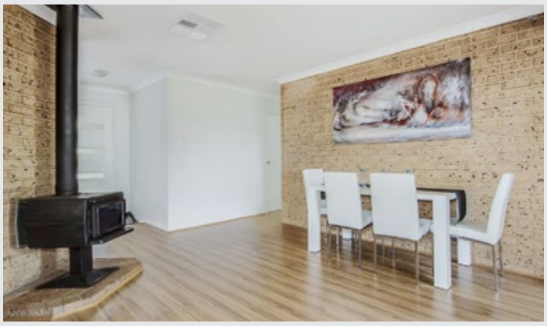
She then did a low-budget renovation. No new kitchens or bathrooms – just a good lick of paint and a polish of the floorboards. The renovation cost just $17,000, but Julie was able to sell it on for a $37,000 profit just four weeks after she purchased it.

Not bad for a month's work.

### Deal 2: Distressed sale

Next, Julie found a property with an owner who was on the brink of bankruptcy. Julie gave him $20,000 to just walk away, letting her take over the mortgage and pay off the various debts to the council, the electricity company, and so on. Spending another $25,000 on a quick renovation, Julie sold the property on for a profit of $100,000. Again, in just four weeks.

*"We paid him $20,000 to walk away, and we took over the mortgage."*



**RENOVATION NO. 2 (JV)**

Renovated and sold in 4 weeks

| | |
|---|---|
| Bank valuation | $153,000 |
| Renovation & other costs | $60,000 |
| **Sale price** | **$320,000** |
| **Profit** (Split 50/50 with JV partner) | **$100,000** |

**RENOVATION NO. 5 (JV)**

Bought, renovated and sold in 12 weeks

| | |
|---|---|
| Purchase price | $257,000 |
| Renovation cost | $82,000 |
| **Sale price** | **$409,000** |
| **Profit** | **$39,000** |

### Deal 3: Cheap Character Cottage

People started to take notice of what Julie was achieving, and someone approached her to help her do a deal. This woman had money to work with, but was time poor, so she wanted Julie to find and execute the deal.

They purchased a property for $230,000, spent $23,000 on a renovation, and sold it again for a profit of $23,000. Julie describes that as 'quite a small profit', but again, it's pretty good return for just four weeks' work.

### Deal 4: The house is trashed

The next property she picked up as a mortgagee-in-possession, and the place had been trashed – there was graffiti on the walls and all the windows had been smashed in. However, it was in a good neighbourhood, so she was able to turn a profit of $39,000 in 12 weeks.

### Deal 5: So many cats!

With more people wanting to enter into a JV with her, Julie found an estate that was practically uninhabitable, as the previous owner had eight cats.

She picked it up for a song, renovated it, and solid it six weeks later for a profit of $63,000.

*"He had eight cats in there and it stunk to high-heaven. But it meant we got it for just $130,000."*

### The Rock A Family Can Rely On

There are more deals we could outline, but you get the gist. Julie has found a strategy that works for her and her JV partners. And she's achieved this while holding her family together and being the rock her daughter and grandson could rely on.

**Watch the full session of how Julie made $237,000 and gave her family hope again by clicking the link below or going to https://youtu.be/XvBuKYtmZSQ**

| | VALUE | EQUITY |
|---|---|---|
| **PRE-DYMPHNA PROPERTY** | | |
| SECRET HARBOUR | $220,000 | $95,000 |
| **POST-DYMPHNA PROPERTY** | **VALUE** | **EQUITY** |
| SECRET HARBOUR | $390,000 | $190,000 |
| MY SHARE OF PROFITS FROM 8 RENOVATIONS | | $237,000 |

*The Drivers of*
# THE NEXT BOOM

Fundamentally, there are four drivers of the coming boom:

- First, the fundamentals of property are primed for growth again – demand is rising and supply is very tight.
- Second, the government has announced a huge infrastructure spending, which significantly changes the medium to long term outlook.
- Third, governments around the world are throwing a huge amount of money at the Corona Virus. It's only a matter of time before this money filters its way through to asset prices (which is exactly what happened in the GFC!)
- Fourth, we are entering the expansion phase of an 18-year credit cycle, a cycle that has underpinned every boom and bust in the market for over 250 years.

Let me step you through them one by one.

## BOOM DRIVER #1: HOUSING UNDERSUPPLY COMES BACK TO BITE

Pretty much everything in economics comes back to supply and demand. When demand exceeds supply, prices rise. When supply exceeds demand, prices fall.

If you understand nothing more than this, you can get a surprisingly long way in economics.

And the property market is no exception.

For years now, Australian house prices have been driven by a chronic and permanent undersupply of housing.

Specifically, on the demand side, Australia's population continues to grow at break-neck speed, and on the supply side, we're just not building enough houses.

Remember that dynamic I was talking about in the years that followed the Spanish Flu? … that cause house prices to boom into the 'roaring 20s'?

We're seeing the exact same thing this time around.

Population growth is strong, and housing construction is constrained.

## POPULATION STILL BOOMING

You can see in this chart here that Australia currently has the highest population growth rate in the OECD.

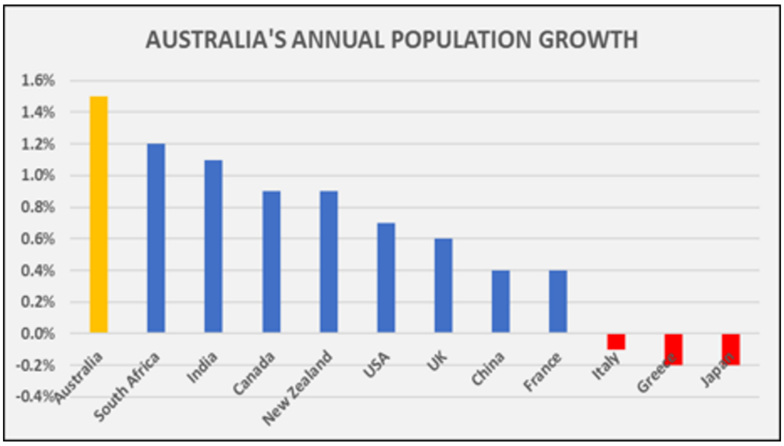



**Chart 20: OECD Population Growth**

Where's this coming from?

Our fertility rates remain pretty standard for a developed country, and there's not much we can do about how many babies people are having anyway. You can make things easier at the margins with baby bonuses and so on, but the impact is never massive.

The one area we can control though is immigration, and on that front, we continue to run the highest immigration program in the OECD.

And it's this immigration program that is driving population growth. Last year alone (well, technically, the 12 months to November 2019), 300,000 new migrants made Australia home.

That's up 3% on the year before, and almost double the long run average.

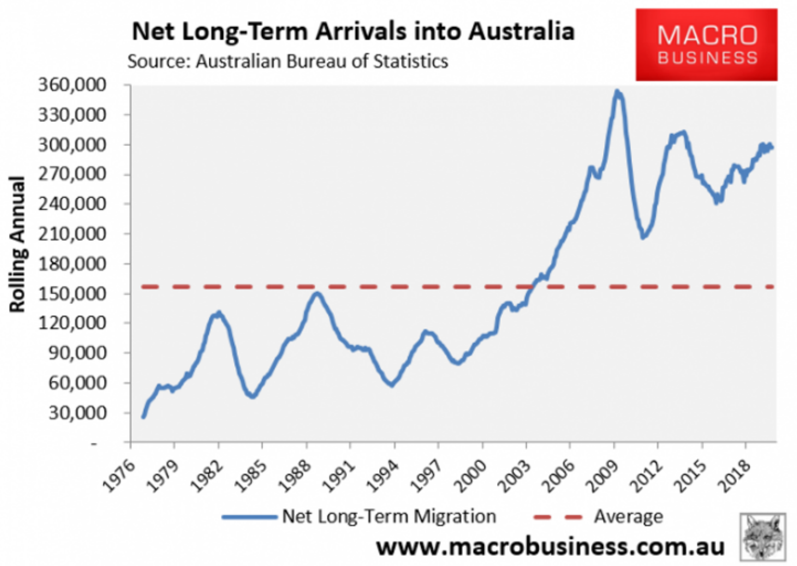



**Chart 21: Long Term Arrivals**

Immigration started picking up substantially around 2000, and the balloon never came back down.

Somewhere in the Howard years, there was a paradigm shift in the way that politicians (who control visa levels) of both stripes were thinking about immigration.

Anyway, whatever is going on there, in the years leading up to the Corona crisis, immigration rates were elevated, and this excess demand was putting upward pressure on house prices.

## WILL IMMIGRATION DENT PROPERTY PRICES?

Now obviously, with our borders closed, this has come to a screeching halt.

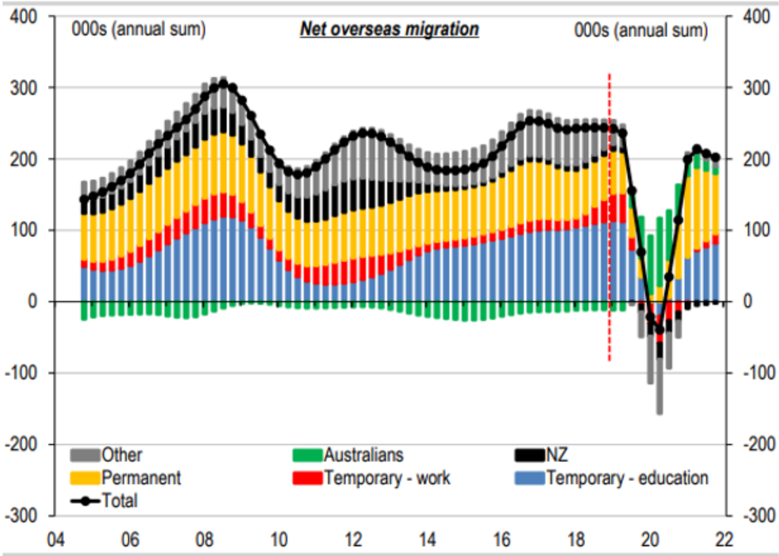
Investment bank UBS has crunched the numbers and they reckon we're now looking at 330,000 less migrants than expected over the next 18 months.

*With reports suggesting over 300k tourists and temporary residents had already departed Australia by mid-April, and expectations that perhaps another 300k may leave by the end of 2020, a collapse in Australian net overseas migration (NOM) and visitor arrivals is inevitable.*

*Indeed the Government's own expectation is NOM declines very sharply, from the FY19 level of 240k, by more than 30% in FY20, with an 85% fall in FY21.*

*Compared with the 2019 Commonwealth Budget assumption, this would represent a shortfall of ~330k (or 1.3% of the total population).*

**Figure 2: Travel restrictions are likely to see migration turn negative in 2020, before rebounding in 2021**




Source: ABS, UBS

**Chart 22: Immigration Projections**

With that, they reckon that Australia is looking at the slowest rate of population growth since 1916!

*This would see population growth slow from a strong ~1½% y/y in recent years, to just ~0.5% y/y in 2020 – the lowest since 1916; before lifting to ~1.3% y/y by the end of 2021.*

However, with population growth bouncing back to 1.3% by the end of 2021 – a figure which is partly limited by throttled air travel capacity – we're talking about a very quick reversal of immigration flows.

And that would mean any drag that decreased immigration has on housing demand will be temporary and quickly reversed.

COVID-19 will crunch immigration in the short term, but once travel restrictions are lifted, it will come back just as quickly.

And that means that in the short term – in the grind phase – lower immigration will drag on house prices.

But once the virus passes, we will have immigration returning to strength, and this will add fuel to the boom phase.

The other point to make here is that you can't look at demand in isolation.

Because while demand is falling, so is supply.

## CONSTRUCTION RATES ARE TANKING

As you can see in this chart, dwelling commencements have been falling for a few years now. High-rise construction in particular is down 41% on its 2016 peak!

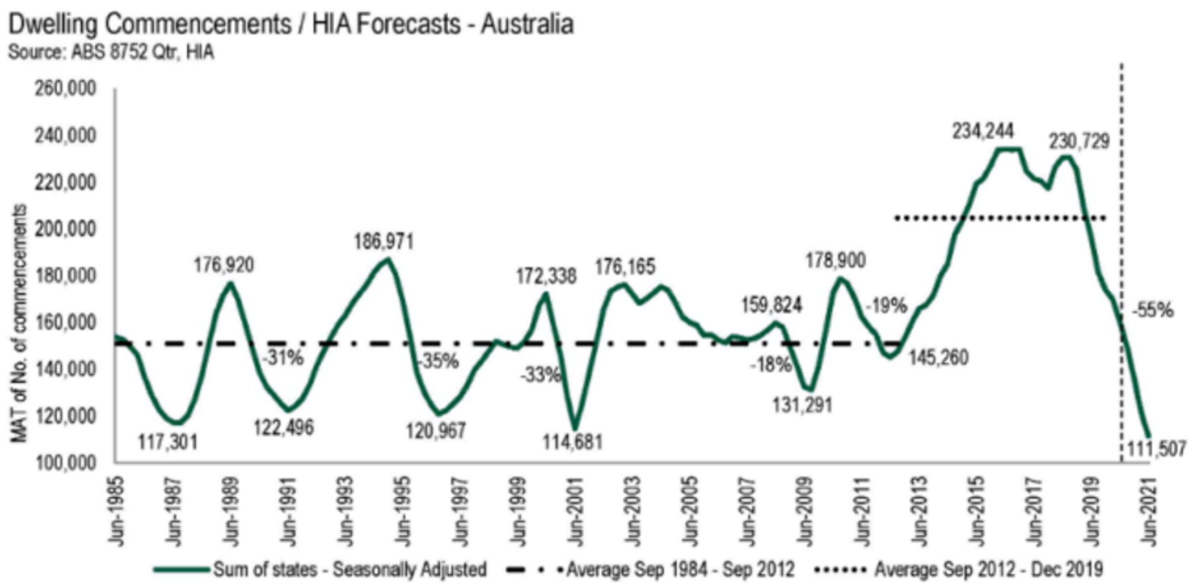



**Chart 23: Housing Construction Rates**

What's more, our current lockdown is having a huge impact on the construction industry, combined with the supply-side shock I was talking about earlier.

UBS are now forecasting a massive fall in construction rates – to the lowest level since 1960!

So that's massive.

And so while it's true that demand is falling, supply is falling too… possibly at an even faster rate.

How that comes out in the wash is difficult to determine. But it seems entirely possible to me that this is a net-positive for property prices, even in the short term.

And the other point to make here is about how quickly each of these things is going to recover.

We closed our borders almost overnight. It's possible we'll open them back up with as much speed, when the time finally comes.

So immigration could bounce back incredibly quickly.

That's not true for supply. It's a huge process and palaver bringing supply to the market. There's planning approvals, finance, pre-sales etc.

So while demand could bounce back overnight, supply is going to face a long road back to pre-crisis levels.

That means, in the medium term, our ongoing undersupply of housing in Australia is going to get even worse.

And that's going to put upward pressure on prices in the medium term.

So yes, immigration is going to have an impact on the short term.

However, in the medium term, I expect it to come out in the wash, and in eighteen months we could easily be back to talking about immigration being one of the key drivers of property prices again.

So long story short, Australian's famous housing undersupply is set to remain, and probably get worse, amplifying the prices gains in the boom phase.

## THE HONG KONG FACTOR

Now the swing factor here might actually be Hong Kong.

Tensions between Hong Kong and China seem to be coming to a head. If things deteriorate rapidly (and this is 2020, so the worst case scenario is probably your base case) it could mean we find a rush of Hong Kongers heading for the safe and welcoming arms of Australia.

The government is already considering its options:

*Australia is "actively considering" offering safe haven to Hong Kong residents to come to the country after controversial national security laws imposed by China came into effect, Prime Minister Scott Morrison says.*

*On Wednesday, hundreds of people were arrested after demonstrators took to the streets to protest the new laws, which were introduced by China to suppress dissenters.*

*British Prime Minister Boris Johnson said he would offer eligible people in Hong Kong a path to citizenship, allowing them to settle in the United Kingdom.*

*The UK handed control of Hong Kong to China in 1997, and the latest round of protests surrounded the anniversary of that event.*

*Before the handover took place, citizens in Hong Kong were able to apply for British National Overseas (BNO) passports.*

*Hong Kong is home to hundreds of thousands of BNO passport holders, with millions of other residents believed to be eligible.*

*Mr Johnson said on Wednesday that the UK would ensure a path to citizenship was open for those passport holders.*

Remember, we recently took 12,000 refugees from Syria, so I think something in that order of magnitude is easily conceivable. Hong Kong, like Australia, was once part of the British Empire, so our bond is much deeper and enduring.

12,000 would have to be a minimum if things really hit the fan.

But this has interesting implications. Because, on average, people from Hong Kong are very wealthy.

On a per capita basis, they're the 12th richest country on Earth, just one spot behind the US, and several places higher up the ladder than Australia.

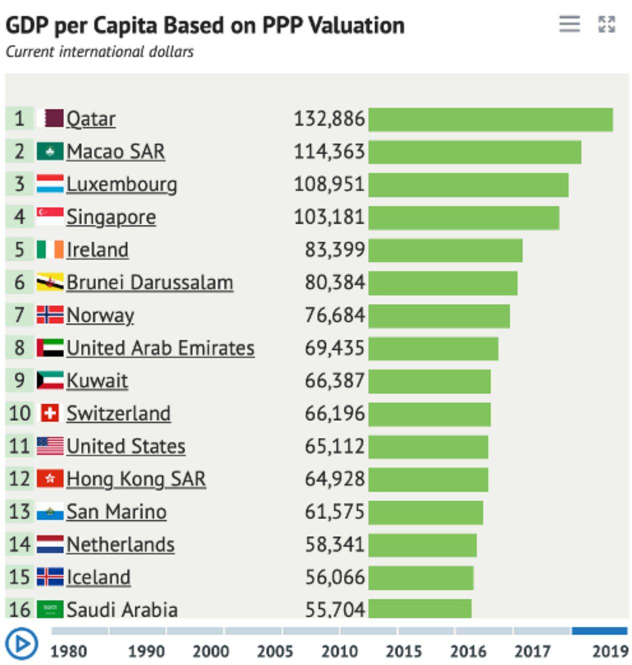



**Chart 24: Global GDP per Capita**

Hong Kong is also home to a million millionaires. When you remember that the entire population is only 7 million, it shows you just how wealthy they are.

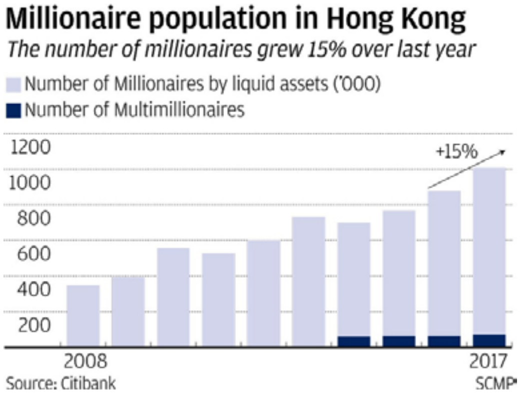



**Chart 25: Millionaires in Hong Kong**

There's no way you could say that one-in-seven Australians are millionaires. Not even close.

So we're talking about a very different form of immigration.

Typically, refugees are fleeing countries that have already been torn apart by decades of war and hardship. They often come with nothing. That wouldn't be the case with an exodus out of Hong Kong.

It's quite likely that each person from Hong Kong who lands here will have much more wealth than the average Australian. That is, they will push the average wealth in Australia up.

Our property and asset markets, which are leveraged up on our average wealth, would go up in turn. And remember, we know that Australia is already a popular destination for Hong Kong wealth.

Credit Suisse looked at the impact of Hong Kong capital flows on the Sydney property market last year.

What they found was that the capital flows out of Hong Kong lined up very well the behaviour of prices that they couldn't predict with their models.

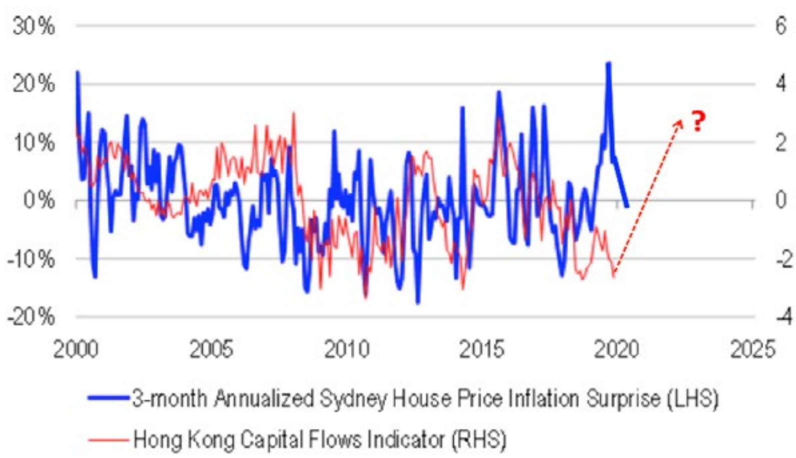



**Chart 26: Sydney Property Prices and Hong Kong Capital Flows**

That is, their model for Sydney house prices – which included interest rates, employment etc. generally did a good job of predicting prices. When there was a 'surprise', it often seemed that Hong Kong money was behind it.

And if Hong Kong money is rushing for the exits right now, you can be very sure that a good chunk of it is heading for Australian real estate.

So, it looks to me like it might be China's loss, and Australia's gain.

And that could possibly put a substantial floor under just how far Australian immigration levels might fall.

## BOOM DRIVER #2: INFRASTRUCTURE CASH SPLASH

Generally, I don't think people are paying enough attention to what's happening on the infrastructure front – what the branding people in Canberra have called "JobMaker".

Basically the government's crisis-response policies have one of three agendas:

1. Backstop
2. Stimulate
3. Position for Growth

So the JobKeeper package is a classic back-stop strategy. It's about making sure that employees don't become disconnected from their employers, and making sure that millions of people don't end up on the unemployment lines.

It's about back-stopping the labour market and stopping things getting worse than they are.

After that, you've got stimulus policies. Once you've stemmed the bleeding, it becomes a question of how you get the economy back on its feet again. The HomeBuilder package is an example of this. It's not about stopping the industry from collapsing. It's about getting activity going again.

So far, most of the attention has been on these first two types of policy. But there's a third type, and one that's probably much more important for the longer run.

Position for Growth policies.

These policies are about clearing the runway so once things are going again, the economy can rapidly return to form, or even come back stronger and fitter than before.

The key focus here is on infrastructure investment.

And infrastructure is a long-term play. It takes years to get going and years to start paying back a return. So I can understand why it's not muscling its way on to the daily news cycle, right now.

It doesn't have the visual 'grab' of a Melbourne high-rise tower in lockdown!

But the flow of infrastructure spending so far is substantial, with more on the way. From the ABC:

*Inland rail from Melbourne to Brisbane and a second underwater power cable to Tasmania are among projects given priority status by the Commonwealth Government in a bid to fast-track jobs on major infrastructure works.*

*In a speech at the National Press Club today, the Prime Minister outlined more details of the Government's JobMaker plan, including increased spending on infrastructure and major projects.*

*… It includes a priority list of 15 major projects to be fast-tracked under an agreement by the Commonwealth, states and territories to speed up the approval process.*

*It is a decision that would support "over 66,000 direct and indirect jobs", Mr Morrison told the Committee for Economic Development of Australia (CEDA) at its State of the Nation Conference.*

*Mr Morrison also outlined some of the 15 projects, including the $10 billion inland rail project from Melbourne to Brisbane, the Marinus Link between Tasmania and Victoria and the expansion of Olympic Dam in South Australia.*

It is true that a few of these projects look like publicity stunts dressed up as 'nation-building', but many of them look worthwhile.

And that's just the bigger-splash stuff.

There's also a bunch of money for lower-profile projects.

*The Prime Minister also used his speech to announce $1.5 billion in funding for "small priority projects" in all states and territories.*

*"As part of this package, $1 billion will be allocated to priority projects which are shovel-ready, with $500 million reserved specifically to target road safety works," he said.*

*Mr Morrison says the latest funding means the Government has brought forward or provided additional funding for infrastructure investment to the tune of just under $10 billion in the past eight months.*

$10 billion in eight months is substantial. Very substantial.

And it's good policy. It supports jobs and the economy in the short run – working like a stimulus package', while also positioning the economy for growth down the track.

It might take some time to bear fruit, but this stuff is not to be over-looked.

And for property markets around these infrastructure projects, it can be a bonanza.

Keep an eye on this one.

## BOOM DRIVER #3: CHEAP MONEY MEDICINE

Now the second big driver of the coming boom phase is the cheap money medicine that governments the world over have thrown at the economy.

Now, when I'm talking about cheap money, I'm talking about record low interest rates, but I'm also talking about massive money printing programs.

This is the exact same government sector response we saw during the GFC – slash rates, support liquidity, print money, spend money.

So the GFC gives us a very useful example of just what all of this money slushing around the system is going to do.

So it's worth asking then, what happened to house prices during and after the GFC?

Well, let's take a look.

This next chart tracks house prices in Sydney and Melbourne and Australia in total from 2007 onwards. This isn't the level of prices. This is the year on year percentage change in prices.

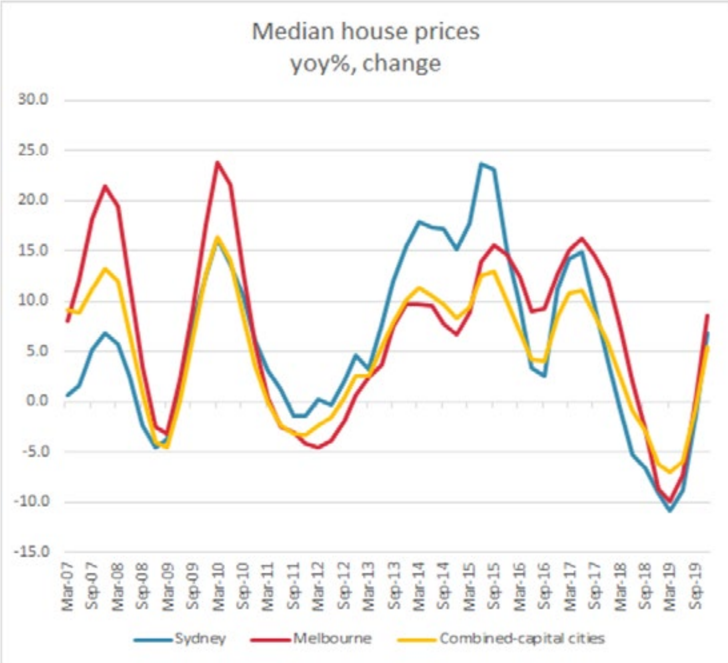



**Chart 27: Aussie House Prices Post-GFC**

So you can see as the GFC bit, house prices immediately took a hit. As credit choked up, people simply weren't able to get the kinds of loans they were getting twelve months earlier.

But you can also see that the 'hit' was pretty mild. At it's worst, prices were only falling about 5% a year, and the downturn lasted little more than a year.

That's not all that bad.

I mean, compare that to the most recent 'downturn' we had – I know, if you blinked you missed it. But after the APRA credit restrictions were imposed in 2016, prices across the country started stalling out.

It wasn't even front-page news, but the most recent downturn was twice as bad as the downturn during the GFC, with prices falling 10% a year at it's worst.

The point I'm making is this: with the global financial system practically imploding around it, the Australian housing market barely stumbled.

Why?

There's one answer.

**CHEAP MONEY.**

As the GFC hit, the RBA cut rates aggressively. By the time they were done they had cut interest rates over 4% in a matter of months.

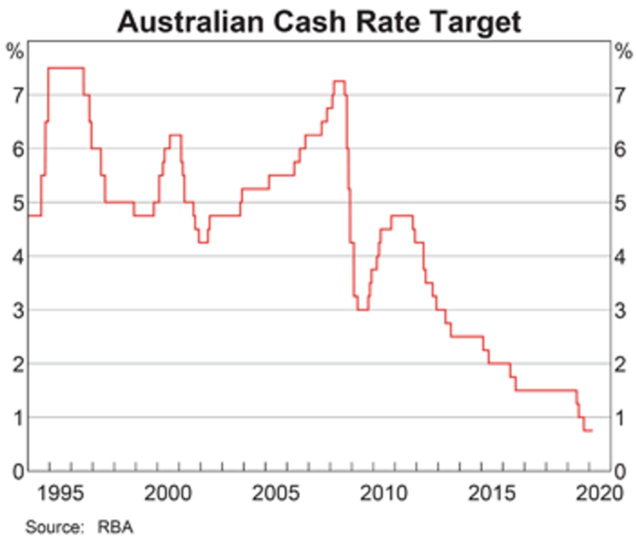



**Chart 28: Interest Rates During GFC**

It was the most aggressive, most sudden reduction in interest rates in history.

And it worked. As borrowing costs dropped (and the Rudd stimulus package poured money into the economy), Australia came back to life. And as people were able to take out bigger mortgages, sentiment returned to the housing market, and prices soared.

There were a few wobbles along the way, but with interest rates remaining low and heading even lower, there was a permanent shift in the housing market, and house prices moved permanently higher. In fact, when the interest rate impulse combined with an income surge during the mining boom, it gave us one of the most spectacular property booms of living memory.

And it was all thanks to interest rates and cheap money.

## THE US EXPERIENCE IN THE GFC

So that was the Australian experience, but I also want to take at look at what happened in America during the GFC, because we are now borrowing from the American play-book to deal with the current crisis.

So, like Australia, America's first response to the GFC was to slash interest rates.

However, with the financial system seemingly corrupt to the core, the US Fed had to cut rates by a massive amount. They cut rates a full 5 percentage points in little more than a year.

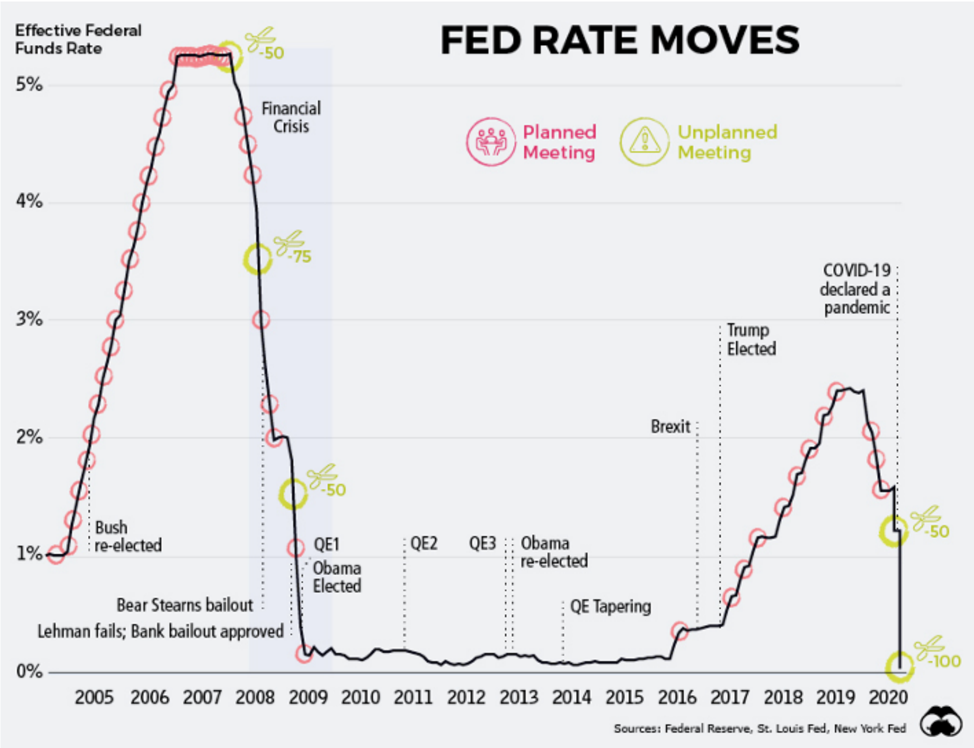



**Chart 29: US Interest Rates**

But then they had a problem. They had cut rates so far that they had hit the zero lower bound. They just couldn't cut rates any further. But they still weren't out of the woods, so what could they do?

They decided to get "unconventional".

Running out of options and ammo, the US Fed turned to "unconventional monetary policy". Specifically, they launched a massive financial experiment called 'Quantitative Easing'.

Quantitative easing is just a fancy word for 'printing money'.

The Fed was printing and pumping billions of dollars into the economy every month. Like $85 billion a month at some points.

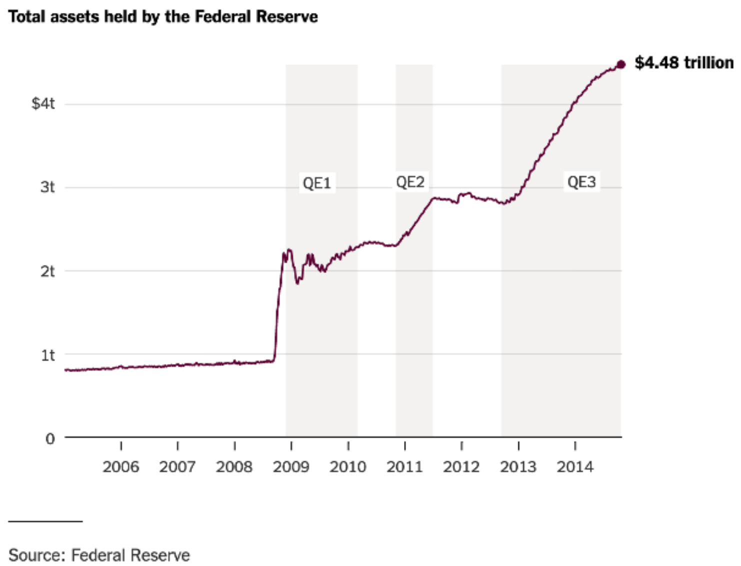



**Chart 30: Total QE Spend During GFC**

By the time the first round of QE was done (QE1), the Fed had pumped over a trillion dollars into the economy. Over the next few years, as the economy struggled to gain traction, the Fed would go on to print a further $3 trillion dollars.

That's an awful lot of cash.

However, the important thing about QE is where the Fed decided to inject that money into the economy. At first they did it by just buying government bonds – government debt (not from governments directly, but on the secondary market, from banks etc). But they also realised they needed to support the housing market, so the Fed purchased a massive amount of Residential Mortgage Backed Securities (RMBS) – that is, assets backed by ordinary people's homes.

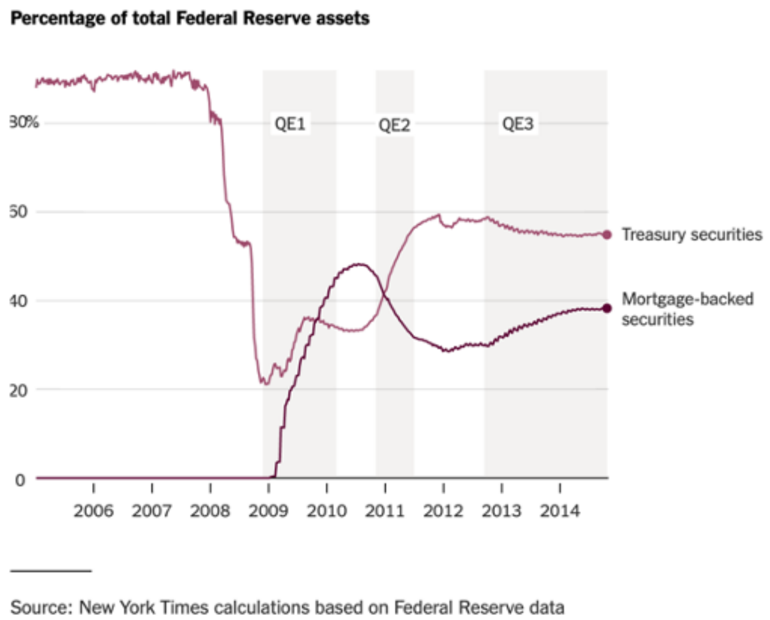



**Chart 31: Fed's RMBS Purchases**

Think about that for a sec. A crisis hits and one of the first things the Fed does, is throw trillions of dollars at the housing market.

It worked though. Borrowing costs for both businesses and households tanked. Mortgage rates in particular dropped like a stone.


Mortgage rate is average 30-year fixed-rate mortgage. Corporate bond rate is yield on seasoned Baa-rated bonds.

**Chart 32: US Borrowing Costs post GFC**

And it was, most economists agree with the benefit of hindsight, enough to save America from total financial collapse.

However, something weird started to happen. With all that money slushing into the economy, real activity was failing to pick up. Unemployment remained stubbornly high, GDP growth was unimpressive, and inflation was practically non-existent.

All that money had saved the economy, but the real economy wasn't improving. It was like filling your car with petrol, and the fuel tank still reading empty.

Where did all that money actually go?

The answer to that is… **asset prices**.

Sure, some firms used the cheap money to invest in productive capacity. But more often than not, firms used the cheap money to buy back shares, and push up their own share prices – for which their CEOs were handsomely rewarded. (Hooray for capitalism.)

The end result was one of the most aggressive bull runs the American share market has ever seen.

Until the recent crash, the American market had effectively tripled in value in less than ten years. Again, all thanks to cheap money.

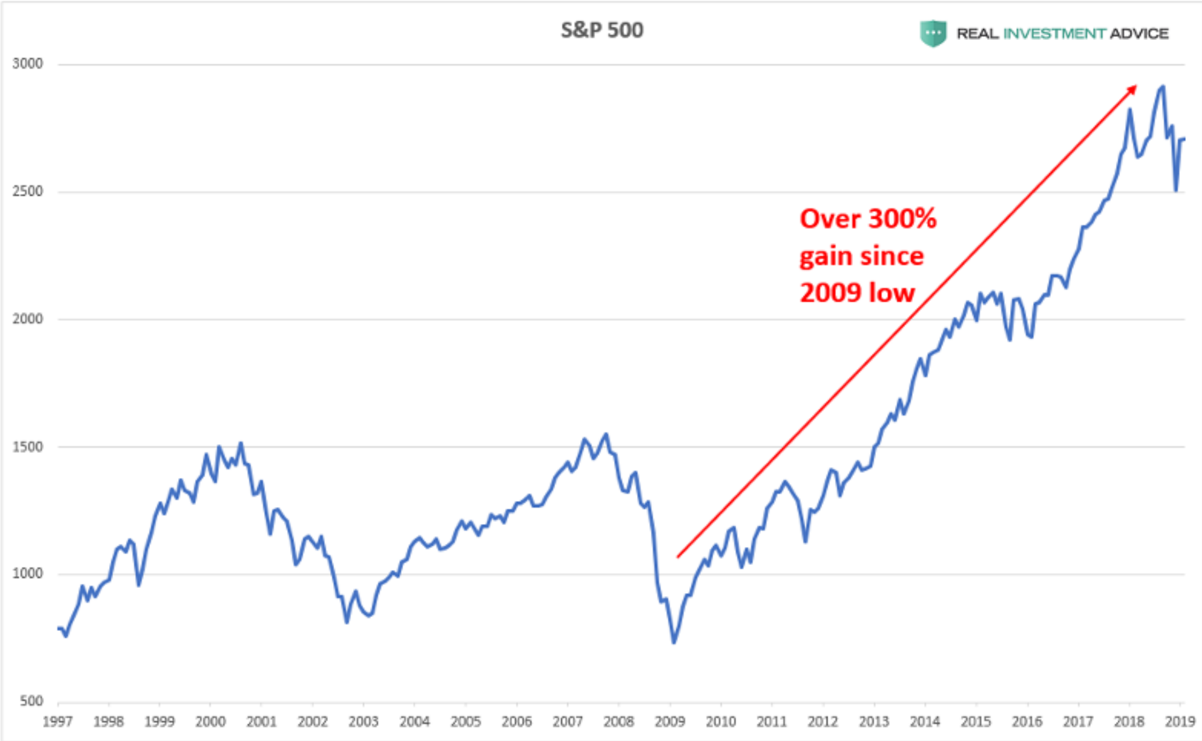



**Chart 33: American Share Market post GFC**

And this was all happening at a time when the real economy was posting pretty ordinary results.

So asset prices boomed. But when we're talking assets, we're also talking real estate.

The American property market fell about 30% immediately after the GFC, and then flat-lined for a number of years.

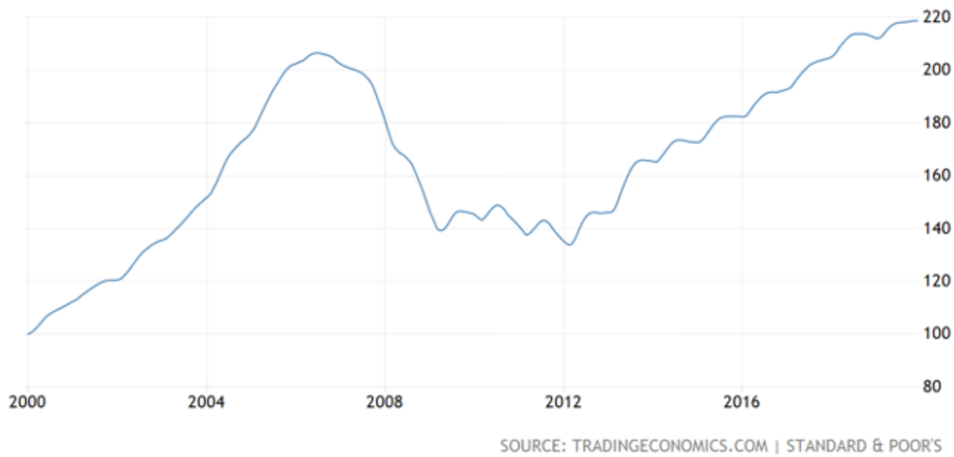



**Chart 34: US House Prices Post-GFC**

That might not sound impressive given what happened to stocks, but you've got to remember just how bonkers the US property market was before the GFC.

I mean, this was the era of NINJA loans – where people with No Income, No Job and No Assets could go out and get a half a million dollar mortgage.

The market could have, and probably should have, fallen a lot further, but Quantitative Easing saved its hide. And then once the dust had settled and income had a chance to catch up, the market started growing strongly again from 2012 onwards – again thanks to all that cheap money sloshing around the system.

## FACT: QE JUICES ASSET PRICES, NOT INFLATION

So the key take-away in all this is that cheap money makes asset prices go up.

In hindsight, none of this sounds surprising. You flood the economy with cheap money, that pushes the prices of assets up. But at the time, no one thought that was going to happen. (Or if they did, they weren't telling anyone.)

At the time, the standard wisdom was that money printing caused inflation. That was the conventional wisdom. But it never happened.

Look at what happened to US inflation in the years that followed the GFC.

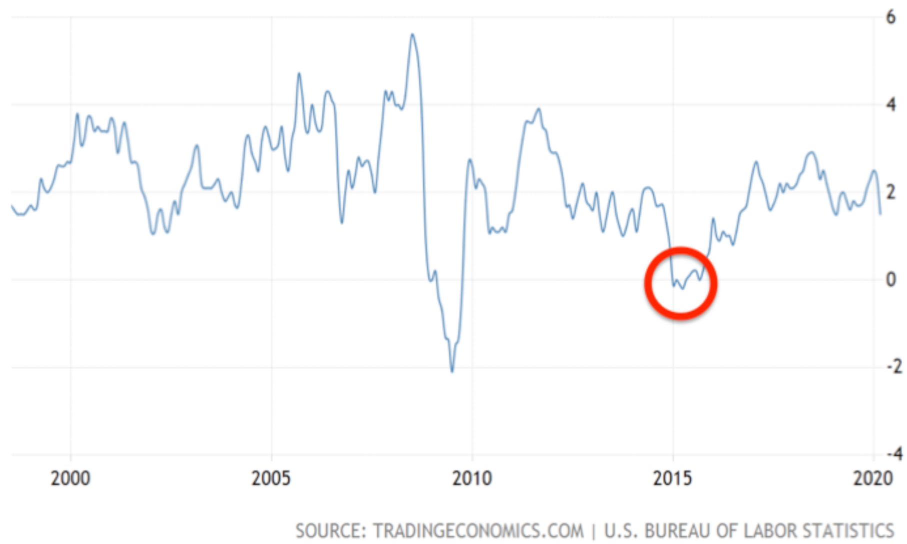



**Chart 35: US Inflation Rates**

Inflation never even broke above 4%. And in fact, in 2015, it actually went negative. And that was despite printing a huge amount of money.

This kind of surprised everyone. The standard wisdom in economics is that money printing causes inflation.

But our experience in the years that followed the GFC shows that this wasn't always true.

## DOES MONEY PRINTING CAUSE INFLATION?

Without getting too technical, the basic idea is that when you print money you get inflation, but only in those sectors of the economy that face capacity constraints.

With huge production capacity coming online in Asia, and most developed countries having high labour under-utilisation rates, the real economy was not, and is not, constrained.

So no inflation there. However, there were and are some sectors of the economy that are constrained.

What are they?

**Asset markets.**

Asset markets are constrained. There are only so many firms issuing shares. Only so many commodities and currencies on the market. Only so many properties in the real estate market.

And so it was here, in these capacity constrained sectors, that inflation reared its ugly head.

Take a look at this chart here. This compares inflation in asset markets – global share markets etc., and inflation in the real economy, as measured by the CPI.

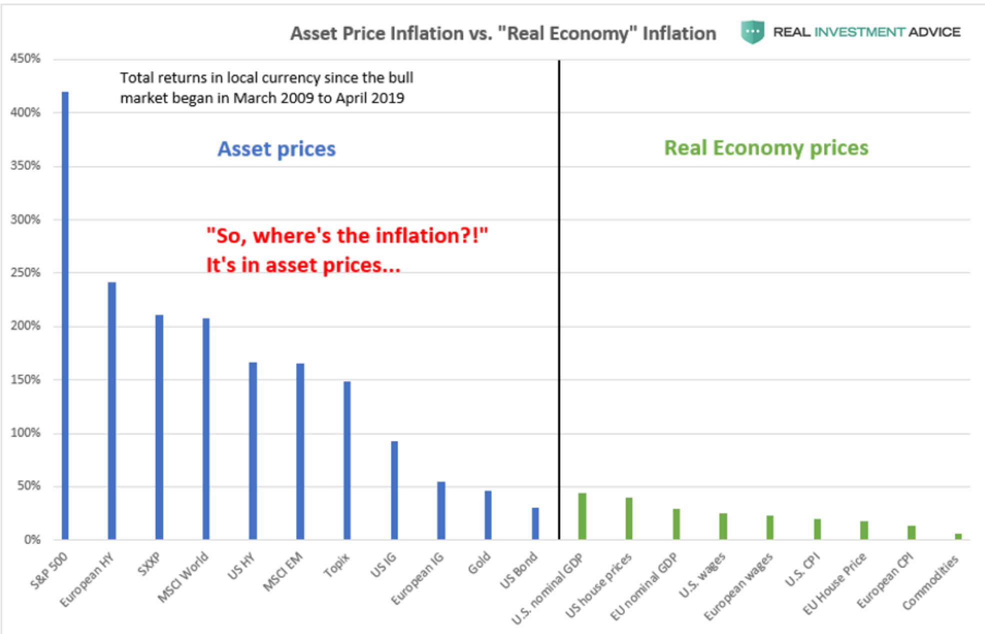



**Chart 36: Inflation was Hiding in Asset Prices**

That's global asset prices on the left. Real economy prices on the right. Massive difference.

So we didn't get the inflation we expected. But that's not to say it didn't happen. It just didn't happen in the places we expected it to happen.

**Now I promised to show you the most important chart you'll ever see in your investing career, and it's this one.**

This from a research house called Convoy Investments. What they've done here is track the US money supply against a basket of assets – a measure that includes stocks, real estate and other financial assets.


**Chart 37: Asset Prices and the Money Supply – Annual Change**

You can see here that they line up pretty closely. When you print money and the money supply goes up, asset prices go up too.

And periods of high asset price growth go hand in hand with periods of high monetary growth.


**Chart 38: Asset Prices and the Money Supply – by period**

Again. Just let that sink in. When the government prints money, you can expect to see an almost one for one increase in asset prices. All asset prices.

And what are governments doing right now?

Printing money.

**Hang on! That doesn't sound fair…**

Now, you might be wondering how fair that is. If the government is printing cash to juice asset prices, doesn't that just benefit the financial elite – the people who own all the assets?

Yes it does.

The Bank of England measured the distributive impact of its own quantitative easing program in 2012, and concluded that:

*"By pushing up a range of asset prices, asset purchases have boosted the value of households' financial wealth held outside pension funds, but* ***holdings are heavily skewed with the top 5% of households holding 40% of these assets****."*

Quantitative Easing may have kept people in a job, but it did that by making the rich richer.

Now you might be angry about that.

Fair enough.

But the way I see it, you've got two options.

You can take up arms and fight the rich on it.

Or you learn how the system works and beat them at their own game. They're your choices.
But whatever you do, don't ignore it. Don't go back to sleep and back to being a cog in the machine.
I've just shown you how the game works.

Time to get your game-face on.

## THE MONEY PRINTING MACHINE KICKS BACK INTO GEAR

So that's your history lesson for the day. During the 2008 financial crisis, the Australian RBA slashed rates and house prices boomed. In the US they printed money, and after a while, house prices boomed.

So what's happening now?

Well, the US Fed has learnt it's lesson and it's not waiting around. It's already printing money like there's no tomorrow.

You can see it in this chart here. This is the M1 measure of money-supply in the US.

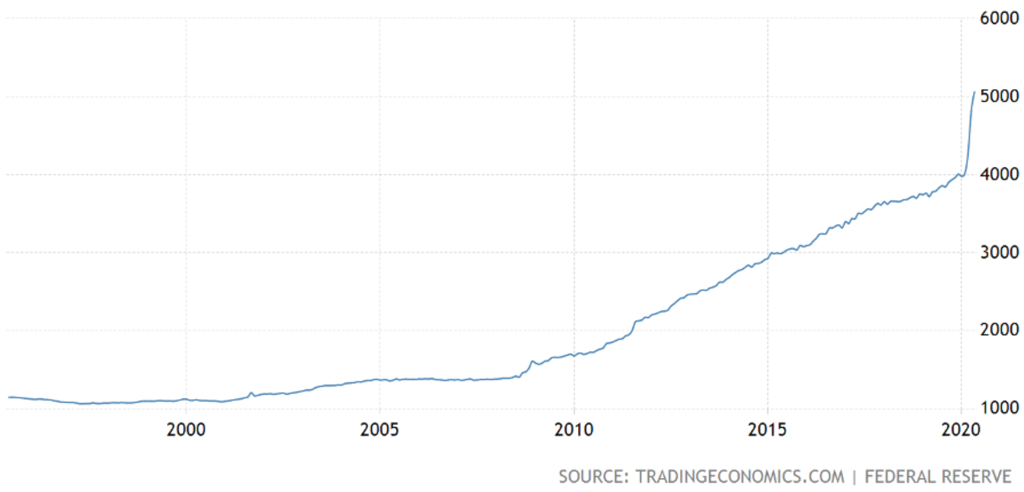



**Chart 39: M1 Money Supply in US**

So you can see M1 has jumped from $4 to $5 trillion… in three months.

Wow. It took us 5 years to go from $3 to $4 trillion - itself on an accelerated path after the GFC. It took just three months to go from $4t to $5t.

So it's faster but it's also different. The Fed is buying everything it seems, and that money is making its way directly into deposits. You didn't see that after the GFC – at least not in such an extreme way.

And if we think the relationship between the money supply and asset prices is something around the 1:1 mark, which is what this chart seems to suggest...


**Chart 40: Asset Prices and the Money Supply – Annual Change**

Then if we're talking about a 25% increase in the money supply, then we're possible talking about a 25% increase in asset prices.

There's a lot of uncertainty around those numbers – how it plays out on the ground – but the scale and direction doesn't seem to be contested.

## KANGAROO QE – OUR VERY OWN MONEY PRINTING

With Australia also scrapping the barrel for options, we're seeing Australia's policy makers follow America's lead.

The RBA has already cut rates as low as they can go (0.25%), but that's obviously not going to be enough.

And so it has also launched their own Quantitative Easing program – Kangaroo QE – to anchor short-term rates on government bonds. Some analysts think this is worth $50bn, but it's open ended. The RBA will do whatever it takes.

The RBA has also set aside $90bn for a facility to support banks to lend to small and medium enterprises.

So QE1 in Australia is worth north of $140bn. Bam. (And we're probably not done.)

## WHAT IS THE QE LIFT WORTH?

So Australia, like America, is printing money. They've started and they won't stop until this crisis is over. They'll do 'whatever it takes'.

But remember. What's the golden rule of investing?

It's this chart remember.


**Chart 41: Asset Prices and the Money Supply – by period**

Money printing juices asset prices.

So expect to see all assets, and particularly real estate, come storming back after the dust of this cluster crisis has settled – once we get through the grind phase and the boom phase asserts itself.

But while we're waiting for that boom phase to kick in, all this money printing will be taking effect, and the property market will be building a massive head of steam, as it did during the GFC.

And that means that 6 to 12 months after the health crisis is over and the lockdown is lifted, we're going to see a boom that could make past booms seem tiny.

We've seen it before, we'll see it again. And our policy makers will be only too happy to let house prices boom if it saves the economy.

That's no price to pay.

So look for history repeating. Look for massive money printing to juice asset prices and send property prices soaring.

Because I tell you one thing, right now, on Wall Street, that's what the smart money is doing.

## BOOM DRIVER #4: THE CREDIT CYCLE

The final driver of the coming boom is going to be the credit cycle.

This stuff isn't well understood, even in the economics profession.

But it draws on intellectual heritage that began with the mathematician William Gann at the turn of the 20th Century. Gann used his mathematical insight to effectively predicted the Great Depression. It was forgotten for a while, but was uncovered again by Fred Harrison, who used it to predict the GFC – a full 5 years in advance!

**Leading Thinkers in Credit Cycle Theory**

William Gann

Fred Harrison

Phil Anderson

And lately its being championed by Phil Anderson, an economist who actually came from Australia but now lives in London.

(Go Aussie!)

I won't bore you with the technical details, but the basic gist of it is that the credit market works in roughly 18 years cycles. This comes out of the way we collectively and aggregately structure our loan repayments.

The credit market, in turn, drives everything else, particularly asset market.

What's really interesting about this though is that it's done a very good job of predicting every boom and bust all the way back to 1800!

The price data we have from way back then isn't very good. But if you look at the oldest and most reliable data set we have – the sale of US public land – you can very clearly see the boom-bust cycle in action.

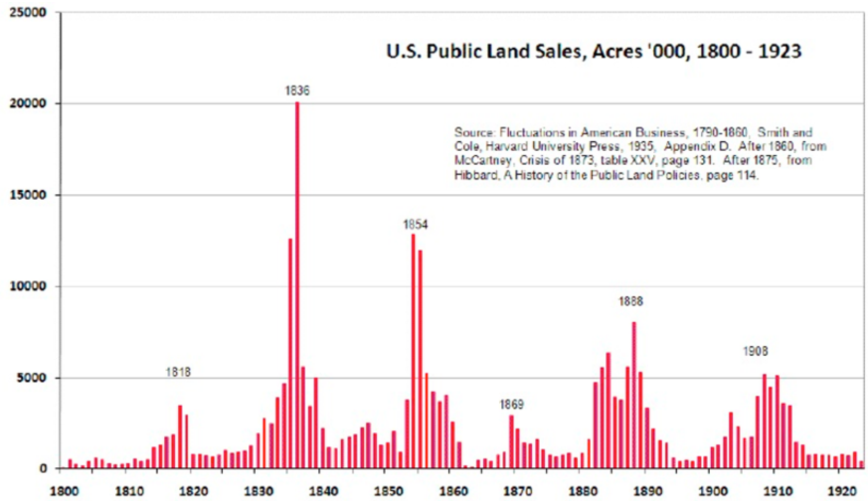



**Chart 42: US Land Sales, 19th Century**

In most recent times, Phil Anderson has broken down the 18 year cycle even further, identifying recurring mid-point slow-downs and renewed expansion phases.


**Chart 43: The 18 Year Real Estate Clock**

When we plot the clock out over time, we get something that looks like this:

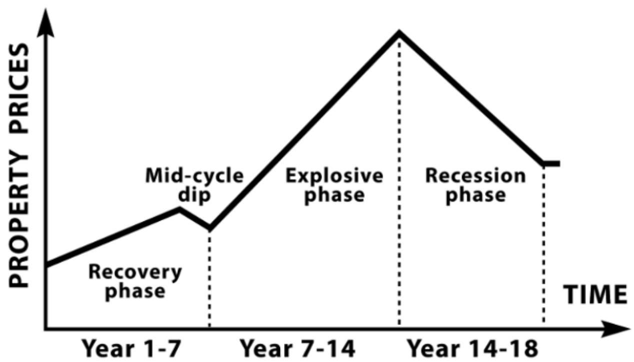



**Chart 44: Credit Cycle Over Time**

So you can see there, there's a recovery phase, which lasts for around 7 or so years. There's a mid-cycle slow-down, which can last for up to 18 months. That's followed by an explosive phase as the credit dynamics kick into full gear. However, that soon becomes excessive, and we move into a recession phase, which lasts for around four years.

Now what's interesting about this is when we map it against what's going on right now.

If we take 2010 as our starting point, which was the bottom of the GFC, then it looks something like this.

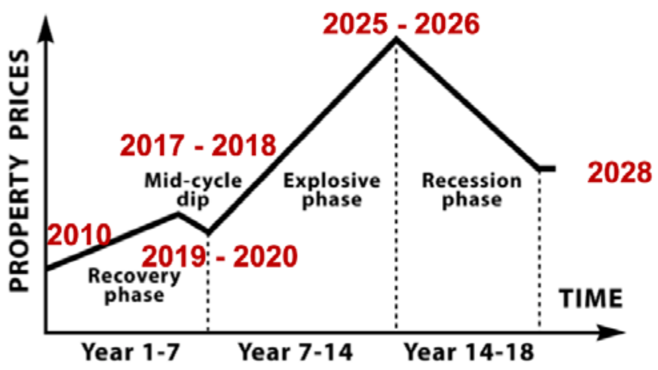



**Chart 45: Current Credit Cycle**

That actually lines up with things pretty well, particularly if we're talking about Australian house prices. They enjoyed a strong boom run between 2010 and 2018, before peaking a falling 10% or so over the following 18 months.

So that's a classic recovery phase and a mid cycle slow down.

Coming into 2019 and 2020, we were seeing prices start to life, and as 2020 opened, most economists were predicting double-digit growth for the property market.

Then COVID-19 hit.

COVID-19 threw a spanner in the works and disrupted the normal operation of the credit cycle. However, the credit cycle dynamics are still in play.

In the background, there is an explosive phase just waiting for its time in the sun. And my bet is that once the dust has settled and COVID-19 has been put to bed, the credit cycle will reassert itself, and the explosive phase will begin in earnest.

When you combine that with the other two drivers of the boom, that should deliver one of the most spectacular bull runs in Australian house price history.

It should see Australian house prices post massive gains, all the way through to 2025-26. Three boom drivers gives you a three-fold boom.

But let's sketch out exactly what it's going to look like.

# Life Changed: **Sanders**

**With the correct education and support you can take control of your financial future, like Sanders, who with 14 properties in six years turned dream and drive into millions.**

Leaving his family behind in Zimbabwe to come to Australia was the hardest thing Sanders ever had to do. But it was a gamble that paid off, and Sanders has used a phenomenal run in property investing to set his family up for a life they never dreamed was possible.

Sanders flew into Sydney airport with $50 in his pocket. He sold everything he had to come to Australia, and it broke his heart to think of his wife and three children he had left behind.

However, he was doing this for his family, and he worked three jobs until he had enough money to fly them all over to join him. From that point on, he and his wife, Khumbu, worked tirelessly. As registered nurses, they worked multiple jobs at various hospitals across Sydney, often barely seeing each other between shifts.

In a few years, they had saved enough to buy their own place, and Sanders was committed to giving his kids a stable place to call home. A few years after that, they had saved enough to buy their first investment property – negatively geared and a bit of a dud in hindsight.

*"I had to sell everything we had just to afford the flights. Not only did I leave my family behind, I left them with nothing."*

However, it was the beginning of a journey with real estate, and in 2013 Sanders saw Dymphna Boholt talk at a one-day event, and was immediately impressed with her down-to-earth approach to property investing.

Using the strategies on offer through ILRE, Sanders was able to begin an incredible run of deals. In six years, he has bought 14 properties, delivered almost $1 million dollars in profit, and created $60,000 a year in passive income.

Not only that, with other members of the ILRE community noticing his amazing results, Sanders was able to earn $120,000 as a buyer's agent last year alone.

Looking back, Sanders is incredibly grateful for the opportunities he has received, and for the life that property investing has made possible.

This is how his dream became a reality.

### Deal 1: New build, new beginnings

Having thrown himself into the education modules, Sanders was keen to gain experience with building and development, and his first deal was a new-build property in Western Sydney. Picking the land up for a bargain and building cheaply, Sanders was able to sell this one for a profit of $265,000 … which made the small cost of the ILRE training seem like a real bargain!

### Deals 2 & 3: Off-the-plan, off the beaten track

With the confidence to invest outside of their own back yard, Sanders bought off-the-plan townhouses in Townsville and Newcastle. While this is a little outside Dymphna's playbook, these have been solid investments and gave Sanders useful experience in assessing development potential.

*"When I came to Australia I was worth $50. Today I am worth $1.5m. It's been an amazing journey."*

### Deal 4: Stack 'em up

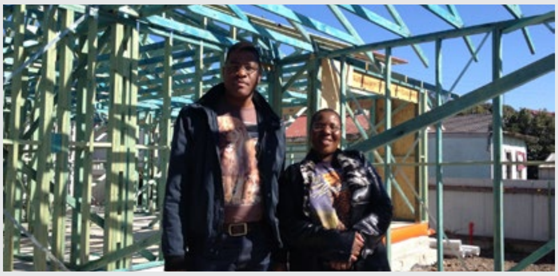
Sanders' training had shown him that there was often value in stacking different strategies together, and so for his next deal Sanders bought a run-down block on a large piece of land. Doing a cosmetic renovation on the house and adding a separate downstairs flat, Sanders was able to quickly flip the property on for a profit of $143,000.

### Deal 5: Falling in love

It was Sanders' next deal that gave him a taste for what was to become his favourite investing strategy – finding large blocks in infill development areas, and adding multiple townhouses.

Finding a large block on Sydney's south coast, he purchased the property for $425,000, spent $900,000 on building three units on the site, and sold them all for $1.8 million, or a profit of $500,000.

It's easy to see why Sanders came to love deals like this so much.



**DEVELOPMENT INFILL SITE – SOUTH COAST – MULTIPLE STRATEGIES**

| | |
|---|---|
| Purchase Price | $425,000 |
| Total Building Costs | $1,300,000 |
| **Sale Price** | **$1,800,000** |
| **Profit / Equity** | **$500,000** |

**BRISBANE INFILL SITE – MULTIPLE STRATEGIES**

| | |
|---|---|
| Purchase Price | $795,000 |
| **Sold 1 house** | **$875,000** |
| **Keep 1 House Rent Room by Room** | **$1080/week** |
| **Positive Cashflow** | **$24,000pa** |

## Deal 6: Accumulation phase

Sanders then bought a property for $265,000 and spent $10,000 on a quick renovation. When done he had the property valued at $400,000, delivering some very handy equity to work with.

## Deal 7: Take it across the border

Sanders then decided to take his strategies to Queensland, dividing a large block in two and putting a five-bedroom house on each block. He sold one house for $875,000, and rents the other one out as a boarding house for a positive cash flow return of $24,000 a year.

## Deal 8: Another keeper

Sanders has another development deal in the pipeline, building a four-bedroom duplex in Albion Park, Sydney. This will deliver $250,000 in profit if he decided to sell, but since it will be positively geared to the tune of $15,000 a year, Sanders will hang on to this one.

## Deals 9 & 10: Joint ventures

Members of the ILRE community were so impressed with the deals that Sanders was pulling together, that they approached him to go into joint ventures with them.

Coming on board as money-partners, where they provide all of the finance, the first deal will give Sanders a 50% share in a $280,000 profit, and the second a 50% share in a $320,000 profit.

## The start of a legacy

Sanders has now gone from working three jobs to working just three days a week, with plans to phase out working altogether in 2020. Sanders also knows that he and his family's future in Australia is now secure, and they finally have the freedom to live the life they were always dreaming of.

**Watch the full session of how Sanders did 14 properties in six years – turning dream and drive into millions by clicking the link below or going to https://youtu.be/jpyUZHuOUtI**

| POST-DYMPHNA RESULTS | VALUE | DEBT | EQUITY | SOLD | CASHFLOW |
|---|---|---|---|---|---|
| GLENWOOOD – PPR | $1.25M | $750K | $500K | KEEP | $0 |
| GRANNY FLAT | $120K | $100K | $20K | KEEP | $12K |
| GOROKAN | $400K | $180K | $220K | KEEP | $5.7K |
| CAMP HILL | $875K | $620K | $255K | KEEP | $24K |
| TULLIMBAR | $1.05M | $800K | $250K | KEEP | $15K |
| TOWNSVILLE | $465K | $260K | $205K | KEEP | $2.7K |
| JORDAN SPRINGS | – | – | – | $715K | – |
| JESMOND | – | – | – | $357K | – |
| MARKS POINT | – | – | – | $718K | – |
| ALBION PARK RAIL | – | – | – | $1.8M | – |
| **TOTAL** | **$4.16M** | **$2.71M** | **$1.45M** | – | **$60K** |

*What Will the Boom*
# ACTUALLY LOOK LIKE?

So when you put all this together, you begin to understand why older investors – well, investors who were in the market during the GFC at least – you begin to understand why those investors are getting excited right now.

Let me tell you, in the circles I move in, there's a real buzz.  Because right now, we're hearing the phrase "worst data since the GFC" a lot. An awful lot.

But for me, and the investors I know, when we hear that, we're hearing "best opportunity since the GFC."

## WORST DATA = BEST OPPORTUNITY

The more the market overshoots on the downside, the more potential for upside gains it creates. The more fear there is in the market, the more opportunities there are for confident investors who know what they're doing.

And the crisis is still fresh. But already we're seeing a lot of data come in that points to the biggest downside correction since the GFC.

Take the Westpac Household survey. The number of people who think that now is a good time to buy a dwelling has fallen to the lowest levels since the GFC.


**Chart 46: Westpac Housing Sentiment**

(… Which is funny because I think that soon it will be the best time to buy a dwelling since the GFC.)

Auction clearance rates are also posting their lowest levels since the GFC… though that's got a fair bit to do with the fact that live auctions are banned!

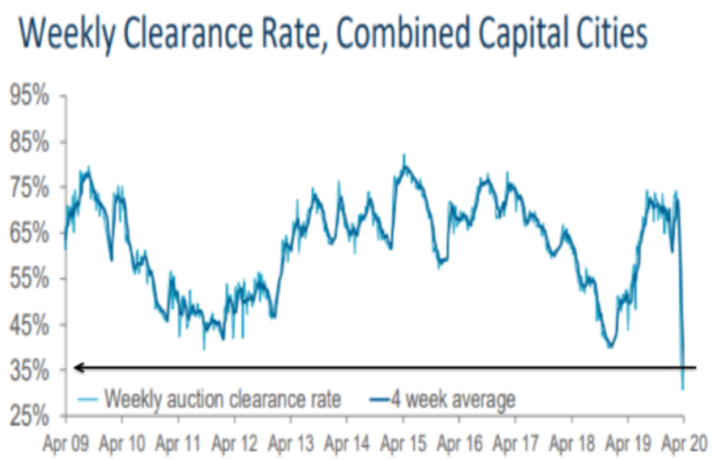



**Chart 47: Weekly Auction Clearance Rates**

We don't have firm unemployment rate data yet, but on what we know, it's shaping up to be the worst numbers since the 1990s recession… possibly since the Great Depression!

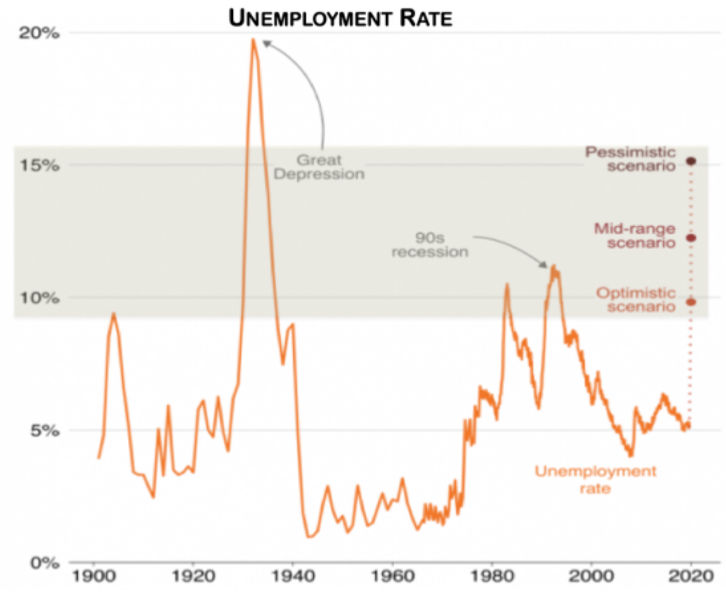



**Chart 48: Unemployment Rate**

And consumers are scared stiff. You have to go all the way back to the Great Depression to find Consumer Confidence levels this low.

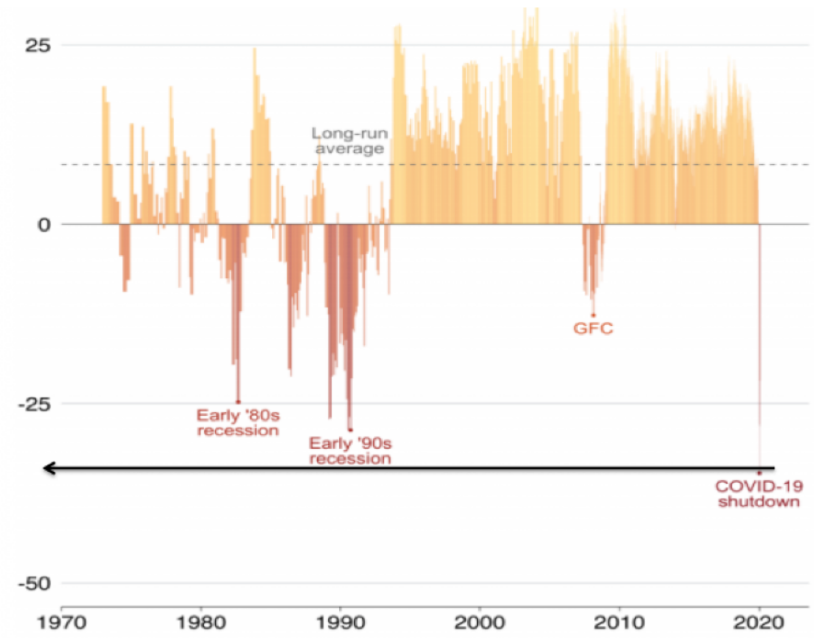



**Chart 49: Consumer Confidence**

But as I said, unless the shock builds into something more permanent, when I'm hearing the phrase "worst conditions since the GFC" what I'm really hearing is "best opportunity since the GFC."

And let's remind ourselves what actually happened to Australian house prices back then.

## FIRST-PHASE CRISIS OPPORTUNITIES

When you look at house prices following the GFC, I think you can identify two distinct phases.

The first phase is classic sentiment cycle. Initially fear grips the market and prices fall. However, once confidence returns, underpinned by cheaper rates and stimulus measures, there's a quick rebound.

This is what we saw immediately after the GFC. As fear took hold, prices fell 5%, which is pretty modest in the scheme of things.

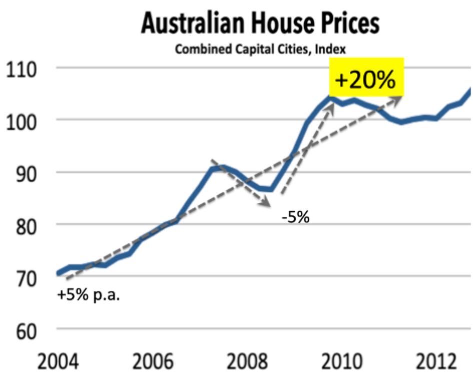



**Chart 50: House Prices Post-GFC**

However, prices then returned to their previous trend, with some classic overshoot in the recovery phase. Prices boomed 20% in just 18 months.

(And if you knew what you were doing you could have easily done double that.)

So these are the first phase opportunities. The sentiment cycle has the ability to create sharp movements in a short time frame, and this can create some over-sized opportunities.

But this is just the first phase.

## SECOND-PHASE CRISIS OPPORTUNITIES

The second phase opportunities happen after the new fundamentals have a chance to assert themselves.

What are the new fundamentals? Well, after the GFC it was super cheap money – lower interest rates and money printing around the world.

(It's exactly the same this time around – the only difference is that now Australia has joined the money-printing party too!)

And so what happened to Australian property prices during the second phase after the GFC?

This did:

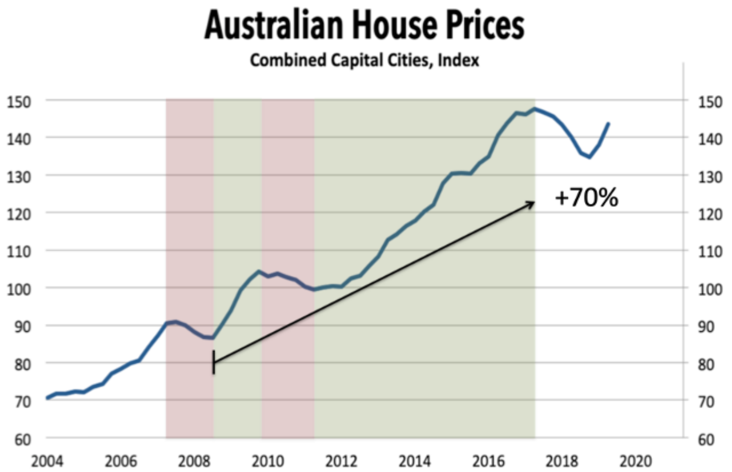



**Chart 51: House Prices in the post-GFC boom**

You can see that after the wobble in the first phase, property prices continued growing strongly.

'Strongly' is probably an understatement. They boomed. From trough to peak, national property prices increased a whopping 70%.

A house worth $500,000 in 2008 was worth $750,000 in 2018 – an capital gain of $350,000.

And again, that's the national average. In some markets it was easily double that.
In part this was driven by the mining boom, but mostly this is a cheap-money story. It's about super low interest rates in Australia, and tidal waves of money sloshing around the global economy.

And this is the thing to note about these second phase fundamentals – they take a while to kick into gear. People aren't going to buy anything in the first phase of a crisis – it doesn't matter how cheap interest rates are.

In the first phase, fear is everything. But after the fear passes, the fundamentals have a chance to assert themselves.

And this is exactly what we'll see this time around.

## WHAT IF HISTORY REPEATS?

I thought I'd share with you now some modelling I did for my elite coaching students.

The exercise here is to try and imagine what's going to happen to property prices in Australia if we see the same dynamics play out that we saw during the GFC.

From where I sit, that looks like a certainty. The same factors are in play. The same government responses are active.

The only question is around timing and size. There's still too much uncertainty about how the virus is going to play out to offer anything definitive – to offer forecasts. But we can offer projections to imagine what might be possible.

So, the first phase is the sentiment cycle. During the GFC we saw prices fall 5%. Since the economic impact of the corona virus is shaping up to be a fair sight worse, I think falls of 10-15% are a good base-line.

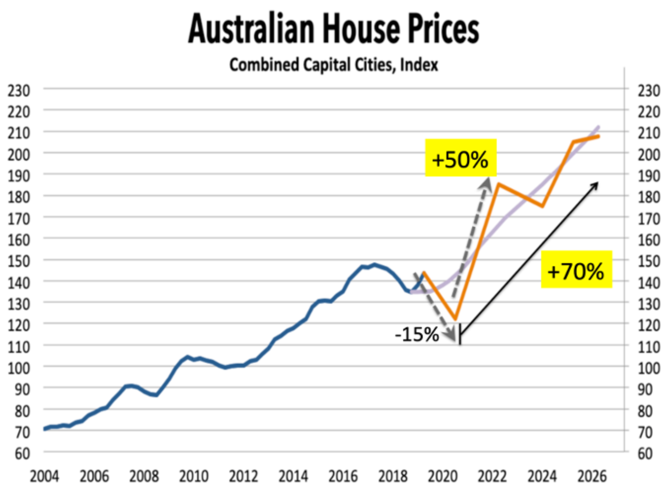



**Chart 52: House Price Projections**

If we see the same dynamics play out again, there'll be a rebound as the market returns to trend.

Given the larger falls in the first phase, the rebound in the sentiment cycle could easily be 50%.  That's huge.

Again, this is not a forecast. It's just an exercise in trying to learn from history.

Ok. So after the sentiment cycle come the fundamentals.

As we know, the fundamentals are cheap money and massive money printing.

That's already happening. Take a look at this chart here. This is money printing in the G10 – the world's ten largest economies.

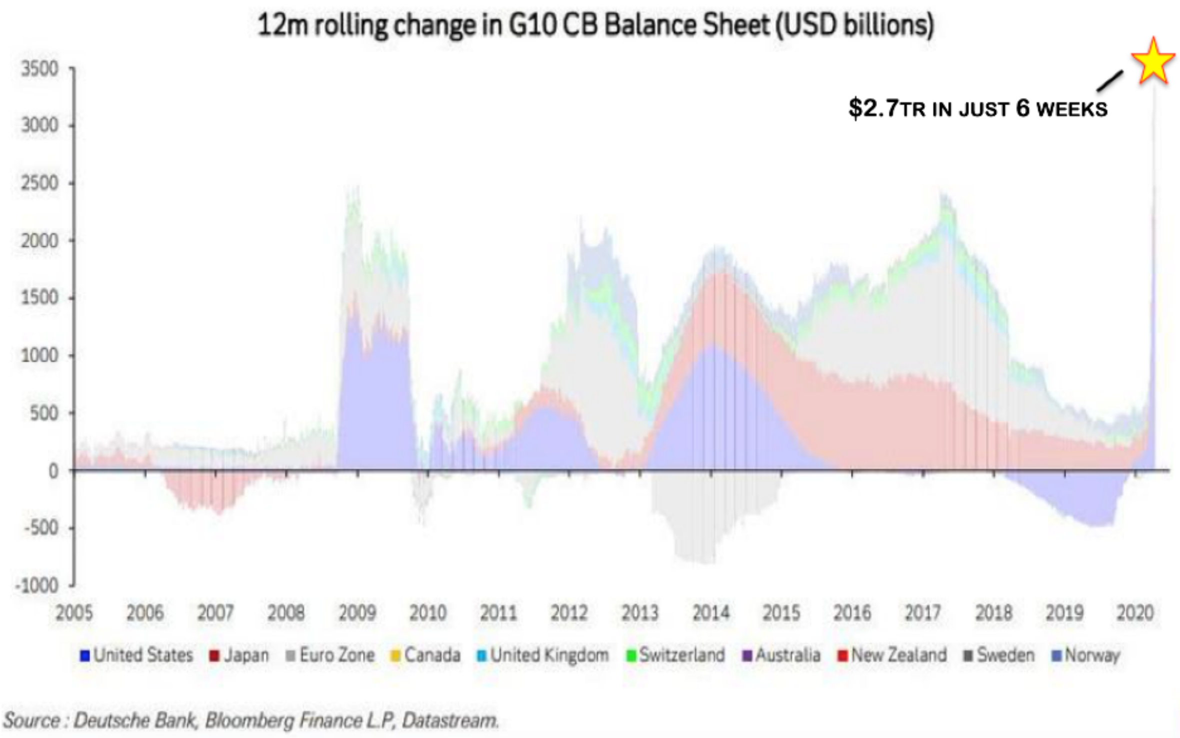



**Chart 53: G10 Money Printing**

The money printing machines are pumping out the cash again – at a much faster rate than they did during the GFC.

The world is awash with cash.

That will land, sooner or later, in our property markets.

And it's not hard to imagine that the kinds of gains we saw immediately following the GFC are going to be repeated. That would see prices rising 70% over the following 5 or so years.

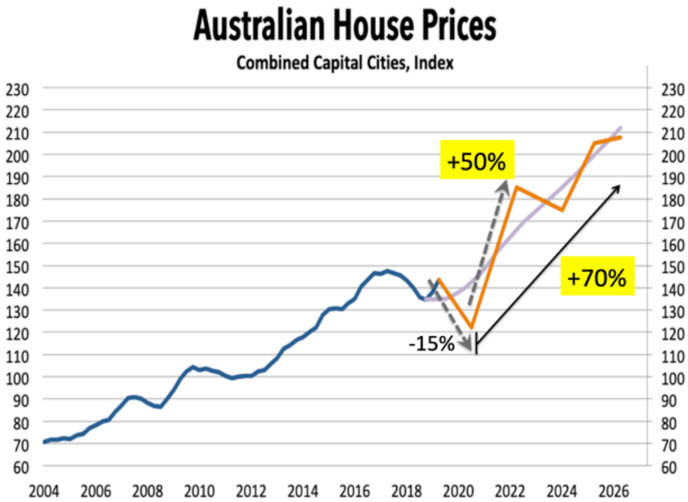



**Chart 54: House Price Projections**

If that were to play out, you average house in Sydney, worth about $1m, would be worth $1.7 by the time the cycle was done – a capital gain of $700,000.

Again, these aren't forecasts. This is just a modelling exercise to try and get a sense of what we're looking at if history repeats.

Of course, history doesn't repeat exactly.

But it does rhyme.

The measures that drove the property market post-GFC are active again. Your starting assumption has to be that similar dynamics will play out again.

I'm seeing a lot of opportunity.

So the question then becomes, how do we get ready? How do we position ourselves to capitalise on the market conditions that are about to come?

I'm glad you asked…

## Life Changed: **John**

**This is an amazing story. John is soft spoken and humble. He never talks about his results with property, other than to say "I'm lucky enough to be earning six figures a year now".**

When Dymphna Boholt asked him to share his remarkable story, he only agreed to open the books on the hope that it might inspire others.

John grew up in the Kensington housing commission flats in Melbourne. They weren't pretty when they were built and they haven't got any better. John's parents worked sewing clothes for minimum wage. As refugees from Vietnam with no English, it was all they could do.

Watching his parents work so hard for so little inspired John to apply himself. He studied hard and got good grades, eventually graduating with a pharmacy degree from university.

From there he got a "fairy-tale" job, working at a pharmacy just 100 metres from where he grew up. However the fairy tale soured when the pharmacy ran into hard times and he became redundant. He found himself living back at home, with just $3.67 in his bank account.

To make matters worse, with the wolf of depression lurking around his door, his girlfriend left him. He admits he wasn't fun to be around in those darker days.

However, it was all the wake-up call he needed. He never wanted to be so dependent on a single source of income again. After finding an ad for Dymphna's program in the newspaper, he sussed out the training on offer and he threw himself into his studies.

### The Right Tools in the Right Hands

With John's work ethic and natural optimism, the strategies he learnt with Dymphna became a formidable weapon.

He started small, with a three townhouse subdivision, but from there, there was no looking back.

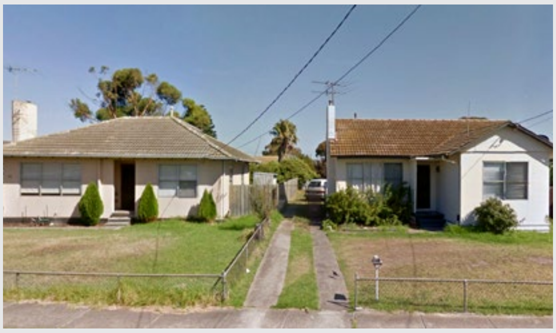
Over the next five years, through a clever use of subdivision and small-scale development, John built a massive real estate portfolio. When current developments are complete he is expecting to have 42 properties, $8M in equity and up to $300,000 a year in passive income!

### Deal 1: The Three Townhouse Appetiser

John's first deal took a while to land, but was relatively straight forward. He bought a property in regional Victoria for $480,000. He subdivided the property into two, renovated the front house and built two townhouses on the back. With an end value of $1.5M, and earning $1,300 a week, the property earns John $20,000 a year in passive income, and gave him $700,000 equity to work with. Remember, this is just the beginning!

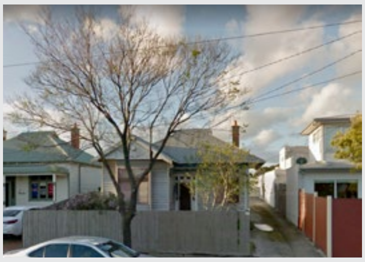
*"At the start it feels daunting and scary. You think, 'Why aren't I getting results?!' But you've got to keep your head up."*

**DEAL 1: 3 TOWNHOUSE SUBDIVISION**
- Purchase Price: $480,000
- Strategy: Renovate front, build 2 at back
- End value: $1,500,000
- Rent: $1300 pw
- Cash flow: $20,000 pa
- Profit: $700,000

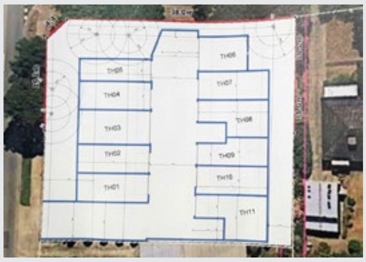


**DEAL 2: DOUBLE BLOCK**
- Purchase Price: $335,000
- Strategy: Demolish, build 20 apartments
- End value: $5,000,000
- Rent: $5200 pw
- Cash flow: $80,000 pa
- Profit: $2,050,000

**DEAL 3: 3 TOWNHOUSE DEVELOPMENT**
- Purchase Price: $400,000
- Strategy: Develop 3 townhouses to rent
- End value: $1,800,000
- Cash flow: $5,000 pa



**DEAL 4: 5 TOWNHOUSES MELBOURNE**
- Purchase Price: $1,350,000
- Strategy: long settlement, off-market, develop 5 townhouses
- End value: $3,250,000
- Profit: $750,000



**DEAL 5: 10 TOWNHOUSES MELBOURNE JV**
- Purchase Price: $2,650,000
- Strategy: Double block, JV develop 10 townhouses
- End value: $11,000,000
- Profit: $3,000,000

## Deal 2: Right place, right time

In 2012, John got a call from the Ray White agency. He had once asked them about a rental valuation for a property he already had in the area. They were calling him to let him know the property next door was coming on to the market. It was going to auction the next day.

John knew that having a side-by-side deal would give him lots of potential and since he was market ready through Dymphna's training, he showed up to the auction and bought the property for $335,000.

Luck then smiled on John. Since the properties were close to a shopping centre, the council changed the zoning to high-density.

Where John had been talking to his architect about eight townhouses, the architect said he could fit a full 20 properties on the site!

That was exactly what John did, demolishing the property and building 20 units. With an end value of $5M, renting for $5,200 a week and providing $80,000 pa passive income, John has managed to keep all 20 properties for an equity lift of $2M.

## Deal 3: John Comes to the City

With a war chest to work with, John then set his sights on metro Melbourne. He bought a large site for $400,000 that he felt had potential. All the architects he spoke to were telling him he couldn't get more than two townhouses on the lot.

However, John wouldn't settle for two. So he looked up the council plans and found the architect in the area that was building the kind of thing he wanted to build. John called the architect up, who straight off the bat said, "Yep, no worries. We can get three on there." Those three townhouses are now worth $1.8M, delivering an equity gain of $650,000.

## Deal 4: Working like Clock-work Now

Staying in metro Melbourne, John's next deal was bought off-market from someone working fly-in fly-out, with a long settlement. This long settlement gave John space to get a large development going, building five townhouses on the block for an end valuation of $3.25M, and an equity gain of $750,000.

## Deal 5: Why Not Ten?

John then found two neighbouring blocks for sale in Metro Melbourne, listed with two separate agents. He knew that there was enough room for ten townhouses on the blocks. So he purchased one but negotiated 30 days for due diligence in order to ensure that he could get the second.

He did and those ten townhouses are now worth $11M, delivering an equity gain of $3M.

## Deal 6: Why Not Another Ten?

John had found a development site off-market with enough room for another ten townhouses. On a purchase price of $1.4M, he negotiated a twelve month settlement.

However, CBA withdrew finance on him at the last minute, with just weeks left to settle. John called the owner immediately and apologised for the situation. She was OK with it, but needed $500,000 for the place she was moving into.

John offered to write her a cheque for $500,000 and settle the rest as soon as he could. He was getting the property 30 per cent under market so he didn't want to let it go. This sent his lawyer into conniptions, exchanging so much money without any security in return (and as Dymphna points out, there are other ways of doing these things).

However, John believes in the good in people and this deal worked out for the best. By best, we mean an end value of $4.2M on 10 townhouses and a $800,000 equity gain.

**PHARMACY BUSINESS MELBOURNE**

- Purchase Price: $1,200,000
- Strategy: vendor finance, below MV, indefinite lease, off-market buy
- End value: $2,200,000
- Cash flow: $300,000 pa
- Profit: $1,000,000


**DEALS 6&7: 10 TOWNHOUSES MELBOURNE**

- Purchase Cost: $1,060,000
- Strategy: Knockdown and build triplex
- Build Costs: $1,640,000
- End Value: $4,050,000
- Profit: $1,350,000

**JOHN NGUYEN TRUST SCHOLARSHIP**

John created his own scholarship fund to help disadvantaged kids at his old high school. Felix, the current scholarship winner, dreams of studying bio-medicine at University.

*"You've got to speak to the Universe and make your intentions really clear."*

## Deal 7: The Power of Half An Hour

John then found out the neighbouring property was coming on the market. He was volunteering in Malaysia at the time, but he called his architect to see how many townhouses he could get on the lot. He said 10 and that would work. It was a five-minute call.

He then called his mortgage broker. Could he get finance? Yep. Another five-minute call.

He then called the real estate agent. Could he get a six-month settlement and a 5 per cent deposit? No worries.

Finally he called his parents and asked them to go to the auction on his behalf. They agreed.

In just half an hour he lined a great deal that will deliver the kind of results that John is used to.

## A Believer in Education and Empowerment

John is now determined to give back to his community. He has created his own scholarship fund to help disadvantaged kids at his old high school. He is also the first Australian president of the International Pharmaceutical Federation.

John's results are truly an inspiration to people – no matter where they start. In just five years, John has built a 42 property portfolio. This provides him with an income of $300,000 a year.

To a large extent, John's easy going and optimistic nature has created his own luck. However, it was the skills and training he received from Dymphna Boholt and the ILRE community that meant that he was ready to strike when opportunity knocked.

And as John's mentors can attest, it couldn't have happened to a nicer guy.

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**Watch the full session of how John built a $300,000 pa passive income stream in just five years by clicking the link below or going to** https://youtu.be/N6Pr6uJWj6U


| PRE-DYMPHNA | | POST-DYMPHNA | |
|---|---|---|---|
| PROPERTIES | 1 | PROPERTIES | EXPECTED 42 |
| EQUITY | $35,000 | EQUITY | $8,000,000 |
| CASH FLOW | $30,00PA | CASH FLOW | $300,000PA |

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## *Your Ten-Point* ACTION PLAN

Ok, so I promised I would share with you the exact advice I'm giving my paid-up students right now. I literally never do this, but these are unusual times.

Anyway, here is a 10-point action plan to prepare for what I think is going to be the buying opportunity of a lifetime.

**1. Get your taxes sorted**

Look, this market could turn quickly. You need to get market-ready now. So get your taxes sorted. Get everything in place that you're going to have to show your mortgage broker or bank. That's number 1.

**2. Look at refinancing**

Interest rates have fallen substantially, and banks sill want your mortgage business, so shop around. Make sure you're getting the best rate possible. (I'm actually suggesting that my students book in a full strategy session with our financial planning partners, but your own home loan is always the first port of call.)

**3. Renegotiate**

If you're in the middle of a project – even just a reno on your own home – take a look at your contracts and agreements. Everything is changing right now, and prices are fluid across the supply chain. Get your expenses down if you can.

**4. Get clear on your strategy**

Decide now what you're going to focus on. Don't hit the market with the idea of "I'll just see what opportunities come up." Decide now if you're going to go in for reno and flips, or subdivisions, or townhouse builds, or whatever. Get a game plan in place and stick to it.

**5. Get educated**

Where are the gaps in your knowledge? Anticipate what research your chosen strategy will require, and do it now. But don't reinvent the wheel. Learn from people who already have runs on the board.

**6. Pick your market**

Once you have your strategy in mind, start thinking about what geographic areas are going to offer up the most opportunities. We have a detailed process called 'grid variance analysis', but essentially you want to be looking at industry growth and population flows, as well as income levels and housing preferences. Start researching locations to identify hot-spots for your chosen strategy.

**7. Get you're A-team in place**

Professional property investors don't do everything themselves. It's just too slow. So find your A-team. Strike up a relationship with a mortgage broker and a conveyancer. Find a planner if you need one. Source builders and other contractors if you need them. Put your team together now.

**8. Buddy up**

We all need 'mates in the market' – people we can share the journey with. We all need people we can bounce ideas off and consult for advice. If your romantic partner is up for doing that, great. If not, find a buddy, and start talking over strategies now.

**9. Go hard**

Through the lock-down phase, and as the thin market starts giving us some false indications of price momentum, sellers are going to be skittish. Negotiate hard, and be prepared to wait for the perfect deal. This market is going to throw up a lot of opportunities. Be prepared to wait for something that ticks all your boxes.

**10. Have fun and do your best!**

## STAY SAFE AND HAPPY INVESTING

Alright, that's a wrap. I hope you found that useful. I hope that helped cut through a lot of the confusion that's out there, and opened your eyes to the opportunities that are heading our way, right now.

Yes, things are scary. Yes, the disruption is huge. But so are the opportunities.

**The time to get ready is now.**

I guarantee that in a few years, people will be saying things like,

***"I owe my fortune to the Corona Virus. I saw what was coming, and made sure I was ready."***

I sincerely hope that will be you.

So stay safe, look after each other, and I'll see you all on the other side.

**Dymphna Boholt**
Sunshine Coast

To find out more call **(03) 9490 8888** now or go to **www.iloverealestate.tv** to register for our next **FREE Webcast** where you'll discover the strategies, techniques, structures and support you need to successfully invest and prosper from Australian real estate.

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# Discover How To Fast-Track Your Real Estate Success in 2020

## 7 Reasons You Must Attend This Brand New Online Class

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- **Create Your Own Property Boom** – Don't wait for the market to move. Discover how investors have created capital gains of $30,000 in 4 weeks … $40,000 in 8 weeks … and even $120,000 in 7 weeks.
- **Positive Cashflow Strategies** – How to enjoy lucrative returns from your properties and put money in your pocket every month.
- **Tax Secrets Of The Rich** – Discover how the wealthy pay far less tax, and how you can potentially slash your taxes by thousands of dollars a year just like them – completely legally.
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- **Quit Work Sooner** – Discover how you could potentially replace your income and retire in as little as 3 – 5 years from today.

**TO SECURE YOUR SPOT CLICK THIS LINK**

## Life Changed: **Melissa & Phil**

**These two are so inspiring. I hope you get to meet them one day. With $80,000 a year negative cash flow bleeding them dry Melissa and Phil knew something had to change.**

Melissa and Phil always had businesses. They liked to keep busy, but working seven days a week to keep the businesses going was getting too much and they began to look for other solutions.

They already had several industrial properties and a couple of poorly performing houses in regional Victoria. The losses on the properties had become hidden in their business expenses.

It wasn't until they saw Dymphna live that they took a closer look at their numbers and realised that they were being bled dry by these properties.

In addition to negative gearing they had also made many of the common mistakes investors make: trust issues, properties in their own name, incorrectly set-up self-managed super fund...

They realised that the best place to start was with what they had.

### Deals 1 & 2: Manage your managers

The two under-performing investment properties they owned had been left to rack and ruin, with one of them untenanted and the other with under market rent.

They took Dymphna's advice about managing the managers and cut better deals, putting up the rent on one and, after a quick reno, getting the other one tenanted. Both properties came with stricter contracts about how the properties were to be managed. Both now are positive cash flow and being properly maintained.

### Deal 3: Modular Import in the NT

Another property they owned in Northern Territory had a large back yard which was under-utilised. Melissa and Phil began to explore modular options to build a self contained dwelling in the rear to create extra rent. This modular build created $14K passive income on a property they already owned!

### Deal 4: Industrial land Storage Units

The two side by side industrial blocks which were doing nothing but costing them money became the next topic of discussion. After some investigation they found that flexible storage sheds were needed in the area and once built and rented out, this one move transformed an empty block that was costing them -$46K a year into a sought after industrial property making them $40K a year.

### Deal 5: Parma & Pot Pub

While they were developing a plan for the other block next door they found a pub for sale in country Victoria. Melissa had been watching this one for a while and knew that at the right price it would be a great deal with plenty of upside.

**COUNTRY VICTORIA UNITS SMALL RENOVATION**

Painted, freshened and fixed inside and out.

| | |
|---|---|
| Original cost: | $115,000 |
| New rent after reno: | $270 p/w |
| Positive Cash flow | over $13,000 pa |

**MODULAR SELF- CONTAINED DWELLING IN THE NT**

Under-utilised large back yard.

| | |
|---|---|
| Property Rent: | $53,820 pa |
| Cash flow Positive | $14,226 pa |

They got the pub in the end for $100K less than the reserve and it turned out to be cash flow positive from day one. The property came with a tenant (the publican) and in the renegotiation of the lease they took control of the backyard, which was unused.

Eventually Melissa and Phil will build units and a drive through bottle shop in the back yard, the intention being that someone else will run the business. The pub also comes with 11 guest rooms which they may turn into a separate business at some point.

## Deal 6: Guest house conversion

They decided that they had a knack for this kind of deal so they landed themselves a guesthouse in a small country town

The guest house was ugly and in desperate need of a renovation. By this stage Melissa and Phil had earned a bit of a break so they arranged for all the works to be done while they were on safari in Africa. They returned to launch their newly refurbished guest house and complete the last details to get the bar open so they could serve drinks.

In addition, the guest house came with an attached laundromat. They've added a few extra machines and opened it 24/7. Now it makes around $160 a day profit and that's not even counting the fact customers now drop their washing off and head into the guesthouse bar for a coffee or a wine while they wait.

Previously customers had to go across the road to the petrol station for a bad coffee, needless to say they are loving their laundromat weekly ritual now and Melissa and Phil have substantially added to their cash flow.

## Deal 7: Deer Park Shops

The most recent deal was another deal that Melissa had been watching for a while. A group of seven shops in deer park which were very dirty and run down. Due to the high price asked for the shopping centre and the subsequent lack of interest, Melissa was able to negotiate harder by making a lower offer and a five-month settlement as part of the conditions.

Melissa had noticed that there were several people at the auction who wanted single shops but no-one who wanted the whole thing. They set about cleaning and repainting the shops, re-tiling some areas and generally making the place look like a good place to run a small business from.

Within 10 weeks they had completed their works and put all the shops back on the market to be sold at auction. Sadly no-one bid at that auction, however, thanks to some good planning and a great agent, all seven shops were sold within two days to small business owner occupiers.

This quick turnaround earned Melissa and Phil $415,000 in profit, but the real win was that they kept the title on the carparks and also the air rights to the maximum building height.

Using these air rights, they are installing four panel signage and solar panels. The signs will be leased to advertisers on five-year contracts at $15,000 pa per panel. The solar panels should return $5,000 pa, so the air rights will generate an additional $65,000 pa. And it doesn't end there as they are also seeking a development approval to build another three storeys above the shops.

*"Our aim was to be $200K passive income, but we've ended up doubling that."*

**HEATHCOTE GUESTHOUSE RENOVATION & CONVERSION**
Turn 7 room guesthouse into 13 room motel with a bar, outdoor deck area and a restaurant.
Equity gain: $200,000 Looking to sell business.
Maintain an $80,000 per year lease to start.


**DEER PARK COMMERCIAL SHOPS**
**9 BUSINESSES, 7 TITLES**
Extended settlement to enable us to renovate and sell off before we paid for the property.
Renovated, Marketed and Auctioned in 12 weeks.
$400,000 profit and up to $600,000 uplift.

**PROSPECT PLACE – WAREHOUSES WITH RESIDENCES**
Construction date set for 2018. Will build one and continue from there. With over 1000 enquiries on the project I have no doubt.

**SMALLER AFFORDABLE UNIT DEVELOPMENT**
If we keep we will make approx $200,000 in equity and $31,000 positive cash flow. If we strata and sell, we will make between $380,000 and $400,000

## The one that's in the pipeline

Using the unused piece of industrial land next to their storage sheds, Melissa and Phil have developed a new concept in industrial buildings, getting approval to build several factories with houses on top. They did some research and got over 1,000 expressions of interest from small business owners who loved the idea of being able to run their business from home, but need a warehouse.

It's a new concept that people have never heard of before, so they are planning to build one to use as a display home/factory that people can actually see, feel and imagine themselves in.

It's been a massive few years for Melissa and Phil but they are loving the journey, the creativity and especially the free time they have created for themselves in the process.

**Watch the full session of how creative strategies and out of the box investments have transformed Melissa and Phil's lives by clicking the link below or going to https://youtu.be/E7PL4Q0VHjM**

**MELISSA & PHIL PRE-DYMPHNA**

| PROPERTIES | EQUITY | INCOME | EXPENSES | CASH FLOW |
|---|---|---|---|---|
| 7 | $670,123 | $64,740 | $144,480 | -$79.740 |

**MELISSA & PHIL'S PORTFOLIO 2017**

| PROPERTIES | EQUITY | INCOME | EXPENSES | CASH FLOW |
|---|---|---|---|---|
| 10 | $3,155,795 | $433,563 | $261,418 | $172,145 |

# Life Changed: **Foong & Paul**

**How Foong turned her back on the traditional wisdom of property investing and 'good jobs' to earn $490,000 in a single year.**

Foong did all the right things. She worked hard and on her accountant's advice, bought as many negatively geared properties as she could. But it left her $70,000 in the red each year, and she was working so hard that she couldn't care for her infant sons. Thankfully, her introduction to the world of profitable, cash-flow positive properties has been a game-changer.

After Foong's father passed away, her family sent her from Malaysia to Australia to seek her fortunes. Her family wanted her to become a doctor, and she effectively had two years to learn English and top the state in her HSC exams.

Although this was a practically impossible task, Foong gave it everything she had, scoring an almost miraculous 94%. However, this was still 2% short of what was required to enter medicine so, again, following her family's wishes, Foong studied pharmacy.

*"Those properties were blood-suckers. They were like leeches. And when my mum got sick, we just couldn't do it anymore."*

As a graduate pharmacist, Foong worked long and hard hours to gather money for her family, taking on the graveyard shifts that no other pharmacist wanted. This hard work allowed her to earn more than six figures a year and, at this point, her accountant's advice was that she should start buying negatively geared investment properties.

(Because, supposedly, the point of property investing is to minimise tax, not build wealth.)

## Acting on good 'advice'

Believing that her accountant knew what he was talking about, Foong did just that: steadily amassing a large, entirely negatively geared investment portfolio.

And when she got together with her husband, Paul, she insisted that he too start buying negatively geared investment properties, because that's just what you did and it was important that they were on the same page financially.

Over the next seven years, Foong and Paul built a portfolio of 14 investment properties, all of them negatively geared. It was a portfolio that was costing them an eye-watering $70,000 a year.

The only way to pay for this portfolio was to keep working, so Foong continued to pour herself into her career. She was working so much that she even had to send her boys, both under three, to stay with her auntie through the week, seeing them only briefly on weekends.

## It starts to come apart

Things were starting to take their toll, but it reached a crisis point when Foong's mother was diagnosed with cancer. Foong and Paul had to come up with $80,000 to cover her medical expenses, and it almost broke them – mentally and financially.

Finally, Foong was ready to start considering whether the traditional approach to property investing was the right way to do things. She found Dymphna Boholt, and even though Dymphna's strategies went against everything she knew, she could finally see that there was a better way.

## Breaking with tradition

Foong culled the deadwood from her portfolio, jettisoning nine properties that she couldn't do much with.

She tweaked the others to improve their rental yield, and in a few years her portfolio had become positively geared to the tune of $20,000 a year – a $90,000 turnaround.

She also became an active, rather than a passive (buy-and-hope) property investor. Her strategy of choice is joint-venture renovation and development deals, mostly around South Australia. She likes joint ventures because she likes working with people, and she has a natural affinity for renovations and the creativity of interior design.

*"We bought our first positively geared property, and every month I could actually see the money coming in. I was like, 'Wow'… I had to take a Valium."*

And as much as she enjoys it, this has also become a very profitable niche for Foong. In the past 12 months for instance, she has completed five renovation deals, for a combined profit of $490,000.

**MILE END, SA (JV DEAL)** Off market renovation

| | |
|---|---|
| Purchased Oct 2019 | $524,000 |
| Renovation cost | $147,000 |
| **Sale price** | **$895,000** |

**TUSMORE, SA (JV DEAL)**

| | |
|---|---|
| Purchased Dec 2018 | $895,000 |
| Renovation cost | $198,000 |
| **Sale price** | **$1.4M** |

Even when she was throwing herself completely into her pharmacy work, she was lucky to earn $110,000 a year. Now, she earns four times that, and has a lot more fun doing so.

## Her own boss now

With a thumping investment income coming in, Foong has cut back to working as a pharmacist just five hours each fortnight. She wants to keep her hand in the game, but she knows that her future is in property, not pharmacy.

*"I work five hours a fortnight now, and I pick and choose my jobs. I'm the boss now."*

For her family, this has been is a challenging career move. The traditional approach says that you should get a "good job" and just work hard. But this is classic "poor dad" thinking and Foong wants more out of life.

And as Foong's story shows us, sometimes you have to break the mould to find the life that is truly yours.

**Watch the full session of how Foong turned her back on the traditional wisdom of property investing and 'good jobs' to earn $490,000 in a single year by clicking the link below or going to https://youtu.be/tYi6ts8J3Uw**

| PRE-DYMPHNA PROPERTY | VALUE | EQUITY | CASH FLOW |
|---|---|---|---|
| MARDEN PPR | $950,000 | $340,000 | - |
| INVESTMENT PROPERTIES (14) | $4,700,000 | $800,000 | -$70,000 PA |

| POST-DYMPHNA PROPERTY | PURCHASE | RENO/DEV COSTS | NET PROFIT |
|---|---|---|---|
| TUSMORE SA | $895,000 | $198,000 | $200,000 |
| SEATON SA | $409,000 | $32,000 | $35,000 |
| MILE END SA | $524,000 | $147,000 | $135,000 |
| WOODVILLE STH SA | $537,000 | $53,000 | $70,000 |
| CARRAMAR NSW | $200,000 SHARE | MONEY PARTNER | $50,000 |

# Life Changed: **Natasha & Zane**

**With the right education and support this young mum became a full-time property investor … and brought her family home to Australia.**

For seven years Natasha had been living in Indonesia, as her husband, Zane, worked long shifts on the mines. When the air pollution in Jakarta put her youngest son in hospital with breathing disorders, she knew she had to get her family back to Australia.

In her early forays into property, Natasha had made some classic mistakes. She and her husband had over-capitalised on their principal place of residence (PPR) and they had bitten off more than they could chew with a six-unit apartment block. This put her family into what she describes as a 'deep hole'.

One day, Natasha tuned into one of Dymphna Boholt's webinars from her bedroom in Indonesia and she quickly realised that there were smarter ways to be a property investor. Plus, Dymphna's students' success stories rekindled her long-held passion for property.

Zane, however, needed some convincing. They lost a lot of money on their previous investments and were struggling financially. It was a case of once bitten, twice shy. Natasha also had her step-dad's voice in her ears, telling her that property development was "no place for a woman."

Natasha had to dig deep and believe in herself. Fast-forward three years and her self-belief has paid off.

With the support of the I Love Real Estate community, Natasha is working on a deal that could potentially deliver a profit of $2.7M. More importantly, Natasha's property investing has given her financial freedom and allowed her to bring her husband and three sons home to Australia. This is how she did it.

*"My step-dad was a developer. He always told that women just don't do that. He was old school."*

## Deal 1: Doing The Ground Work

Natasha knew that she had to sort out her PPR, which was being rented out at the time. First, she sacked the real estate agents and decided to manage the property herself.

Then Natasha renovated to increase the rental yield. The property is now neutrally geared but Natasha plans to sell and free up money for other ventures.

### Deal 2: Get reliable tenants

In 2016, Natasha bought an investment property online, without seeing it in real life. The real estate agent who sold the house had recently put tenants in who couldn't afford the rent and were selling drugs out of the garage. By the time the property settled, the tenants hadn't paid rent in a month.

Natasha's first step was to find some reliable tenants. She'd been inspired by some of Dymphna's students' success stories and decided to renovate and turn the property into a room-by-room rental.

The property is fully tenanted and brings in $810 per week. Natasha finally had an investment property that was putting money in their pocket and her husband was happy about it.

**DEAL 1: PPR**

- Sacked the real estate agent
- Found reliable tenants that pay rent
- Fixed some things that were costing money



**DEAL 3: RENO AIRBNB** • Bought $201,000 • Spent $90,000 • Revalued $340,000 • $17,140 Cashflow

## Deal 3: Renovate An Original 70'S House

With renewed confidence, Natasha bought a property that hadn't been renovated since it was built in the 1970s. Again, she bought it without seeing the site. She spent $90,000 on renovations and increased the property's value by $140,000, with an equity gain of $50,000.

When she consulted a real estate agent, Natasha was told she could only get $300 per week for it. That wasn't going to cut it, so she turned it into an Airbnb rental.

Now, the property earns Natasha close to $30,000 a year, putting more than $17,000 worth of positive cash flow in her pocket.

## Deal 4: A Quick Profit Turnaround

Natasha decided to buy yet another property online, without seeing the site. She knew what she was looking for and found a dual-lot, single title property in Townsville. With a small renovation and boundary realignment, Natasha created two blocks. After advertising one as a rent to own deal, she was able to sell on vendor finance. The final sale price was $450,000, which turned around a quick $165,000 profit.

## Deal 5: Stepping into property management

Natasha quickly realised that she had a gift for managing projects, and since her last Airbnb had gone so well, she started looking for a co-hosting deal, where she could do day-to-day management on someone else's property. She found one in Perth earns more than $6,000 a year in management fees.

## A Professional Property Investor is Born

With Natasha's property portfolio performing so well, her husband Zane has finally come around and has even started hunting for deals. Now, their three boys are getting in on the action!

Most importantly, Natasha built a career for herself while living in Indonesia. For the first time in a long time, Natasha and Zane are able to see themselves and their family back home in Australia.

*"I did all of this online. Everything you need is there – the training, the resources, an amazing and supportive community. If I can do it anyone can."*

**Watch the full session of how Natasha became a full-time property investor by clicking the link below or going to https://youtu.be/zHBB42-o18A**

| CASH FLOW PER ANNUM | PRE DYMPHNA | POST DYMPHNA |
|---|---|---|
| PPR | -$6831 | EVEN |
| PROPERTY 2 | -$10,098 | +$13,936 |
| PROPERTY 3 | | +$17,140 |
| PROPERTY 4 | | +$27,824 |
| **TOTAL** | **-$16,929** | **+$65,731** |

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## Life Changed: **Megan & Kevin**

**Within three short years of joining a like-minded community, Kevin & Megan's lives had been transformed.**

PTSD had driven Kevin and Megan to the edge.

Kevin flies helicopters. For 20 years he flew combat missions for the Australian army, completing a number of distinguished tours of duty, including Afghanistan.

Kevin returned home uninjured but the trauma of war stayed with him for years, developing into crippling post-traumatic stress disorder (PTSD). Kevin began withdrawing from the world. This process culminated in 2008 and with a breakdown that left Kevin barely functional and hurting deeply.

*"I thought I'd failed my country, my community, my family." – Kevin*

Kevin also lost his father in 2012. It hit him, "like a brick to the head." His father had worked for 45 years, retired "without so much as a thank you", and passed away six years later, with a good chunk of those few retirement years spent in hospital.

Determined to make the most of the gifts his father had given him and to escape a similar fate, Kevin found an ad for one of Dymphna Boholt's information days. Kevin felt that this could be what they were looking for. Megan wasn't so sure, but agreed to attend "on the condition that we're not signing anything!"

When they did sign up, they realised they had been "doing everything wrong." They had negatively geared properties, they had bought off-the-plan, and they had spent too much on their dream home. Their two investment properties were costing them $45,000 a year, and their PPR had saddled them with a huge mortgage. This was taking its emotional toll as well. Kevin remembers, "We had no life. In the end I couldn't stand that house anymore. It was killing us."

The I Love Real Estate (ILRE)study materials gave them something to work on together. After the kids went to bed, they got into 'Mum and Dad Homework' and started working closely with their coaches.

Having since renovated their PPR to build equity and reconfigured the downstairs area to create cash-flow, as well as successfully navigating an "ambitious" development project, their financial situation is substantially better and much less stressful.

### Turning a Life Around

However, it is Kevin's personal journey that has been most profound. He was unable to talk about his breakdown in 2008 until 2015 – at an ILRE Platinum conference!

It was within this 'family' of support – with a community of people committed to honesty and personal growth – that Kevin finally felt safe enough to face up to the ghosts of his past. The daily practices that are a foundation to Dymphna's training regime – the 7 Daily Rituals, the breathing exercise, the meditation, the gratitude practices – each of these began to work their magic.

Within three short years of joining ILRE, their life had been completely transformed. Where Kevin had once felt a deep sense of shame and self-loathing – unable to let the ILRE conference photographers even take his photograph – he has now become a confident public speaker and a passionate advocate for mental health – particularly within the community of pilots and returned service personnel.

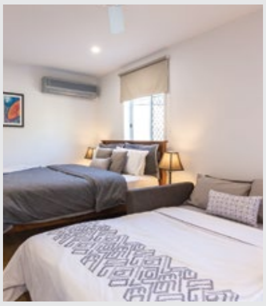
This brings with it its own pay-it-forward effect. Within the last four months alone, Kevin's advocacy and work has helped bring two men back from the brink of mental illness and alcohol addiction. He even turned his remarkable journey into a book. "Releasing Shrapnel from the Soul".

Not bad for a program that was only ever meant to get their financial life in order.

### Deal 1: Some Magic Maths on the PPR

Like many real estate journeys, Kevin and Megan started with their PPR to build a base to work from. Using Dymphna's Grid Variance Analysis, they realised there were probably some easy gains to be made with renovations.

They took the rumpus room, which was oversized, and put in a dividing wall. At a measly cost of $5,000, they added an extra bedroom, and increased the valuation of their property by $150,000. As Megan says, she's never cared much for numbers but she liked that maths!



**PPR ASHGROVE RENOVATION**
Cost $54,000. Reconfigure downstairs to create Airbnb cash flow of $24,000. Uplift in value $150,000.

## Deal 2: Whoops! Honey, I did a seven Townhouse Development

Their next deal ended up being a seven-townhouse development, though they never intended to set their sights so high so early.

Purchasing a property in Toowoomba, it was meant to be an easy "set and forget" development. They planned to subdivide the property, keep the house on the front and build on the back.

However, the block ended up being just 300mm short, and they were unable to subdivide it. They looked at a strata title but that didn't work either. In the end, the only way they could make the numbers stack up was to build seven townhouses.

They knew they were in over their heads, but luckily they had some experts they could lean on. As Kevin says, "The only way we got through this one with our shirts on was with Dymphna's guidance."

Thankfully, Dymphna was able to help them avoid what could have been a financial black hole, and it now looks like they should be able to book a $100,000 profit on the deal.

> *"I really value having a coach who can help you see what you can't see. My coach really gave me the tools to help me be me." – Megan*

## Deal 3: Airbnb SuperHost

Kevin and Megan then went back to their PPR, creating a self-contained unit underneath their house. The extra bedroom and bathroom cost them just $54,000, but again increased their equity by $150,000.

They now rent the studio out through Airbnb, with an 85 per cent occupancy and generating $24,000 pa passive income.

Megan is really enjoying the people-side of this work, and she achieved 'SuperHost' status in her first quarter! For Megan this is one of the signs of just how far she and Kevin have come. "There's no way that I could have imagined just three years ago that I'd be inviting total strangers onto the property. I couldn't even invite close friends over."

| | PRE-DB 2013 | TODAY |
|---|---|---|
| PORTFOLIO VALUE | $1,630,000 | $2,730,000 |
| DEBT LEVEL | $1,296,000 | $1,764,000 |
| EQUITY | $334,000 | $966,000 |
| NEGATIVELY GEARED | -$45,000 | -$8,600 |
| PROPERTIES OWNED | 3 | 6 |

## Profound Healing

These days, Kevin and Megan feel much better about their financial situation. Their cash flow position is almost $40,000 a year better off, they have three additional investment properties, and they have almost doubled the value of the PPR.

However, it is the transformation they have seen in both of their personal lives that makes them 'eternally grateful'. Kevin found the strength and support he needed to "release the shrapnel from his soul", and he has become an inspiring example of the vulnerability and courage it takes to face your demons.

Megan had also thought that she would be supporting Kevin and his depression for life, and she cannot believe the freedom and expression she has now found, especially through Airbnb hosting.

They never imagined that joining the ILRE community would be such a personal revolution, but then as Dymphna says, magic happens where dreams and action meet.

> *"Men still aren't having a conversation about mental health in Australia. But I'm out there having that conversation." – Kevin*

**Watch the full session of how Kevin & Megan's lives have been transformed by clicking the link below or going to [https://youtu.be/Rth-4e_NHPE](https://youtu.be/Rth-4e_NHPE)**

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