REVEALED: THE FUNDAMENTALS OF INVESTING IN 2019

February 2019
$9.95 (GST incl.)

Meet our 2019 Investor of the Year Winners!

New Investor Holger Detje • Strategic Investor Scott O'Neill • Reno Investors Cherylee & Colin Stokes

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Profit from Property Through Blockchain and AI /10
Blockchain and AI to revolutionise housing market

New disruptive technologies like blockchain and artificial intelligence are changing the game. They have the potential to revolutionise Australia’s housing market, creating new opportunities for investors, tenants, real estate professionals and governments – but what are the risks?

A recent study undertaken for the Australian Housing and Urban Research Institute (AHURI) took a wide-ranging and critical look at tech disruption in our housing market, and uncovered some new insights and forward-looking predictions.

One interesting opportunity our research team identified was the potential for developers to use blockchain technology to attract micro investors – who would not be limited to the same country but could potentially be from across the world. These investors would each own small parcels of shares (or tokens) in the development. In essence, this would create a means of crowdfunding property development.

The main difference between this new model of investing and existing real estate investment trusts is that, through real-time information, blockchain property gives micro investors complete control over what they purchase, without having to pay the high fees a portfolio manager might charge to manage a similar investment.

Blockchain may also lead to better tenant–landlord relationships in the private rental sector. When paired with blockchain’s security, standardised rental application forms could be considerably expanded to become a full ledger of the applicant’s rental records. This could include their correspondence with agents and landlords, their previous track record of being in arrears, and their bond lodgements. If robust enough, it could potentially replace the need for references.

Likewise, a full record of the landlord’s history as a professional housing provider could also be available, showing whether they responded to maintenance and repairs requests promptly; raised rents excessively; or had been taken to a government tribunal (such as VCAT), and whether and how the matters were resolved.

Beyond the buzz of blockchain, housing market disruption is also being driven by the growing capabilities of AI. Machine learning algorithms, which learn by analysing large data sets, allow data to be ‘understood’ (based on legislation or policy documents). This information can then be acted on using a variety of methods, including classification, clustering, decision trees and more.

In urban planning, for example, such systems are arguably at the point where interpreting statutory land use applications could be automated. Capacity now exists for digital planning systems to do initial assessments of planning proposals based on long-term data gathered from historical planning decisions, together with current state and territory laws. This could speed up the assessment of planning...
applications, particularly for smaller endeavours, and make developers’ applications quicker and possibly cheaper, leading to potentially greater efficiencies in housing supply.

Ensuring adequate data protection is crucial for these systems to be adopted without inappropriate legislated privacy interference, and reform may be required. This requires sensible laws and trusted institutions to ensure adherence to those laws.

At present, Australia’s privacy, information and data protection bureaucracies and institutional structures are underfunded and inadequate. A powerful and independent Information Commissioner and Privacy Commissioner would be a useful first step to ensuring existing legislation is properly enforced.

Wider net of investors
Blockchain can be used to crowdfund property development – attracting micro investors

Automated processes
Machine learning algorithms are arguably becoming sophisticated enough to automate parts of urban planning

Better data protection
Australia’s data protection laws must evolve as new technological systems are adopted

THE FACTS

false advertising correction
We mislead our clients... we’re sorry

Instead of our 2018 forecast of 14.96%, actual returns achieved have been 27.45%... that’s nearly double the advertised returns!

These clients actually received an average of $227,222 in equity rather than the $123,888 they expected. We apologise for giving you an additional $103,334 in equity and we will happily take this back off your hands if this unexpected windfall has become a burden to you.

Based on the same forecasting method we are expecting average returns of 17.67% in 2019 so we can only expect to see a similar “mistake” happen again next year.

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