the final word - **JOHN JOHNSTON** CEO

'SUCCESS LEAVES CLUES'

(A RESOLUTION FOR EVERY YEAR)

At the height of the GFC, Warren Buffett sagely reminded the world to 'be brave when others are fearful and fearful when others are brave'.

Anyone who heeded his prophetic advice at the time quite possibly bought property and equities at prices that may never be seen again. That so few did, and that so few would again if faced with a like situation (despite such a recent example of it's logic), explains in simple terms why there are 'haves' and 'have-nots' in society and why the divide between the two tends to grow.

When you think about it logically, it is common sense that you are going to do better financially if you buy when nobody else is buying and if you sell when nobody else is selling (assuming you have the choice to do so in either instance).

Common sense however is pretty uncommon. Buffett's freely available very public common sense advice (typical 'counter-cyclical investing') is actually very rarely applied. It's so rarely applied because most people are afraid of not running with the herd.

It has never been logically explained why humans run with the herd with some things but not with others. When it comes to investing, herd mentality reigns supreme. This it does even though it shouldn't. Logic clearly dictates that going against the herd will almost always provide a far better financial outcome (this in good times and in bad).

Property markets in Melbourne and Sydney have recently taken off after the GFC induced hiccup in momentum. Anyone who broke from the herd and bought in either of these markets in the last year or so when they dipped are already well on their way to a very significant financial windfall.

Students of history know that when Sydney and Melbourne markets surge, Brisbane follows. This is a logical progression from two fundamentally interrelated perspectives.

Firstly, spikes in either of the big southern capitals have the effect of making Brisbane prices appear more attractive by comparison thus creating greater demand for our available product which translates to higher prices.

Secondly, it is pretty much one way traffic between the southern capitals and Brisbane (and environs), so spikes in property values in Brisbane from surges in interstate migration become the new floor to our prices (which explains why we don't experience the ups and downs of the other states).

Despite this further rather large investment clue, in some sectors of the Brisbane property market presently where there are properties available at 20 – 30% below what they were just two years ago, we have cashed up buyers who would have jumped at any of these properties for even a 5% discount two years ago, sitting rigidly on their hands, seemingly totally blind to the glaring opportunity staring them right in the face.

This is a tragedy enough in itself, what is worse and which may never be logically explained is that these same buyers will in just a few years time be again prepared to pay 30 or 40% more to acquire the very same property. This they will only do of course in the comfort of the running of the herd (as Buffett looks on, shaking his head knowingly).

JOHNSTON DIXON Quality Property Office 1300 369 203 Fax 07 3371 9068 Email info@johnstondixon.com Web www.johnstondixon.com