

JOHN LINDEMAN'S

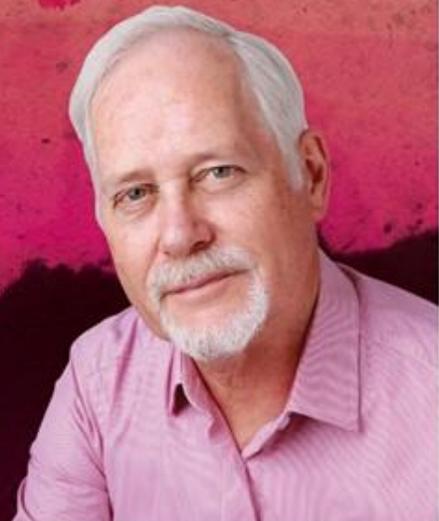
CASH COW SUBURBS REPORT



AUSTRALIA'S BEST CASH COW
SUBURBS SELECTED FOR HIGH RENTAL
YIELD DRIVEN BY RENT DEMAND AND
PRICE STABILITY

AUTUMN 2019

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John Lindeman's Cash Cow Suburbs Report

Autumn 2019 Issue

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1) About the author and this report

John Lindeman



CEO of innovative property market 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

Rent is an essential part of successful property investing, because it provides a regular return from your property investments which offsets your holding costs and can even provide you with income if there's enough left in the rent kitty each week. This is called positive cash flow investing or positive gearing and it's completely different to investing for capital growth, where the aim is to buy in areas with price increase potential and rental demand is only a secondary consideration.

This report provides you with the results of our analysis revealing suburbs around Australia with the highest rental yield driven by rent demand and price stability. Each selected suburb has met the following criteria for either houses or units:

- A current gross rental yield of at least 6%
- Market conditions favour potential buyers
- Sufficient properties for sale to enable you to negotiate a good price
- The cash flow potential is strong or balanced
- The price growth outlook over the next three to five years is strong or moderate

This selection process ensures that we only include suburbs in this report which have high rental yield caused by genuine rental demand. Many reports claiming to reveal suburbs with high rental yields include suburbs where high rental yields are the result of falling prices, not rent demand. We call this the rental yield trap and explain why this occurs and how to avoid such suburbs in Section 3 of this report.

We trust that you will both enjoy and profit from this report.

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.

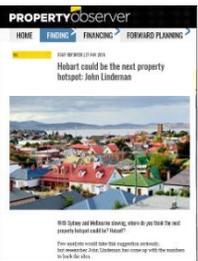


In the *Australian Property Investor* magazine's *Hot One Hundred* Issue of *May 2013*, John Lindeman was the first expert to publicly predict *Sydney's* imminent housing market boom.

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.

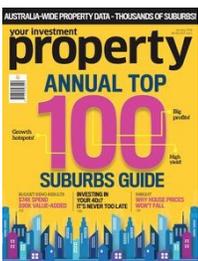


John's published columns and articles have correctly predicted booms for *Hay* and *Berri* where prices doubled in a year or less. He also accurately forecast housing market booms for *Byron Bay*, *Weipa* and *Highgate*, where prices doubled in just a few years.



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 positive cash flow housing investment works

Even if your aim is capital growth, you should also look for the highest rent return possible, because if your expenses are more than your income from rent, your investment is negatively geared – which means that you are losing money and some of your capital growth will be used up to offset this loss. In reality, there are only a few hundred suburbs or towns where the rent demand is consistently high enough to deliver positive cash flow from day one, so you need some stats to help you find them. One way to find high cash flow suburbs is by measuring their rental performance.

Analysts do this by calculating the annual median rent as a percentage of the median price and then compare this gross rental yield with those of other suburbs; the higher the rental yield, the better the rental performance. Data published by providers such as CoreLogic does this for you, by providing the gross rental yield for houses and units in every Australian suburb.

Any suburb that provides 6% or higher gross rental yield is said to be positively geared and housing investments made there should pay for themselves, because a property's holding costs are usually around 2% of the purchase price and interest on a housing loan is currently around 4%. A rental return or yield lower than 6% is said to be negatively geared. It now seems that all you have to do is find suburbs with the highest rental yield in your buying price range to obtain your positive cash flow property, but there are some traps lying in wait for investors seeking high cash flow that you need to be aware of.

Although using the gross rental yield is an easy way to compare the potential cash flow performance of properties, it has an unexpected sting in the tail. Some of the highest rent yielding suburbs (including those you often find in those lists of the 50 or 100 suburbs with the highest rent yields) may be located in housing markets full of empty and derelict houses with huge rental vacancies and lengthy, sometimes terminal vacant periods between tenancies.

The cause of the rising rental yield in these towns is not rents going up, but prices going down. **Figure 1** shows how rental yields may rise in a suburb where prices are falling and that rental yields may fall in a suburb where prices are rising, even when prices are rising faster than rents. This means that you need to look at the cause of the rising rental yield as well as the yield itself.

FIG 1: THE RENTAL YIELD TRAP	
RENTAL YIELDS RISE WHEN	RENTAL YIELDS FALL WHEN
Prices are falling and rents are rising	Prices are rising and rents are falling
Rents are steady and prices are falling	Rents are steady and prices are rising
Prices are falling faster than rents	Prices are rising faster than rents

You can look for potential traps by checking changes in the median house or unit price for a suburb which has high rental yield. If the suburb has a high rent return but prices have been consistently dropping over some years, then your further research will probably show you that buyer demand has been falling because it is a dying mining, timber, railway or fishing town or port or that there has been rampant overdevelopment leading to oversupplies of properties for sale. Either way, suburbs or towns where high rental yields are the result of savage falls in price should be avoided.

4) 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, some areas may have the potential to meet your desired outcomes or goals, but you also need to know whether current market conditions favour an immediate purchase. It might be better to wait for a few months until buyer conditions improve, or maybe 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, neither or both. The algorithms 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 present this information indicating whether market conditions are unfavourable, neutral or favourable for potential buyers, and whether market conditions are unfavourable, neutral or favourable for potential sellers.

In our comparative predictive reports, we only include those suburbs where current market conditions favour potential buyers, or if there are not enough of these, we also include suburbs where current market conditions are neutral for potential buyers. This means that suburbs are not included which might meet the other selection criteria, if the odds are currently stacked against buyers. Suburbs may accordingly be included or excluded in future reports if the current market conditions change.

5) 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 from holiday makers is *seasonal* in holiday destinations such as coastal holiday destinations, but could peak during winter in tropical locations or alpine resort towns.

Rent demand from workers is *regular* in tourist areas and is also *regular* from students in tertiary education precincts. 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. When rent demand falls in education precincts during the semester breaks, it may rise in tourist areas.

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.

6) How we estimate the three to five-year growth outlook

In order to generate the three to five-year price growth outlooks 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 and hubs
- Tourism precincts
- Retiree destinations
- Discretionary buyer locations
- Mining and construction zones
- Remote rural locations

In addition to 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.

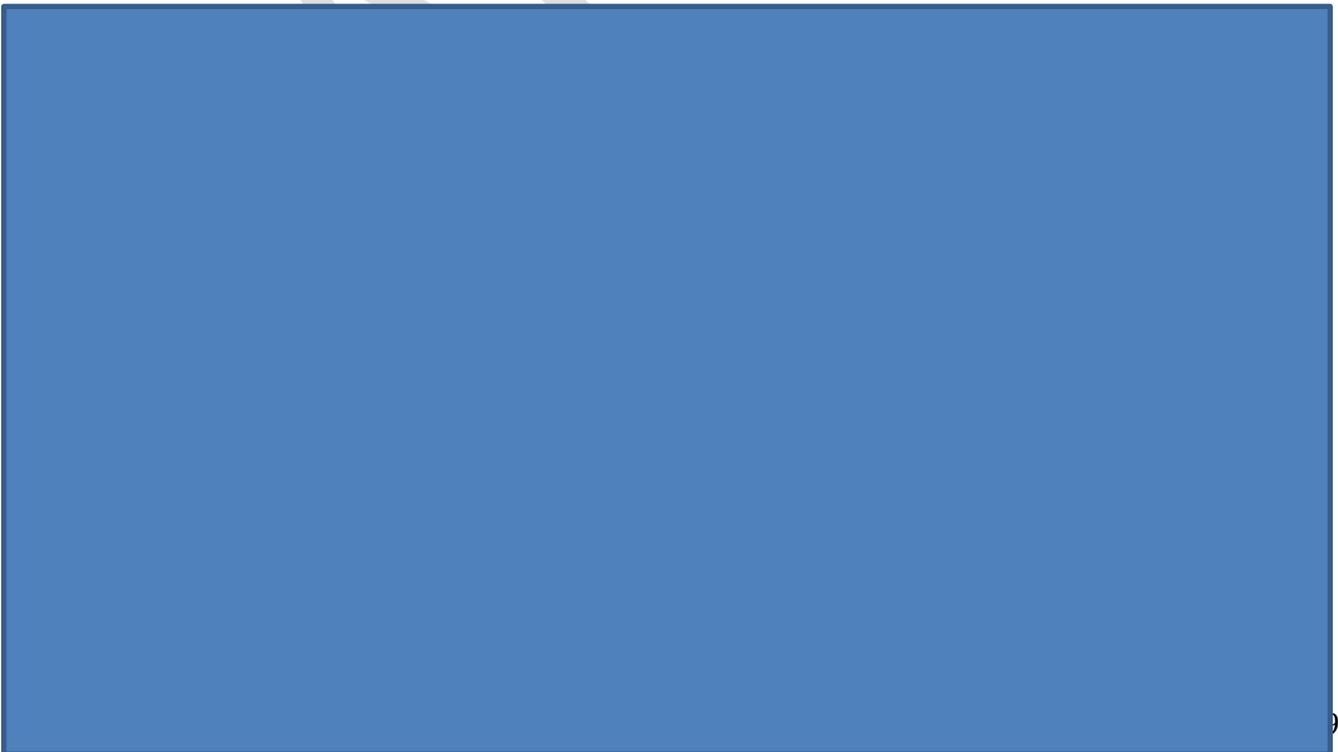
To test and ensure the accuracy of the methodologies, we studied how housing markets in all types of locations for every different type of property have reacted over various time intervals to changes in the demand dynamics at both macro and micro levels from 1901 to the present. We then applied various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

From this analysis we utilised the predictive algorithms in HOMPS to forecast how house or unit prices are likely to perform over three to five years in any suburb or town in Australia.

7) Cash cow suburbs and towns

These tables reveal the suburbs and towns which meet our cash cow selection criteria and are provided for houses and units in each mainland State and the Northern Territory.

The suburbs are ranked in each table by their gross rental yield, from highest to lowest.







8) 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.

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.

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.

Typical weekly asking rent

This is the weekly asking rent that typical houses or units in the suburb or town are likely to command. If you buy a property at the lower end of the buy price range shown for that suburb the weekly rent will be lower than the typical weekly asking rent shown, but the gross rental yield is likely to be higher than that indicated in the tables. On the other hand, a house or unit at the higher end of the buy price range is likely to offer a higher weekly rent, with a consequently lower rental yield than shown in the tables.

Market conditions for potential buyers

To assess the current market conditions for buyers, we collect 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 if all the 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.

We have only included suburbs in this report where the current market conditions are favourable for potential house or unit buyers.

Gross rental yield

The gross rental yield represents the return from rent that a property owner is likely to receive over the course of one year, expressed as a percentage of the purchase price. A suburb's gross rental yield is therefore the return from rent that a median priced property could generate in one year, expressed as a percentage of the median price of houses or units in the suburb.

The gross rental yield has nothing to do with actual rental demand, as there could be many rental vacancies in a suburb where prices have been falling, resulting in a high rental yield, but which also have large numbers of rental vacancies, resulting in high rental vacancy rates and low cash flow. This is covered in Section 3 of this report.

We have only included suburbs in this report where the current gross rental yield for houses or units is at least 6%.

The cash flow potential

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

STRONG – Rental market shortages, rising asking rents and low vacancy rates.

BALANCED – Rental market is balanced and is not likely to change in the immediate future.

WEAK – Rental market surpluses, asking rents not likely to rise and high vacancy rates.

RISKY – Critical rental market surpluses, asking rents falling and likely to keep falling.

We have only included suburbs in this report where the cash flow potential is strong or balanced.

The three to five-year growth outlook

This shows you the medium-term (3 to 5 year) price growth outlook for the type of property in the suburb.

HEAVY FALLS – Potential for median prices to fall by an average of 10% per annum or more.

MODERATE FALLS – Potential for median prices to drop by an average of less than 10% per annum.

BALANCED – Little change in median prices is likely over the next three to five years.

MODERATE GROWTH – Potential for median prices to rise by an average of less than 10% per annum.

STRONG GROWTH – Potential for median prices to rise by an average of 10% per annum or more.

We have only included suburbs in this report where the three to five-year growth outlook is strong or moderate.

9) 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 suburbs 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.

10) 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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12) 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