HOW TO SPOT DODGY STATS / 4 RISKY FINANCE STRATEGIES TO AVOID / TAX TRAPS WHEN INVESTING IN PROPERTY OVERSEAS

MOST COMPREHENSIVE PROPERTY PRICE GUIDE 5,000+ SUBURBS RESEARCHED

your investment property

September 2013

yourinvestmentpropertymag.com.au

Australia's leading property investment magazine

$9.95 (GST incl.)

BRACE FOR THE BOOM

Expert predicts how and where

PLUS

123 SUBURBS WHERE PRICES ARE SET TO SURGE

- Fastest-growing income
- Fastest-growing population
- Low supply

LOW-INCOME INVESTOR reveals how she built a $1.2m property portfolio

MATTHEW PAVLICH AFL giant scores with property investing

The secret to PREDICTING THE NEXT BOOM SUBURBS

Why location is not everything

If you think location is everything when it comes to property investment, think again. As *Sam Saggers* explains, there is an even more important consideration to take into account

When it comes to predicting the next growth areas, many forecasters rely on the various statistics and fundamentals to analyse the growth prospects.

One of these key statistics is demographics. It is an important real estate market driver and investors need to understand people's opinions and desired lifestyles have a direct impact on property prices.

In fact, the study of demographics plays a huge part for investors in getting investing right. What happens next in the property market place is dictated by where people live and what they consume.

The mining and commodities boom is slowing down and world market forces are becoming a heavier influence on Australia's regional centres. The property market is ever changing, and current drivers are preluding massive growth in city areas.

The demographic shift

To understand demographics, you must understand the different subgroups of society, and the distinctive social behaviour of each subgroup.

Generationally speaking, we have the Baby-Boomer Generation and Generations X and Y. Each generation is having an impact on the property market right now. They shop in different areas and have different wants.

To understand what areas are attracting residents, and the type of residents each area attracts, you must examine demographic shifts. By doing this you can potentially discover an emerging hotspot.

A short history lesson

In the 1900s, there were approximately five people to each Australian home.

Today, the average is two people per household.

Social behaviour affects housing preferences. Take divorce, for instance. Nowadays, one-third of couples get divorced (this was unheard of in the early '50s) which might explain the rise in single person households.

These changes in household structure mean Australians are reshaping the property market. Some lifestyle choices put more pressure on the property market than others.

Income growth, the underrated boom driver?

The average family unit buys their most expensive property between the ages of 40 and 44. This is due to expanding family numbers and higher incomes. Does that mean finding the next aspirational suburb is by finding where people in their 40s want to live? Hold the phone – let's examine a few other elements first.

I believe it's not property that doubles every 10 years, rather income doubles every 10 years. I think those of us old enough to remember our wage 10 or 20 years ago, can attest to the fact that wages have increased, on the whole. While people may argue the cost of living has increased excessively, experts say it is on-par with (if not, behind) the wage growth. If we earn more and things cost less, more is available to spend on property.

Today a pair of Reebok shoes that cost $400 only 20 years ago now retails for $80. However, a house bought for $80,000 in the same year is now likely to be $400,000. Goods are getting cheaper due to ease of manufacture and we are earning more. Incomes are being propelled into property.

Case in point: Darwin

Darwin has just gone through six years of spectacular property growth and demographics have surely played their part. Darwin has lots of aspirational, high-income male workers. Compared to the national average, they are earning spectacular wages, and this wage influence has seen the property market grow rapidly since 2007. Darwin is an upward trending income market. More young people are earning well and have the lifestyle to match.

Darwin is Australia's youngest capital city and has the highest proportion of males, according to the Australian Bureau of Statistics (ABS). Darwin's median age was 33 years, as of June 2011, which was over a year younger than Canberra, its closest rival. Darwin was also the only capital city with more males than females, with a ratio of 109 males per 100 females. Of the other capital cities, females outnumbered males (the greatest difference seen in Adelaide).

In contrast, the oldest median ages in Australia were scattered along the coast. Tuncurry, on the mid-north coast of New South Wales, was the oldest area in the country with a median age of 59 years. In Queensland, Bribie Island was the oldest (57) and in South Australia, it was Victor Harbor (56). These property market places won't do as well, as the income in these area would not be growing, rather it will be stagnant or declining.

Socio-economics is key

To fuel growth, a market needs to be bearable but also equitable. If the average house price in an area is $100,000 and the wage in an area is $500 a week, then this wage can afford the property price, just barely. There is not much room for growth. This is known as a bearable market. In other words, the income can bear the house price.

Now assume a wealthy income demographic move into that suburb or town. Let's say the wage bracket jumps to $1,000 per week. Not only can the market afford the house price of $100,000, but also there is room for equity growth. This is known as an equitable market. In this market, the property price could double to $200,000. Double the wage, and you will see a direct correlation in house prices.

According to the 2006 Census, the average family income in Darwin was $1,524 per week but as of 2013 it sits at a healthy $2,024 per week. This is a 32.8% increase. During this time of wage growth, the Darwin property market has risen in value as a direct result. In some areas even better results have occurred.

How to predict an area on the verge of change

One method is known as the ripple effect. The real estate ripple effect behaves like a drop of water splashing into a still pond; the associated ripple flows on and creates movement in the pond, impacting all that surrounds the initial droplet.

In order to understand the potential of the area you're interested in investing in, you need to research its surrounding areas as well. For example, if the average home price of Suburb A is $300,000 and 2km away Suburb B homes are averaging $200,000 – there is an instant variation

evident – in this example the ripple variation is $50,000 per 1km.

By researching carefully what attributes Suburb A has compared to Suburb B, you will often find the suburbs are comparable; one is simply closer to the city or has a more significant symbolic reference than the other. Buyers soon respond to affordability (value) over proximity.

What creates the ripple effect

Neighbourhood change is inevitable. Developments are often designed to improve the quality of existing residents by improving services and enhancing opportunities.

Developments also create the ripple effect, producing economic, social, political and cultural change. In turn, this speeds up demographic change, driven by economics of jobs and infrastructure upgrades, positively impacting house prices and perceptions of these areas. This also results in gentrification of such areas.

Investors need to keep in mind the big picture, as this will make it easier to anticipate the ripple effects of incomes and where people will live.

For example, if there is an employment development strategy pursued by the local or national government, what impact does this have on small businesses, real estate and the environment?

We saw the impacts with the mining boom. Jobs were rapidly created; house prices rose; and when the mining jobs disappeared; house prices fell. The ripple effect occurs as a consequence of any decision. Investors need a ripple effects management strategy and, more importantly, one that works in metropolitan areas.

How to find the start of the ripple?

What attracts a more affluent demographic, and how can we find the ripple? Here is a list of things that determine whether a ripple is underway or sustainable.

Avenues for resident ownership – areas must have a large proportion of owner-occupiers. Too many renters put off the crucial demographic change.

Logical and useful planning. The concepts of good schools and transport are the key to unlocking demographic change. Without them, it won't happen.

Affordable housing is crucial. The more economic sense the area makes, the more interest it will receive.

Attention to small business needs. Proximity to small business is a massive driver, particularly as we have an ever-changing workforce that often relies on local small business to provide part of the household income.

Local employment and access to transport nodes is a massive driver. Most people want to spend less time commuting. Train lines are key in our denser cities.

Resident involvement in setting policy – a proactive and collaborative council will gain more popularity from the discerning demographics.

Informed, involved, and organised residents – The idea of community spirit in an area should never be underestimated. If an area has a stigma it may not be ready for demographic change, as it may need more urban development before it's possible.

Getting help from councils

Councils are a great source of information. Working with councils can be a great asset to property investors when trying to indentify where to invest their hard-earned cash.

Councils are particularly useful when trying to discover whether an area is in mid-transformation. Ask councils about economic growth expectations, forecasts on employment trends and commitments to education. They have great information on retail and office space allowances, knowledge on zoning and industrial land information.

Councils can give you further information on specialised local services such as: finance and insurance services; professional, scientific and technical services; healthcare; social assistance; and manufacturing. Investors can get information on where university, TAFE and education land has been set aside for future development and what roadworks the council has planned, both locally and statewide. This information will help you assess the area's future. For a property investor, this is a must.

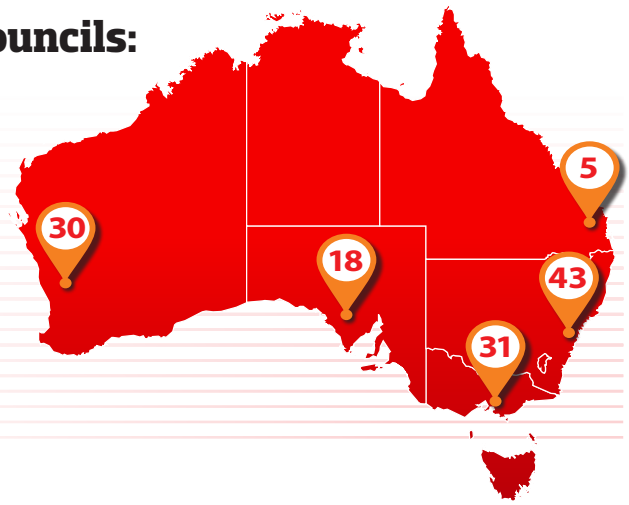
Councils have an economic development manager. They are usually the best source, and the second best is the town planner. Some are very helpful, and if you explain what you are looking to achieve, they will guide you in the right direction. People in council are passionate about the area, and can give you great historical input on industries, services and land values.

I would recommend you phone, go to the website or email first rather than visiting the council. If you want to get into more detail, the economic development manager is your best bet for market information and the duty town planner for zoning information.

Australian councils: Quick facts

NO. OF COUNCILS:

Sydney 43
Melbourne 31
Brisbane 5
Adelaide 18
Perth 30



The next boom areas: Top 10 demographic change suburbs

1 New Farm, Brisbane

- Population: 11,330
- Population growth (2006-2011): 0.75%
- Average weekly household income: $1,620
- Income growth (2006-2011): 42%
- Renters: 58%
- Owner-occupiers: 42%
- Median age: 36
- Nationality: Australia (64%), UK (5%)
- Couples with children: 25.6%
- Most common occupation: Professionals (37%)
- Type of dwelling: Units/flats (45%), High rise apartment (26%)

A highly desirable inner-city suburb of Brisbane, New Farm attracts young professionals and couples without children. As such, the most popular types of dwelling in the area are units or apartments.

State of the market
- Median unit price: $482,250
- 12-month growth: -5%
- Average annual growth: 6.7%
- Gross rental yield: 5%

2 Reservoir, Melbourne

- Population: 47,637
- Population growth (2006-2011): 3.50%
- Average weekly household income: $972
- Income growth (2006-2011): 24.18%
- Proportion of renters: 32.5%
- Median age: 38
- Nationality: Australia (55.9%), Italy (8.2%), India & China (7.6%)
- Couples with children: 42%
- Most common occupation: Professionals (18.4%), Technicians/tradies (16.2%)
- Type of dwellings: House (71.5%), Semi-detached (13.2%), Units/flats/apartments (15%)

Reservoir remains one of the few suburbs that is close to the Melbourne CBD, without having a median house price over $500,000. The suburb offers excellent amenities and its infrastructure is top notch. There is a wide array of retail and dining options on High Street, while Preston market and Northland Shopping Centre offer additional shopping choices within five minutes. There are a number of good parks and schools within the suburb and the Austin Hospital is not far away.

State of the market
- Median house price: $451,000
- 12-month growth: -2%
- Average annual growth: 6.4%
- Gross rental yield: 4%

3 Kealba, Melbourne

- Population: 3,164
- Population growth (2006-2011): -0.69%
- Average weekly household income: $1,290
- Income growth (2006-2011): 14.26%
- Proportion of renters: 17%
- Median age: 35
- Nationality: Australia (57.6%), Vietnam (7%)
- Couples with children: 49.8%
- Most common occupation: Professionals (17%), Clerical (16.6%)
- Type of dwellings: House (95.2%), Semi-detached (2.5%)

Located 16km from the Melbourne CBD, Kealba is an attractive option for growing families looking for affordable housing still easily accessible to Melbourne's employment nodes. This up and coming suburb features a broad range of amenities and many homes enjoy spectacular views of the Melbourne CBD or the Maribyrnong Valley. Kealba is considered a safe and family-friendly suburb, which explains the high proportion of couples with kids living in the area.

State of the market
- Median house price: $370,000
- 12-month growth: 1%
- Average annual growth: 6.3%
- Gross rental yield: 4%

4 Mount Lawley, Perth

- Population: 10,703
- Population growth (2006-2011): 7%
- Average weekly household income: $1,718
- Income growth (2006-2011): 50.43%
- Proportion of renters: 38.7%
- Median age: 34
- Nationality: Australia (59.4% UK (7%)
- Couples with children: 39.5%
- Most common occupation: Professionals (35.6%) Managers (15%)
- Type of dwellings: House (55.5%) Semi-detached (15.7%) Units/flats/apartments (28.5%)

Mount Lawley is a tree-lined, leafy suburb, filled with million dollar character homes, with easy access to the river, city, a vibrant cafe strip and shopping precinct. It boasts very good schools, an array of cafes and drinking spots, easy access to Perth's freeway system and is close to buses and trains. It is a family demographic and the income levels are high.

State of the market

- Median unit price: $382,000
- 12-month growth: -2%
- Average annual growth: 9.8%
- Gross rental yield: 5%

5 Balga, Perth

- Population: 10,701
- Population growth (2006-2011): 25.98%
- Average weekly household income: $934
- Income growth (2006-2011): 45.03%
- Proportion of renters: 46.2%
- Median age: 31
- Nationality: Australia (49.1%, UK (4.5%), NZ (3%)
- Couples with children: 36.9%
- Most common occupation: Technicians and trades (17.4%), labourers (17.2%)
- Type of dwellings: House (71.2%) Semi-detached (21.4%)

Balga is one of the cheapest suburbs in Perth that's within the 10km radius and has seen a surge in population over the past five years.

State of the market

- Median house price: $360,000
- 12-month growth: 3%
- Average annual growth: 11%
- Gross rental yield: 5%

Despite most of the residents working in the trades sector, income has grown by more than 45% over the same period.

6 Dulwich Hill, Sydney

- Population: 12,982
- Population growth (2006-2011): 6.32%
- Average weekly household income: $1,540
- Income growth (2006-2011): 37.37%
- Proportion of renters: 40.7%
- Median age: 36
- Nationality: Australia (56.4%), Greece & UK (7.1%)
- Couples with children: 41%
- Most common occupation: Professionals (34.3%) Clerical (14.7%)
- Type of dwellings: House (36.1%) Units/flats/apartments (52%)

Dulwich Hill is a coveted suburb for families with kids due to its location within the Summer Hill Primary catchment area. It boasts wide, leafy and quiet streets and is considered generally a trendy and stylish area.

State of the market

- Median unit price: $497,500
- 12-month growth: 7%
- Average annual growth: 5.1%
- Gross rental yield: 4%

7 Blacktown, Sydney

- Population: 43,374
- Population growth (2006-2011): 11.46%
- Average weekly household income: $1,174
- Income growth (2006-2011): 20.78%
- Proportion of renters: 36%
- Median age: 33
- Nationality: Australia (50.4%, India (8.9%), Philippines (4.8%)
- Couples with children: 49.7%
- Most common occupation: Clerical (17.7%) Professionals (15.8%)
- Type of dwellings: House (70.8%) Semi-detached (14.7%), units (14.3%)

Blacktown continues to attract a large number of migrants which account for about half of the local residents.

State of the market

- Median house price: $405,000
- 12-month growth: 5%
- Average annual growth: 3.7%
- Gross rental yield: 5%

Affordable housing at just over $405,000 has been the main draw, but the suburb also enjoys a wide range of transport, retail and dining amenities and overall cost of living is comparatively lower than other suburbs.

8 St Peters, Sydney

- Population: **2,871**
- Population growth (2006-2011): **10.38%**
- Average weekly household income: **$1,786**
- Income growth (2006-2011): **35.71%**
- Proportion of renters: **37.6%**
- Average age: **35**
- Nationality: **Australia (61.6%), England (5%) NZ (3.4%)**
- Couples with children: **32%**
- Most common occupation: **Professionals (34.7%) Clerical (15.6%**
- Type of dwellings: **House (32.6%) Semi-detached (41.3%), units/flats (24.1%)**

St Peters is located just 5km west of the Sydney CBD and is a more affordable option compared to neighbouring Newtown and Marrickville. The suburb enjoys a broad range of transport, dining and entertainment amenities and is hugely popular with young professionals and downsizers.

State of the market

- Median unit price: **$500,000**
- 12-month growth: **5%**
- Average annual growth: **4%**
- Gross rental yield: **6%**

9 North Rocks, Sydney

- Population: **7,625**
- Population growth (2006-2011): **5.4%**
- Average weekly household income: **$1,819**
- Income growth (2006-2011): **16.8%**
- Proportion of renters: **11.2%**
- Median age: **40**
- Nationality: **Australia (65.7%) China (5.4%)**
- Couples with children: **54.7%**
- Most common occupation: **Professionals (31.2%) Clerical (16.4%)**
- Type of dwellings: **House (92%) Semi-detached (7.4%)**

Located about 26km from Sydney CBD and within the Hills Shire district, North Rocks has seen robust growth in population and income during 2006-2011. Its excellent position between Parramatta CBD and Macquarie Park makes the suburb a popular choice for growing families looking for relatively affordable housing. It enjoys a wide range of shopping amenities including Westfield Shoping Centre, Coles, Audi and a K-Mart.

State of the market

- Median house price: **$686,000**
- 12-month growth: **1%**
- Average annual growth: **3.4%**
- Gross rental yield: **4%**

10 Campsie, Sydney

- Population: **21,218**
- Population growth (2006-2011): **3.46%**
- Average weekly household income: **$945**
- Income growth (2006-2011): **21.62%**
- Proportion of renters: **46.7%**
- Average age: **35**
- Nationality: **Australia (28.8%), China (21.8%) Korea (5.1%) India (4%)**
- Couples with children: **47.6%**
- Most common occupation: **Professionals (15.9%) Trades (15.6%), Labourer (14.5%)**
- Type of dwellings: **House (27.2%) Semi-detached (12.5%), Units/flats (59.6%)**

Located about 10km from Sydney's CBD, Campsie is an up and coming area that's experiencing significant income growth thanks to its changing demographics. The suburb boasts some of the most ethnically-diverse residents that continue to flock into this undervalued suburb.

State of the market

- Median unit price: **$396,500**
- 12-month growth: **4%**
- Average annual growth: **4.3%**
- Gross rental yield: **5%**

How to use a basic heat map tool to see value change

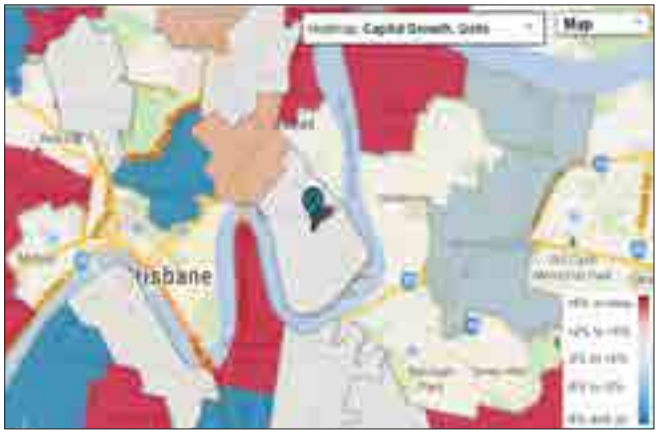
Understanding demographic change takes a little exploring. I use the map to see where the ripple is changing, which prompts me to call council.

I use APM monitors heat map. (www.apm.com.au)

Let's use New Farm as an example. On this heat map, the area seems to be sought after, it's getting good prices for houses. So that could mean higher wages in the area, value and opportunity.

But units below haven't jumped in value. So I know they are the better buy, if the demographic of that area is suited to them.

From this map I can see unit prices haven't taken off like they have in nearby areas and as they have for houses in New Farm. This data tells me the area will be sought after. If people are paying millions of dollars for a house then surely they will want a unit. Is the demographic suitable for unit living? Let's explore.



And from this map, I can see the ripple effect happening for houses, as capital growth is warming up. House values grow first and unit prices follow, if the demographic matches.

I then look for reasons why demographic change will occur, and if units will do well.

The case for New Farm

Urbis economists say due to infrastructure investment in the area, as well as 70,000sqm of office space currently under construction and a proposed 250,000sqm yet to begin, there is going to be an influx of approximately 32,000 new workers in the area. Accelerated population growth in New Farm Peninsula and Bowen Hills will result in 16,000 new residents by 2031. The URBIS report projects a growth of 103,732 new jobs by 2031 in surrounding suburbs Newstead/Fortitude Valley, Bowen Hills, Herston and Brisbane CBD.

Urbis predicts this development will lead to an increased demand for accommodation and growing pool of prospective high-income tenants. "As new high profile firms are attracted to this location, they create a significant catalyst for the region, and their workforces will form a major driver for the local residential markets."

Other interesting stats

Australian Bureau of Statistics Census 2011 data shows within the New Farm Peninsula, 46% of the population are aged 20 to 39 years of age. This means a high working age population, with fewer than 10% of the residents aged 19 years and under.

The 20-39 age bracket has fewer financial obligations, a higher disposable income and smaller space requirements.

They are willing to pay a large premium for high quality apartments and a cosmopolitan lifestyle. This is proven by the retail expenditure in the New Farm Peninsula, which was $17,492 in 2012, compared with $12,236 for Brisbane metro.

The average income of New Farm residents is 119% higher than residents of Brisbane CBD. Tenants of New Farm have a greater level of spending power and a higher level of disposable income. Remember, higher wages pre-empt expensive property prices. This is a good illustration of what may come with demographic change and property values in the area.

Sam Saggers is CEO of Positive Real Estate Group. He has brokered more than a billion dollars of real estate deals and is a passionate educator. He's also written several books on property investment and just released his latest book "Property Success in 7 Lessons: The Safe Way to Fast Track Big $$$"