

WHAT'S HOT WHAT'S NOT

SUBURB RESEARCH REPORT - AUGUST 2017

A Case Study Comparing a Potential
'Goldmine' Suburb versus a 'Money Graveyard'

Author Featured In



HELEN COLLIER - KOGTEVS

All rights reserved. No part of this publication may be re-produced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying or otherwise, without the prior written permission of the publisher. No responsibility can be accepted by the author or publisher of this book for any action taken by any person or organisation relating to any material contained herein. Property investment is a complex and changing field and all readers should seek independent, detailed and professional advice as to the relevance of any part of this material to their own specific circumstances.

Disclaimer

Helen is not an accountant, real estate agent, financial advisor or solicitor. Helen is an investor who is sharing information from research and her own personal experiences only.

The information is not intended to be a vehicle for the provision of investment and related advice to you. Helen is not giving you legal, accounting, investment, real estate, valuation or financial advice. The information contained in this booklet will not be effective unless you obtain appropriate independent professional advice and do the necessary research and due diligence in respect to your own personal financial position and lifestyle.

You must be cautious about making investments where your decisions are not based on sound research and independent professional advice as it is not only risky but can be disastrous.

Helen and her associated companies, including Real Wealth Australia Ltd are in no way liable for any loss, damage or misunderstanding caused by mis-management of any information. Ultimately you will need to make the final decision yourself based on your situation, lifestyle and independent professional advice.

What's Hot and What's Not: Suburb Research Report – August 2017

Another month, another What's Hot and What's Not report!

This month I've decided to look at two local government areas (as opposed to individual suburbs) that may be very close in terms of location, but that could just be worlds apart when it comes to capital growth projections and investment credentials.

I felt this was an important point to make, as every potential investment location in Australia has different attributes going for it.

Sometimes, the skill in finding a solid investment opportunity is to separate the growth contenders from the so-so suburbs that look okay at first glance, but that could hold you back from reaching your financial goals.

As always, I'll be sending a new report highlighting different suburbs next month, based on the research my team and I have done through the likes of the ABS, CoreLogic, Residex, the Real Estate Institutes and more. Please keep sending us your feedback, we love to hear from you – and if there are any suburbs you'd like us to tackle for you, get in touch!



Helen Collier-Kogtevs

As always, in this month's report I will present the research on two suburbs: a 'hotspot' and a 'notspot'. Whilst this research is by no means exhaustive, it's a great starting point to show you what kind of due diligence my team and I do when reviewing potential investments.

Let's begin with what's hot:

What's Hot: MAITLAND LGA

Suburb statistics:

Population:	30,596
Location:	38km from Newcastle
Average wage/salary income:	\$684 p/household p/week
Unemployment rate:	5.9%

Financial statistics:

Median house price	\$299,818
Median rental return (houses)	\$300 p/week
Median unit price	\$302,837
Median rental return (units)	\$295 p/week
Average return (last 10 years)	10.0% p.a.
Average growth rate (last 10 years)	4.4% p.a.

Best and worst streets: Maitland

Street Information for Postcode 2320

Number of Streets in the postcode area: 910

Top 5 Streets in the postcode by Median Value:	
Street Name	Median Dollar Value
Mistletoe Lane	\$1,327,327
Maple Dr	\$1,120,495
Forest Hill Dr	\$980,930
Maple Dr	\$934,171
Verdale Cl	\$912,869

Street with Highest Value Property:
Old North Rd

Lowest 5 Streets in the postcode by Median Value:	
Street Name	Median Dollar Value
Capper St	\$175,964
Bingara St	\$185,458
Railway Pde	\$212,272
Russell St	\$220,117
Kerrie Cl	\$220,352

Street with Lowest Value Property:
Park St

About Maitland LGA:

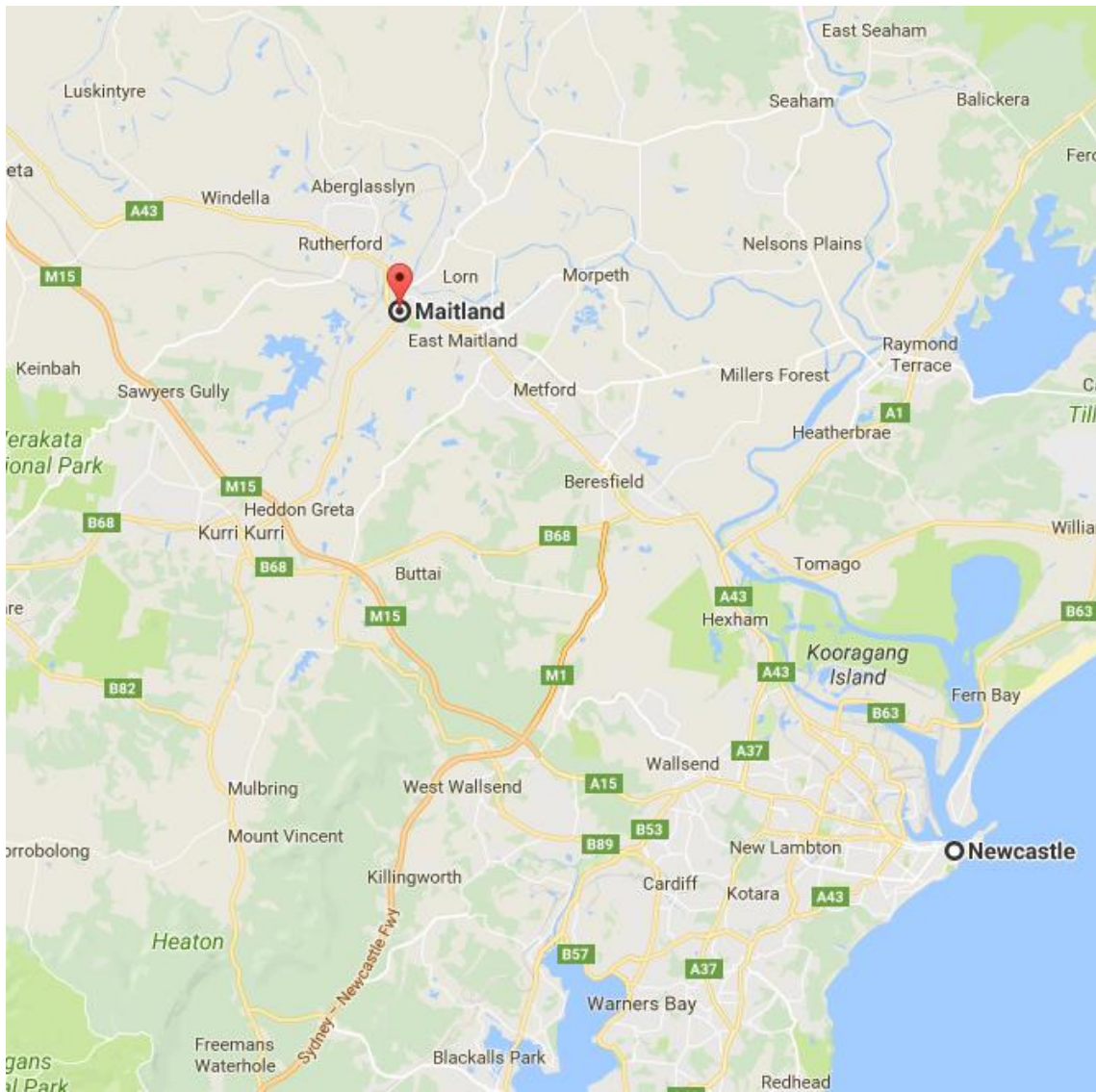
The local government area of Maitland is located in what's known as the Lower Hunter Valley Region of New South Wales, approximately 38 kilometres inland from the city of Newcastle, and around two hours' drive from Sydney.

Constantly growing, Maitland boasts opportunities for commercial investment, tourism and industrial land. Its location at the intersection of prominent transport routes in the region underpins a robust local economy, and companies based in Sydney and even overseas are increasingly arriving to operate in the region.

Maitland enjoys a lower unemployment rate than Newcastle at 5.9%, and research shows that it's a stable environment from a landlord's perspective, as it doesn't typically experience large swings in vacancy rates. Research from Real Estate Investar puts the current vacancy rate of the City of Maitland at 2.03%.

Property values in the Maitland region were impacted by the mining downturn, which saw property prices remain fairly stagnant for the last few years.

Looking ahead, it is predicted that Maitland will experience more growth than Newcastle over the next decade or so. Because it hasn't yet seen the spike in property prices that Newcastle has experienced recently, Maitland is much more affordable than its counterpart, with the median house price sitting at around one-third the price of a median house in Newcastle.



Future growth prediction for Maitland

Predicted House Statistics for Postcode 2320

Predicted Capital Growth	Period	Postcode Area Growth	Sydney Metro Growth
	Next 5 years*	6% p.a.	1% p.a.
	Next 8 years*	6% p.a.	3% p.a.

* In some years this rate of growth will be exceeded, while in other years it will fail to materialise. On average the Capital Growth is predicted to be as quoted above. Based on the expected rate of growth over the next 8 years the median value of Houses in postcode 2320 will be in the order of \$685,500.

What does all this mean?

Interestingly, houses and units both boast a median around the \$300,000 mark. Consequently, investors have the opportunity to buy a freestanding house for the price of an apartment, allowing them to reap the benefits of higher cashflow and greater opportunities to leverage down the track.

My tip: Look for properties that have development or renovation potential, so you can add value to your investment property down the track.

What's Not: Newcastle LGA

Situated around 20 kilometres south-east of Maitland is the LGA of Newcastle, a thriving regional city situated on the coast, which serves as the gateway to the Hunter Valley.

Though Newcastle has experienced strong property price growth recently, in a ripple effect following Sydney's boom, the market isn't expected to perform as strongly going forward.

Suburb statistics:

Population:	162,766
Location:	168km from Sydney CBD
Average wage/salary income	\$1113 p/household p/week
Unemployment rate:	6.5%

Financial statistics:

Median house price	\$969,416
Median rental return (houses)	\$445 p/week
Median unit price	\$590,053
Median rental return (units)	\$515 p/week
Average return (last 10 years)	10.6%
Average growth rate (last 10 years)	6.5%

Best and worst streets: Newcastle LGA

Street Information for Postcode 2300

Number of Streets in the postcode area: 184

Top 5 Streets in the postcode by Median Value:

Street Name	Median Dollar Value
Parkway Ave	\$3,035,708
Bar Beach Ave	\$3,030,149
Brown St	\$2,943,298
Memorial Dr	\$2,727,357
Fenton Ave	\$2,384,820

Street with Highest Value Property:
Barker St

Lowest 5 Streets in the postcode by Median Value:

Street Name	Median Dollar Value
Lemnos Pde	\$410,529
Mosbri Cres	\$440,941
Armitage St	\$446,625
Kitchener Pde	\$452,247
Nesca Pde	\$456,780

Street with Lowest Value Property:
Brown St

About Newcastle LGA:

The city of Newcastle lies almost 170 kilometres to the north of Sydney, straddling the mouth of the Hunter River. The most prominent city in the region, Newcastle is the second-most populated urban area in NSW after Sydney, and is home to the world's largest coal-exporting harbour.

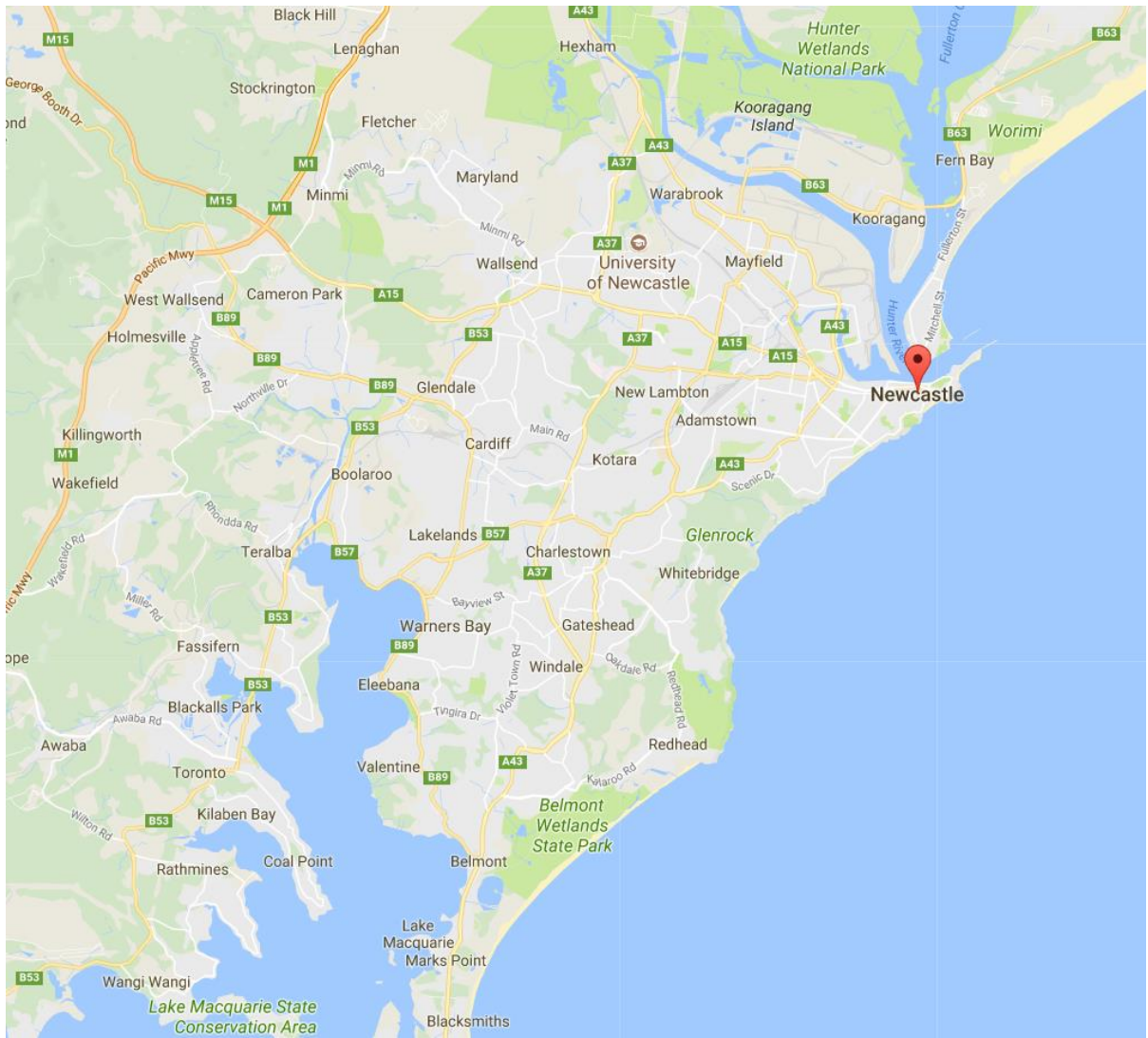
Newcastle, as the economic hub of the Hunter Region, is home to around 80% of the area's office space and 30% of then developed industrial space. While Newcastle's industrial sector continues to play an important role in the city's economy, it no longer has the reputation of being a 'steel city'.

Newcastle offers an array of opportunities from its various industries, including coal, major university sites and airport facilities. This, together with Sydney's price growth and the ripple effect outward, has led to the city's recent spike in property values. Houses and units are now significantly more expensive in Newcastle than in Maitland, to the point of becoming unaffordable.

In addition, Newcastle has a higher unemployment rate than Maitland at 6.5%, and more substantial swings in vacancy rates.

The property market has been robust in Newcastle in recent years, with the ripple effect prompting Sydney's booming conditions to trickle down into Newcastle. In the last 12 months, property values in the city of Newcastle have increased 9.2% (houses), bringing the median up close to the \$1m mark.

However, over the next five to eight years, it is predicted that Newcastle will achieve lower rates of growth than Maitland, when it comes to both houses and units.



Future growth prediction for Newcastle LGA

Predicted House Statistics for Postcode 2300

Predicted Capital Growth	Period	Postcode Area Growth	Sydney Metro Growth
	Next 5 years*	2% p.a.	1% p.a.
	Next 8 years*	4% p.a.	3% p.a.

* In some years this rate of growth will be exceeded, while in other years it will fail to materialise. On average the Capital Growth is predicted to be as quoted above. Based on the expected rate of growth over the next 8 years the median value of Houses in postcode 2300 will be in the order of \$1,695,000.

What does all this mean?

While Maitland property values are expected to grow around 6% per year over the next five years, in Newcastle, the growth prediction is just one-third this figure at 2%. Furthermore, the median house price is close to \$1m, pricing this region out of the “affordability” ballpark for most investors.

My tip: Why invest in one property for around \$1m in Newcastle, when for the same amount of money, you can buy three properties in Maitland? I know where I’d be putting my money; after all, triple the investment means triple the reward.

Conclusion

As far as research goes, this report represents a great 'starting point', but there is obviously a lot more due diligence that investors must do before deciding whether a particular area aligns with your strategy.

This is a key part of the investing process that some investors – or more accurately, speculators – get wrong. They read a few magazines, spend a little time online and suddenly think they're the expert... it's a recipe for financial disaster.

Having purchased property all around Australia over the last 15 years, I teach my students to *nail their strategy first*, before they even consider viewing properties or preparing to make an offer. Purchasing the property is the last step of the process, and it's also your opportunity to put everything you've learnt into practice.

My tip: As I want you to achieve real wealth, I have included my **Researching an Investment Location Checklist** – to help you on your property search. Whether you are looking to invest in a regional market or in a capital city, this will help you create specific criteria for finding your next quality property investment.



Note: These are some of the resources we have used when compiling this report and they were collated as of July 2017:

- Australian Bureau of Statistics – for demographic data.
- Corelogic – for previous performance data.
- Residex – for future growth predictions.
- Realestate.com.au – for sales and rental data.
- Domain.com.au – for sales and rental data.
- Real estate industry bodies – for sales and rental data and trends.
- Google maps



Checklist: Researching a specific town

1. What is the population of the town?	Notes:
2. If less than 50,000 people, what industries are sustaining the town?	Notes:
3. What is the main source of jobs for locals?	Notes:
4. What has been the capital growth for the town over the last 12 months, 5 years and 10 years?	Notes:
5. What is the main type of housing in the town?	Notes:
6. What style of housing is popular with tenants?	Notes:

7. What type of people live in the area?	Notes:
8. Are there any flood areas?	<input type="checkbox"/> Yes <input type="checkbox"/> No Notes:
9. What are the popular areas of town?	Notes:
10. What areas should be avoided?	Notes:
11. Are there any planned changes for the town?	<input type="checkbox"/> Yes <input type="checkbox"/> No Notes:
12. What types of properties are popular with tenants?	Notes:

<p>13. Is the rental market strong in that suburb?</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes:</p>
<p>14. Are there any major infrastructure changes occurring in the area i.e. freeways, shopping centres etc?</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes:</p>
<p>15. What type of properties sell better in the area – houses, townhouses, units or apartments?</p>	<p>Notes:</p>
<p>16. What are the sought-after streets, pockets in this area?</p>	<p>Notes:</p>
<p>17. Is there a lot of development happening in the area?</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes:</p>
<p>18. How quickly can developments be approved through council?</p>	<p>Notes:</p>

<p>19. What money is the council investing in the area to sustain its prosperity?</p>	<p>Notes:</p>
<p>20. Is the council pro-business and pro-development?</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes:</p>
<p>21. What projects are currently being undertaken by the local council to better the town?</p>	<p>Notes:</p>
<p>22. What facilities are in the town?</p>	<p>Notes:</p>
<p>Additional comments</p>	