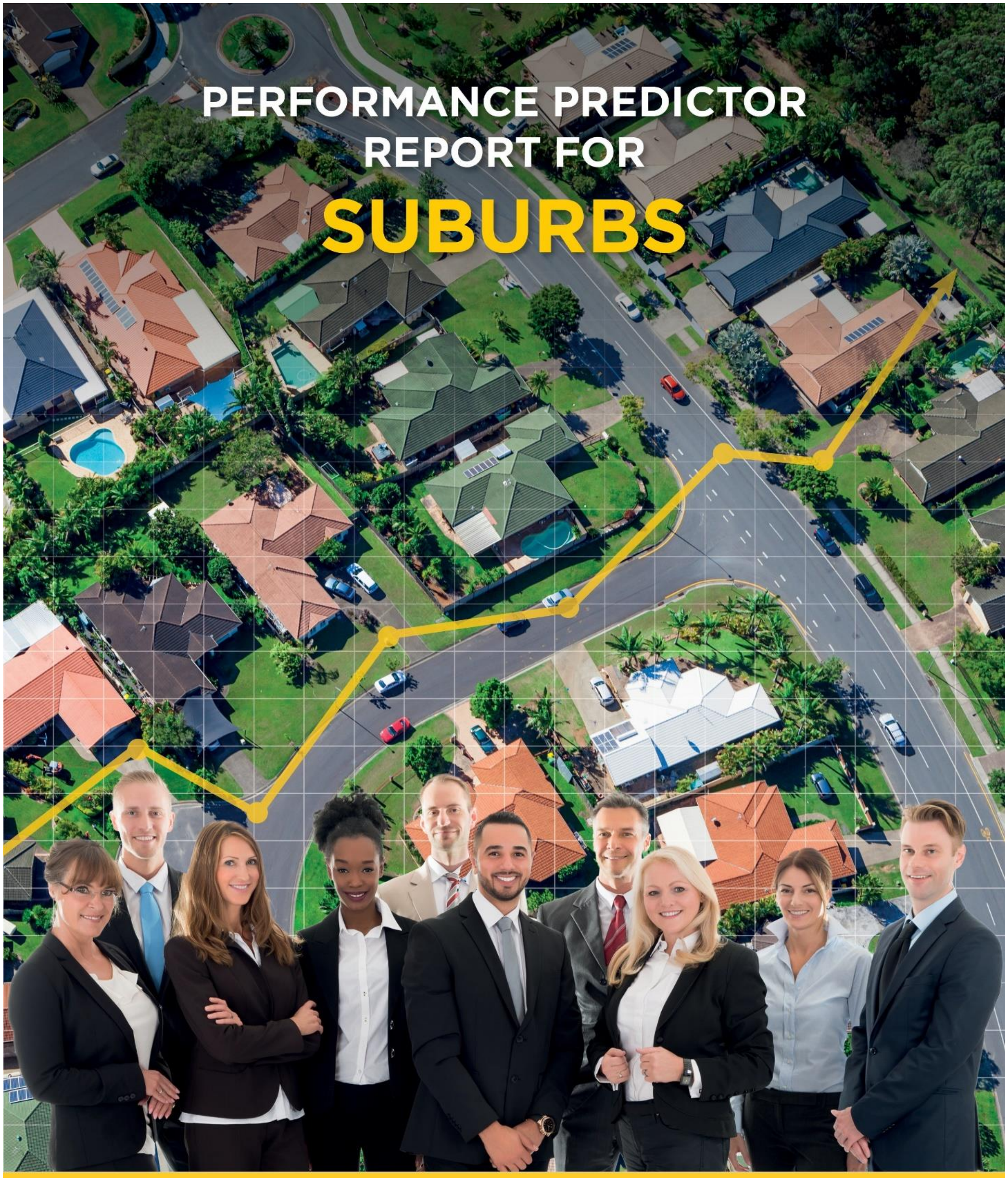
# PERFORMANCE PREDICTOR REPORT FOR SUBURBS



Reveals the long-term growth prediction for houses or units in your suburb, current market conditions for buyers and sellers, the cash flow potential and the medium-term growth outlook.

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# Performance Predictor Report for Suburbs

**Prepared for: Sample Report**
**Type of property: Houses**
**Suburb: Banksia Beach**
**Postcode: 4507**
**Report date: 1 January 2019**

This report reveals the long-term growth prediction for houses or units in your suburb, the current market conditions for potential buyers and intending sellers, the cash flow potential and the medium-term growth outlook.

Thank you for purchasing this report, which we trust will play a useful part in your research process.



## *Contents*

1) About the author and this report ........ 3
2) John Lindeman's predictions - an unequalled record of accuracy ........ 4
3) How we estimate current and future long-term performance ........ 5
4) The current and predicted performance of your suburb ........ 8
5) What the information in the tables means ........ 9
6) How to maximise your success ........ 12
7) How we source our data ........ 17
8) Unauthorised disclosure and disclaimers ........ 18
9) Feedback and more information ........ 18

# 1) About the author and this report

## JOHN LINDEMAN

CEO of innovative property research firm ***Property Power Partners,*** John is widely respected as one of Australia's leading property market analysts. With well over a decade of experience researching the nature and dynamics of the housing market at major data analysts, John is renowned as the property market researcher that property experts go to for all their Australian housing market insights.

John regularly provides presentations, commissioned reports and other research services on the nature and direction of the residential property market for property industry leaders. His extensive property knowledge is complemented by around forty years' experience as a successful property investor.

John's monthly column on housing market research featured in ***Australian Property Investor Magazine*** for over five years. He is the In-Depth columnist for ***Your Investment Property Magazine*** and a popular contributor to property related media, such as ***Michael Yardney's Property Update, Kevin Turner's Real Estate Talk*** and ***Alan Kohler's Eureka Report***. John has also authored the landmark best-selling books for property investors, ***Mastering the Australian Housing Market*** and ***Unlocking the Property Market***, both published by ***Wileys***.

## ABOUT THIS REPORT

This report reveals the long-term growth prediction for houses or units in your suburb, the current market conditions for potential buyers and intending sellers, the cash flow potential and the medium-term growth outlook.

**The cash flow potential**
This shows you whether the cash flow potential for houses or units is strong, balanced, weak or risky.

**The medium-term price growth outlook**
This shows you whether house or unit prices in the suburb have potential to suffer heavy falls, moderate falls, are likely to be balanced, or experience moderate or strong growth in the next three to five years.

**The long-term growth prediction**
This is a prediction of the long-term growth potential for houses or units in the suburb when compared to the forecast long-term performance potential of other suburbs in the same capital city or region over a typical buy and hold period of up to ten years.

**Low and high buy price range**
Buying a property that is typical for the area is a form of demand insurance. For this reason, we provide a low and high buy price range for either houses or units in your suburb within which typical properties will generally be priced and for which our analysis, outlook and predictions are most reliable.

**The current market condition for potential buyers or intending sellers**
This shows you whether current market conditions in the suburb for your type of property currently favour potential buyers or intending sellers.

## 2) John Lindeman's predictions - an unequalled record of accuracy


In the ***Australian Property Investor*** magazine's ***Hot One Hundred*** Issue of ***April 2012,*** John Lindeman was the only expert whose predictions ***all*** rose in price over the next two years.

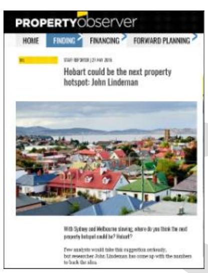
John also picked the ***hottest performer*** of all the experts - Highgate units, where prices rose by nearly 50% in a no-growth market.


In the ***Australian Property Investor*** magazine's ***Hot One Hundred*** Issue of ***May 2013,*** John Lindeman was the first expert to publicly predict ***Sydney's*** imminent housing market boom.

John's predictions in that issue also revealed ***which of Sydney's suburbs*** would be the first to rise in price, heralding the boom to come.

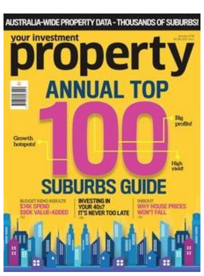



John's published columns and articles have correctly predicted booms for ***Hay*** and ***Berri*** where prices doubled in a year or less. He also accurately forecast housing market booms for ***Byron Bay, Weipa*** and ***Highgate,*** where prices doubled in just a few years.




In ***Property Observer*** Issue of ***27 May 2016***, John correctly predicted that ***Hobart*** was the next property hotspot and would boom in 2017, ***just before*** the growth kicked in.

***Hobart was the best performer*** of all capital city housing markets in both 2017 and 2018.




In ***Your Investment Property's Annual Top 100 suburbs guide*** Issue of ***January 2018,*** John picked the top performer, which is ***Karuah.***

***Karuah*** is not only the top performer of the Top 100, but has been one the ***best performers in the whole of Australia***, with the median house price increasing by nearly 50% in less than one year.

All of the above predictions were authored by John Lindeman and published in the sources quoted, with the results independently verified by CoreLogic published data.

# 3) How we estimate current and future long-term performance

## How we determine the current market for buyers and sellers

Potential property buyers and intending sellers need to be aware of whether the current market conditions for their type of property in the suburb where they intend to make a purchase or sale are in their favour, or whether the odds are stacked against them.

For example, potential buyers in areas which meet all their desired outcomes from property investment still need to know whether current market conditions favour an immediate purchase, whether it might be better to wait for a few months until buyer conditions improve, or whether it is simply better not to buy in the suburb at all due to the current unfavourable state of the market and choose another location.

Current owners, however are faced with different decisions to make if they are considering a sale. They need to know whether it is better to sell now, or to wait until the current market picks up in a few months to secure a better price.

Market conditions tend to favour buyers in suburbs where seller sentiment is negative, usually due to recent price falls, buyer demand is low, potential sellers are competing to attract a buyer and there are many properties listed for sale. Market conditions favour sellers when there are few properties for sale and potential buyers are competing against each other, with rising prices resulting in positive seller sentiment.

Some areas have stressed housing markets where there are very few buyers and many potential sellers. Even though buying conditions appear to be good in such markets and they may have favourable long-term predictions, potential buyers should look elsewhere, because prices could keep falling for years to come before the market improves.

The issue is complex because potential buyers and sellers often rely on biased or anecdotal information which is provided by those who may derive some form of commission, knock-on, finder's fee, kick-back or other reward for their efforts. The purchase or sale could be in their best interests, rather than yours.

While it is possible for you to form an independent and accurate opinion about the current type of housing market prevailing in an area, this is often beyond the desire or inclination of most of us to do. For this reason, our reports describe the current type of market for houses or units in any suburb.

We reveal whether the prevailing market conditions favour potential buyers, intending sellers or neither. The algorithms employed in the solution compare the number of potential buyers for houses or units in a suburb to the number of intending sellers and factor in the total stock of houses or units on the market.

We then take into account current market conditions and determine the level of vendor confidence, which is a measure of what intending sellers expect to receive for their properties in the next few months compared to what equivalent or similar types of properties are actually selling for right now.

We present this information in one easy to follow table indicating whether market conditions are unfavourable, neutral or favourable for potential buyers, and another table indicating whether market conditions are unfavourable, neutral or favourable for potential sellers.

## How we determine the cash flow potential

Rent provides a regular return from your property investment which offsets your expenses and interest payments and can even provide you with income if the rent payments are greater than your outgoings, such as property management, maintenance and repairs, insurance, rates and interest on the loan (if any). When this occurs, your property is said to be positively geared and is generating positive cash flow.

Suburbs which offer strong cash flow are those where the rental demand is greater than the supply of properties available for rent, while suburbs with high capital growth potential are those where the buyer demand is greater than the number of properties available for purchase. To obtain strong cash flow your first priority must be to buy properties in where the rental demand is strong, which is a different dynamic to the buyer demand. Rent demand can also be seasonal, regular, permanent, semi-permanent or temporary, depending on the main types of renting households in any area.

Rent demand is ***seasonal*** in holiday destinations such as coastal holiday destinations, but could peak during winter in tropical locations or alpine resort towns.

Rent demand is ***regular*** in tourist areas and tertiary education precincts and towns, because while the workers or students in these areas may move fairly frequently, rental demand is constantly created by their need to live in the area for employment or education.

Rental demand is ***permanent*** in the low socio-economic suburbs of our major cities and rural towns, and many of the households in these locations may rent all their lives.

***Semi-permanent*** rent demand is common in older well-established suburbs where overseas arrivals tend to rent for several years before they can buy a home of their own. While this rent demand appears to be permanent, it is ultimately dependent on where migrants come from, as this determines where they are likely to rent, preferring areas where people of similar ethnic backgrounds already live.

Finally, there are locations where rent demand grows quickly, but is ***temporary***, such as when mines are constructed or further developed and during transport infrastructure projects including the building or expansion of railway lines, ports or highways. These rental booms are most common in remote and regional areas where the workers must rent in nearby towns until the project is complete.

If the rental yields rise enough, investors start competing to buy properties and an investor led price boom may result, which collapses when the number of investor owned properties is greater than the demand for them, or when the project is completed and the workers depart.

Our analysis of the cash flow potential of any suburb starts with an assessment of whether there is a shortage or surplus of available rental stock of the type being sought by renters in the area. This indicates whether asking rents are rising or falling in the suburb. We then estimate the rental demand and rental stock supply trend to predict the likely direction of rents over the forecast period.

Lastly, we determine the main types of renters in each suburb to estimate whether the rental demand is more likely to be seasonal, regular, permanent, semi-permanent or temporary. It is this wholistic combination of rent demand and supply indicators, trends and dynamics that enables us to generate the cash flow potential for houses or units in any suburb.

## How we estimate the medium-term growth outlook and long-term growth prediction

In order to generate the medium and long-term outlooks and predictions provided in this report, we utilise the Housing Market Prediction Solution (HOMPS) which was invented by leading property market analyst and researcher, John Lindeman. HOMPS was awarded an Innovation Patent in 2016 and is owned by Property Power Partners.

HOMPS employs predictive data driven algorithms which reveal the medium and long-term growth dynamics of all types of housing at suburb level over typical buy and hold periods of up to ten years. It measures the long-term changes of all significant “top down” macro indicators as well as trends in “bottom up” micro indicators which operate in the housing market to predict where changes in the dynamics are likely to cause future housing price movements.

At a macro level, HOMPS measures changes in the nature and volume of housing demand experienced during economic, financial and demographically defined events such as economic booms, busts, recessions, depressions and periods of high and low inflation, high and low population growth and during periods of easy and cheap housing finance compared to times when interest rates are high and when finance is difficult to obtain.

On a micro level, HOMPS measures changes in housing demand caused over long periods of time by owner/occupiers, renters and investors in different locations and types of markets such as high density inner urban areas, medium density inner suburbs, well-established low-density suburbs, emerging outer suburban areas, regional cities, tourism precincts, retiree destinations, mining and construction zones and remote rural locations.

In addition to such man-made changes in the dynamics, HOMPS also evaluates the likely impact of current, emerging and recently concluded environmental events such as droughts, bushfires, floods and cyclones, each of which has a different long-term effect on housing markets and on the time taken for them to bounce back from such disasters.

To test and ensure the accuracy of the methodologies, we studied how housing markets in all types of locations for every different type of property have reacted over various time intervals to changes in the demand dynamics at both macro and micro levels from 1901 to the present. We then applied various iterations to determine which predictive algorithms produced the most accurate results.

From this analysis we utilised the predictive algorithms in HOMPS to locate suburbs where house or unit prices are likely to underperform when compared to others in a city or region, (likely growth laggers), which suburbs are likely to be average performers, and to reveal which suburbs have the greatest potential to outperform others in a city or region (likely growth leaders) over long-term buy and hold periods of up to ten years.

This form of research is of necessity comparative and not absolute as the overall growth or decline in housing markets over long periods of time is subject to dynamics such as population changes, the cost and availability of finance, economic performance and the impact of inflation that cannot be reliably timed.

While this means that we cannot predict when changes in property market directions are likely to begin at suburb level over the long-term, we can reliably forecast which suburbs are likely to be the leaders or the laggers when these changes occur and therefore have potential to outperform or underperform the others.


## 4) The current and predicted performance of your suburb

This table provides the cash flow potential, medium term growth outlook and the long-term growth prediction for houses or units in your suburb.

| Suburb | Post Code | Type of property | Cash flow potential | Medium term growth outlook | Long term growth prediction |
|---|---|---|---|---|---|
| BANKSIA BEACH | 4507 | Houses | [redacted] | | |

This table provides the optimum low and high buy price range for your preferred type of property in your suburb and also shows you the current market conditions for potential buyers and intending sellers.

| Suburb | Post Code | Type of property | Low buy price | High buy price | Market for potential buyers | Market for intending sellers |
|---|---|---|---|---|---|---|
| BANKSIA BEACH | 4507 | Houses | [redacted] | | | |

A full explanation of what the information in these tables means and how to make the best use of this information is provided in the following section of this report titled ***What the information in the tables means.***

If you are interested in understanding the basis and logic of our property market analysis and predictive methodologies please refer to the preceding sections in this report titled ***How we estimate current and future long-term performance*** which provide a full explanation of how we determine the current market for potential buyers and intending sellers, the cash flow potential as well as the medium-term growth outlook and the long-term growth prediction for houses or units in suburbs.

We also urge you to read the section titled ***How to maximise your success***, as this shows you how to avoid the mistakes many investors make and how to get the best possible benefit from the information in this report.

## 5) What the information in the tables means

### Suburb and Postcode

There are many different ways to describe locations in Australia such as localities, hubs, villages, precincts, regions, towns and districts. The ones used officially in our reports are suburbs. The purpose of the Postcode is to ensure that you have selected the right suburb, as many suburbs share the same name.

### Type of property

All property data gathered by housing market analysts and published by major data providers is for houses or units. This means that you need to consider townhouses, duplexes and villas as either houses or units, according to which of these two types of housing they most closely resemble in the suburb.

### The cash flow potential

This shows you the cash flow potential for the type of property in the suburb.

**STRONG** Cash flow potential is indicated when current rental demand is greater than the supply of rental properties and is likely to rise further, resulting in high rental yields and low vacancy rates.

**BALANCED** Cash flow potential is indicated when current rental demand is balanced by the supply of rental properties and is not likely to change in the immediate future.

**WEAK** Cash flow potential is indicated when current rental supply is greater than the demand for rental properties, resulting in low rental yields and high vacancy rates.

**RISKY** Cash flow potential is indicated when current rental supply is far greater than the demand for rental properties and high rental yields are caused by falling prices, not by rental demand.

### The medium-term growth outlook

This shows you the medium-term price growth outlook for the type of property in the suburb.

**HEAVY FALLS** tells you that there is potential for median prices to drop by an average of 10% per annum or more over the next three years.

**MODERATE FALLS** indicates that there is potential for median prices to drop by an average of less than 10% per annum over the next three years.

**BALANCED** markets mean that little overall change in median prices is likely over the next three years.

**MODERATE GROWTH** indicates that there is potential for median prices to rise by an average of less than 10% per annum over the next three years.

**STRONG GROWTH** indicates that there is potential for median prices to rise by an average of 10% per annum or more over the next three years.

## The long-term growth prediction

This is a prediction of the long-term growth potential of the suburb when compared to the forecast long-term performance potential of other suburbs in the same capital city or region over the same time and for the type of dwelling specified. The comparison area for your suburb will be the entire capital city if your suburb is in a capital city, or the region if it is located outside a capital city.

The prediction identifies whether the suburb has the potential to become a growth leader, an average performer or a growth lagger during a typical buy and hold time window of ten years into the future when compared to the average forecast long-term performance potential of all suburbs in the comparison area.

## Low buy price and high buy price

Buying a property that is typical for the area is a form of demand insurance. For this reason, we provide a low and high buy price range for either houses or units in the selected suburb, within which typical properties will generally be priced.

Buying a property within this price range means that your property should be fairly typical and easier to rent now and then sell later. This is because renters and buyers will have certain expectations for property attributes when they look in the area, such as number of bedrooms, bathrooms, floor area or land size, and will prefer properties which meet their expectations.

For example, potential buyers or renters looking for properties in a suburb which typically has three-bedroom houses with one bathroom, will not be attracted to a dwelling which has four or more bedrooms, two bathrooms and maybe even a pool or other improvement. Not only will this property be valued and rented at a much higher price, it is not what buyers and tenants expect to find in such a suburb.

Housing finance providers will usually also set upper loan limits which are based around the median price, so buyers will find it difficult to obtain sufficient finance for properties whose asking prices are well above those for typical properties.

It is also important for you to know that our predictions are based on typical properties which means that they may not be accurate for atypical properties such as those priced outside the buy price range provided.

## Market conditions for potential buyers

To assess the current market conditions for buyers, the HOMPS system collects information for houses or units in a suburb which compares the number of potential buyers to the number of intending sellers and then factors in the total stock of houses or units currently for sale on the market.

We then take into account current market conditions and determine the level of vendor confidence, which is a measure of what intending sellers expect to receive for their properties in the next few months compared to what equivalent or similar properties are actually selling for right now.

If all these conditions favour buyers, the market is said to be favourable for them to buy a property at a good price.

If, some but not all of the current conditions favour buyers, the market is said to be neutral – which means that the buyer's prospects of obtaining a good price depend on whether there are other properties on the market which are similar in price, condition and appearance to the subject property, as these make conditions less competitive for potential buyers

The buyer's prospects in neutral market conditions are also more reliant on their negation skills or whether they use the services of an accomplished buyer's agent.

If none of the conditions favour buyers, the market is said to be unfavourable for them to buy a property at a good price.

## Market conditions for intending sellers

To assess the current market conditions for current owners and intending sellers, the HOMPS system collects information for houses or units in a suburb which compares the number of potential buyers to the number of intending sellers and then factors in the total stock of houses or units currently for sale on the market.

We then take into account current market conditions and determine the level of vendor confidence, which is a measure of what intending sellers expect to receive for their properties in the next few months compared to what equivalent or similar properties are actually selling for right now.

If all these conditions favour owners, the market is said to be favourable for them to sell a property quickly and at a good price.

If some but not all of the current conditions favour sellers, the market is said to be neutral – which means that the owner's prospects of selling quickly and at a good price depend on whether there are other properties on the market which are similar in price, condition and appearance to the subject property, as these make conditions more competitive for potential sellers.

The owner's prospects in neutral market conditions are also more reliant on the marketing and sales skills of the real estate agent they engage to sell the property for them.

If none of the conditions favour current owners or intending sellers, the market is said to be unfavourable for them to sell a property quickly or at a good price.

## 6) How to maximise your success

There is always a degree of unpredictability about the future, whether it concerns predicting the result of a football game, the next election, interest rate movements, or even the housing market. It is therefore crucial to maximise your chances of success in using this report by taking the following into account.

### Understand the local dynamics

Our predictive methodologies are based on the indicators and dynamics of supply and demand to identify areas with growth potential. This means that they can accurately forecast where changes are likely, but not always when. There are many factors which can impact housing market growth in any suburb, city or region, so it is essential that you understand the dynamics, such as population movements and change, types of households, percentage and type of renters and the percentage and cause of unoccupied housing.

Much of this 'demographic' information can be gained from QuickStats, a free on-line research facility produced by the Australian Bureau of Statistics. Local government sites also provide useful information about the types and number of industries, businesses, facilities and residents in their council areas.

### Do your own on the ground research

Being well informed about the type of housing market and how it might change is a critical part of your due diligence. Even when you are satisfied that the dynamics and indicators are pointing in the same direction, you need to do your own 'on the ground' research by checking with as many local reliable sources as you can find to confirm or refute what the numbers are telling you.

### Houses and units may perform differently

Our predictions for each location are provided either for house or unit markets. Although there are many different types of dwellings offered for sale on the market such as units, apartments, townhouses, villas duplexes, terraces and free-standing houses, our title systems recognise only two – those built on Torrens Title or Old System Title, which are usually houses, and those on Strata Title or Company Title, which are usually units.

All property data gathered by housing market analysts and published by major data providers is therefore for houses or units. This means that you need to consider townhouses, duplexes and villas as either houses or units, according to which of these two types of housing they most closely resemble in the suburb as measured by median asking prices, median asking rents, types of renters and types of buyers.

### Nearby suburbs may perform differently

Even though suburbs close by or next to those selected in our reports may have the same types of housing and asking prices, this is no assurance that they may have the same growth potential. Each suburb will perform according to its own unique set of dynamics and while it is common for similar types of housing markets to perform in the same way, there is no guarantee that this applies to all suburbs in a particular market area.

## Properties with high or low market value may perform differently

Demand creates the median asking price, because it measures the middle price of a group of properties for sale. Selecting a house or unit close to the median price is an easy way of ensuring that both rental and purchase demand will be higher than in those properties at the high- or low-priced ends of the market.

To assist you, we provide a low and high buy price range for either houses or units in each suburb, within which typical properties will generally be priced. Buying within this range means that your property will be easier to rent and to sell, because future renters and buyers will have certain expectations for property attributes when they look in the area, and your property may not meet them.

In addition, our predictions are based on typical properties which means that they may not be relevant to atypical properties or those priced outside the buy price range provided.

The only exception to this rule is when you are buying a property for cosmetic or structural renovations, in which case the expected selling price of your renovated property should be close to or slightly above the median asking price. To successfully achieve this, your purchase price should be at the low end of the asking price range for that suburb.

## Different types of property may perform differently

Buying a property that is typical for the area is much better than purchasing an atypical property, such as a five-bedroom house in a three-bedroom locality or a loft or studio apartment in a suburb where most units have two bedrooms. Such a property will be harder to sell and more difficult to rent, as renters and buyers will have certain expectations where they look in the area, and your property may not meet them.

## Buy with your head, not your heart

You may find your dream home when researching an investment property, but you will not live there, and the expected rental and purchase demand should be your priority. Extras such as a pool or landscaped gardens, while they appear attractive will prove to be costly burdens to maintain and can even make the property harder to rent, as the greatest rental demand may be for different types of properties.

## Avoid paying more than market value

If prospective vendors are aware that demand is higher than supply, they may encourage buyers to compete against each other, refuse to discount excessively ambitious asking prices and use sales processes such as auctions to drive prices up.  In addition, if there are few listings in an area, it can be difficult for buyers to know a property’s fair market value. The problem is that if you pay too much, you are handing some of your profit to the seller and will not achieve the predicted level of growth. You may not even achieve any growth at all, so paying no more than market value is an essential step in successful investment.

While there are many free property price reports available on line, many of these are no more than lead generation devices, and provide little more than a list of recent sales, the median price of properties in the suburbs, or even an estate agent’s appraisal. You can either pay for a property price report from a recognised property market information provider or estimate the market value yourself by comparing recent sale prices of similar properties in the area.

## Only use up to date information

Just as you wouldn't read last week's New York Times newspaper to find out what happened in Sydney yesterday, make sure that all the housing data you rely on is up to date and from a reliable and appropriate source.

It is essential that this report is recent, as our predictions are like snapshots in time which constantly change along with the dynamics of the market and they may no longer be valid if this report is older than three months.

## Always use the same data source

The housing market is complex and because of this, major data providers such as CoreLogic, Australian Property Monitors, Real Estate Institute of Australia and the Australian Bureau of Statistics have each developed their own way of measuring median sales prices and presenting historical data. The result is that each provider's data is different, which adds to the complexity and also the confusion that investors face when attempting to use the information provided.

The variations can be due to variations in the area being measured, the way in which different types of dwellings are categorised and the method of analysis. For example, the geographic boundaries of Sydney can be defined in various ways so that different areas are being measured by each.

Sales results are provided for houses or units, so that townhouses, villas and duplexes must be slotted into one category or the other, or as in the case of CoreLogic, a composite 'dwelling' index is produced which lumps all types of properties into one category.

In addition, each provider has a different way of measuring the actual changes in price that have occurred, such as repeat sales (measuring the change in price for the same properties)  median sale price (measuring the change in price for all property sales), median value (measuring the change in price for all properties), hedonic value (measuring the change in price for similar types of properties), weighted median (measuring the change in price weighted by number of sales), stratified median (measuring the change in price for different sale price ranges) and so on.

These variations result in the same suburbs having different median sale prices and also having different historical price changes. It is not a question of who is right and who is wrong, as each measures the market in a different way. The way to deal with this problem is to always ensure that your data source is from a recognised data provider such as CoreLogic or Australian Property Monitors and always use the same source.

You can even use these variations to your own advantage by understanding what the different methods of data analysis tell you – for example, the median sale price is the middle point of all sales in an area over a given period of time. A reduction in the median sale price in a suburb even though the number of sales is rising could mean that prices are about to shoot upwards, which I call the 'slingshot' effect.

This occurs because the 'cheapies' and bargains in a potential growth area are invariably cherry picked first, so that the median price falls even as the number of sales are rising.

## Beware of the misleading median

In suburbs where the types of properties which are on the market or have recently been sold vary from the attributes of the most common types of properties in that suburb, the median asking and median sale price can move up or down very quickly and dramatically, giving the impression that price growth or price falls are taking place. In reality, such variations can simply be due to changes in the type of dwellings that have recently been built and sold.

The most common situations where this can occur is in suburbs near universities, teaching hospitals or other educational institutions with a proliferation of loft, studio and single bedroom developments designed for student accommodation. Examples are Carlton in Melbourne and Ultimo in Sydney. Because these new dwellings are usually very much smaller than older dwellings in the suburbs, they lead to highly misleading median sale price, rent and yield data being produced.

Another example of the misleading median is in suburbs where there has been rapid growth in the number of units marketed for retirement living. This leads to a decrease in median asking sale prices, which is likely to result in lower sale prices in future as these dwellings are sold.

The other end of the misleading median scale occurs in well-established suburbs and towns consisting mainly of older, modest three-bedroom homes where developers offer new four bedroom houses with ensuites and double garages, sometimes on acreage, which are priced well above the current median price for the older houses.

This rise in sale price gives the impression of overall growth in the local housing market which is actually caused by the new homes being so much bigger and better. There may be no rise in the median price of the existing homes at all, but this is hidden by the misleading median.

## Always check for overdevelopment potential

While many investors might view further development in an area as a good outcome, leading to improved amenities and facilities and generating higher prices, the reality is that high density unit development or new land or house and land subdivisions can have very different outcomes. It depends on who these dwellings are marketed to as well as their comparative price and quality compared to existing stock in the area.

New developments marketed to owner/occupiers can lead to the rejuvenation of entire localities if the new stock is substantially superior to existing stock, such as in the refurbishment of older inner suburbs in major cities. On the other hand, they can cause a degradation of prices if the new stock is inferior, such as loft and studio apartments in inner urban areas, or single bed retirement villas in coastal resorts.

New developments marketed off the plan to investors can lead to oversupplies of rental properties if they are marketed to investors and the rate of new rental stock on the market exceeds the rate of demand. This may not become apparent where and while rental guarantees are provided by the project marketers, but once the rental oversupply emerges it leads to the potential for both rent and price falls as frustrated and even desperate investors try to sell, often many at the same time.

You need to ascertain the numbers to see whether there is any possibility of an oversupply occurring due to the sheer weight of new stock numbers, which can easily occur because developers often work without the benefit of reliable predictive demand data for housing and so tend to rely on past performance to select the best areas for new housing and use recent price and rent growth to promote their developments to investors.

It takes housing developers years to work their way through the various development stages such as project assessments, budgets, finance approvals, development applications, environment impact statements, tenders and contracts, rental demand in a mining town or dormitory town may be falling just as a supply of new housing comes on the market. Many of these developments are sold off the plan, before work has been completed or even commenced, so that the properties may not actually be occupied for several years after they have been purchased.

Many of these developments are project marketed to investors with ‘sweeteners’ such as rent guarantees built into the sale price, the oversupply may not become apparent for some time, but when it does the possibility of lower rents and prices becomes very real. Examples such as the collapse of the Gold Coast high density unit market from 2008 onwards show us that while it is essential to analyse and estimate potential demand, forecasting future supply is equally important.

Because of the above, you should ensure that your selected suburb is not a candidate for overdevelopment by checking its development potential for land subdivision, house and land sales and medium or high-rise unit development using these three research techniques:

Firstly, drive or walk around the suburb to check whether there are large vacant unused land areas, roads ending abruptly which are obviously intended to go further in the future, vacant shopping strips on main roads with no to let signs or blocks or groups of vacant, even derelict terraces or houses in an area with medium to high rise units. These are all signs that developers own the land.

Secondly, check a listing site for new or off the plan house or unit listings. What often initially appears as one listing on the real estate listing site may reveal a potential development of several hundred units or land subdivision. Go to the developer’s or project marketer’s site to see their plans for future development of the project, including the number and type of dwellings proposed and the timeline for both sales and occupation.

Thirdly, check with the local council for any development applications in the area, the number and type of dwellings proposed and the timeline for both sales and occupation. If there are significant numbers of new developments underway or proposed in a suburb or locality, you need to check the developer’s and project marketer’s websites to see who they are being marketed to (overseas investors, local investors or owner/occupiers)

Lastly, you should also compare the quality of the new stock to existing stock (compare listings for new stock to those for existing stock of similar types of housing) and also the asking price of these dwellings compared to existing stock in the area. This will help you to determine the likely effect of the new stock on demand for purchase and rentals of existing stock.

This analysis will enable you to make a much more informed decision based on the likely impact of future stock coming onto the market and will also give you a more accurate insight into the prospects for housing price changes based on what you discover as you conduct your own on the ground research.

# 7) How we source our data

## Researching the housing market

We continuously analyse potential changes in the nature and dynamics of the housing market which may be caused or influenced by both government and private sector policies, strategies, plans and initiatives and gratefully acknowledge the following sources:

***Urban Development Institute of Australia***

State of the Land Report, Urban Development Institute of Australia

***Housing Industry Association of Australia***

Housing Forecasts, HIA Economics Group

***Australian Government***

Sustainable Australia, Sustainable Communities, Department of SEWP&C
Our Cities our Future, Department of Infrastructure and Transport
State of Supply Report, National Housing Supply Council
Rainfall and Temperature Deficiencies and Anomalies, Bureau of Meteorology

## Measuring housing market dynamics

We analyse population, demographic, household, housing, finance, economic and resource related data from information provided to the general public by the Housing Industry Association, Australian Bureau of Statistics, Bureau of Meteorology, Australian Bureau of Agricultural and Resource Economics. This data is then adapted and aggregated at suburb level to determine how changes in demand and supply are trending for both rentals and owner-occupied housing. In particular, we acknowledge the following source:

***Australian Bureau of Statistics***

House Price Index – Eight Capital Cities 6416.0 Released quarterly
Housing Finance Australia 5609.0 Released monthly
Australian Demographic Statistics 3101.0 Released quarterly
Dwelling Unit Commencements Australia 8750.0 Released monthly
ABS QuickStats – 2011 and 2016 Census data

## Analysing housing market indicators

Many housing market indicators such as sale prices, weekly rents, price and rent movements are lagging indicators. That is, they provide information about past buyer, seller and renter activities and while there may be useful lessons or patterns in such behaviour that we can learn from, they do not point the way to the future because they represent the results, not the causes which brought about those results.

Even if this data were predictively useful, these results are published months after the events have occurred due to the time it takes to settle contracts and the need for the data to be collected and collated before it is published. Although this data can be used for private purposes, there is also the matter of copyright, which further restricts the manner in which such data can be used by third parties. We urge you to ensure that any use you intend to make of data supplied or published by data providers is done in accordance with Australian copyright laws and the providers' own conditions of use.

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## 9) Feedback and more information

We value your feedback on this report, and you are welcome to discuss any aspect of it with us. Please email **info@propertypowerpartners.com.au** to provide any comments or suggestions for improvement.

Wishing you successful investing,

John Lindeman
Property Power Partners Pty Ltd