

FINM3412: Lecture 1 2022

Requirements of Lecture 1

1. Download Property slides from Blackboard and open the following link:
<https://flo.uri.sh/visualisation/4629877/embed?auto=1>
 - a. Read and analyse the information and think about what other factors may be causing the surge in property prices
 - b. Read the questions on the slides and prepare your own answers to contribute to discussion
 - c. Think about what has caused stagnant periods / periods of downturn in the property market within the data
 - d. What has driven Australia's migration growth rate (particularly in the mid-70s and late 80s)?
 - e. Why has Sydney and Melbourne seen the greatest growth relative to other Australian states in the past 20 years?
 - f. Should the RBA/federal government do to rein in the property market? If so, how?
 - g. Can Australia's property market maintain this growth for the next 5-10 years?
 - h. What is your forecast for the property market for the next 5-10 years?

2. Read the following article: <https://www.mrmoneymustache.com/2012/01/13/the-shockingly-simple-math-behind-early-retirement/>

- a. Connect this article with the property slides and consider the following:
 - i. How would the surging property market impact your working life?
 - ii. How would the surging property market impact your retirement in Australia?

$$P = \sum_{t=1}^n \frac{C_t}{(1+r)^t} + \frac{Par}{(1+r)^n}$$

$$P = C \left[\frac{1 - (1+r)^{-n}}{r} \right] + \frac{Par}{(1+r)^n}$$

(Hint:

- iii. Consider the experience of wage growth & house price growth in the past decade or two, what are the implications for your future household budget and investment/retirement planning?
- iv. Consider Home Price to income ration in the US and other overseas markets.
- v. Would there be substantial differences in retiring age in Australia versus the United States? How will this change in the next 40 years? Why/why not?
- vi. What programs has Australia implemented to ensure that retirement is feasible?