



HAPPY DAYS

Data's a funny old beast. The more we have, the more we know, and some is more useful than others. Days on market is one such metric that every investor needs to understand. **NICOLA MCDUGALL**

When it comes to the award winners of property data, average days on market must at least be one of the finalists. It's a pretty simple measure – how long properties are taking to sell in a specific suburb – but its simplicity doesn't necessarily undermine its intrinsic investment value.

When investors have identified the suburbs they wish to buy in next, following the days on market trend in those locations will show whether they're too early, too late, or the time to act is right now. As the property professor Peter Koulikos says, if there are decreasing days on market, increasing numbers of sales, and an increase in median price, this is a very good thing indeed. For the purposes of this investigation, we've asked our friends at Australian Property Monitors (APM) to extract the biggest falls in average days on market for three-bedroom houses in the five major capital cities for the 12 months to October 2015. What we received was the top 10 for each city exclusively for you. We then asked experts in each location to tell us what they really think about the numbers.

■ SYDNEY

AVERAGE DAYS ON MARKET – SUBURBS WITHIN 25KM OF SYDNEY				
Three-bedroom house only; 12 months to October 2015				
Suburb	Average days on market 2015	Year on year change (days)	Median price Oct 15	Distance from CBD (km)
Maroubra	23	-27	\$1,535,000	9.4
Fairfield	26	-25	\$717,500	23.2
Hornsby	23	-22	\$940,000	20.6
Greystanes	21	-18	\$744,000	24
Chester Hill	18	-16	\$720,000	19.1
Lidcombe	39	-16	\$866,000	15.1
Eastwood	30	-15	\$1,350,000	14.5
Leichhardt	24	-15	\$1,300,000	5
Balmain	36	-13	\$1,665,000	2.9
Condell Park	28	-13	\$730,000	19

Source: APM

It's old news that the Sydney market was hotter than Tabasco sauce last year. It's now cooling down, but the data for this story reflects a period when it was reaching its zenith.

Looking at the numbers, it doesn't take Einstein to understand that there was far more demand than supply in Sydney last year. Indeed, nine of the top 10 results had average days on market (DOM) of 30 or less.

Nick Viner, buyers' agent at Buyers Domain in Sydney, says investors should use DOM as one of a number of research parameters.

"As with all investment decisions, it's important to identify your goals and budget first, and what may work as an investment for one person may not be suitable for another," he says. "DOM is just one indicator of the strength of a market. For areas where sale by private treaty is the most common method of sale, the number of days on market can vary more significantly than areas where auctions are more popular, because auctions have a fixed time period.

"Having said that, personally I'd be more interested in the suburbs of Leichhardt, Balmain and Maroubra... they're close to the CBD where demand's always likely to be strongest."

Viner says that as the inner-west and eastern suburbs are perennially Sydney's best performers, investors should look for suburbs that still have growth potential.

"Leichhardt is still cheaper than its pricier neighbours of Haberfield, Lilyfield and Annandale, so therefore would be at the top of my list."

The number one spot was Maroubra, where DOMs fell 27 to just 23 and which posted a median house price of \$1,535,000, while the next four on the list could all be classed as "affordable" in terms of Sydney real estate.

Viner says he'd consider purchasing in any of the suburbs as long as there were options to manufacture equity.

"I'd look for opportunities to maximise my returns such as subdivision potential and/or the possibility of installing a granny flat to increase the rental returns," he says.

"The past year has seen phenomenal capital growth throughout Sydney. One of the factors that coincide with strengthening demand for property is the reduction in days on market as buyers act with a greater sense of urgency to secure their next home or investment.

"All the suburbs listed have seen the number of days on market greatly reduced in line with the general trend of a strengthening market."

Similar to the results for Melbourne, there are a number of million-dollar-plus suburbs in the top 10 list and Viner says the results generally show clear geographical similarities.

"The obvious geographic groupings are Leichhardt and Balmain in the inner-west," he says.

"In the southwest, you have a triangle between Fairfield, Lidcombe and Bankstown and this area includes the suburbs of Fairfield, Chester Hill, Lidcombe and Condell Park. That's an obvious area of strength over the past two years, but beware when times are slower these areas will suffer dramatically. Greystanes, Eastwood, Hornsby and Maroubra are all solo but individually represent the western, northern and eastern suburbs as well as the Upper North Shore."

■ MELBOURNE

AVERAGE DAYS ON MARKET – SUBURBS WITHIN 10KM OF MELBOURNE				
Three-bedroom house only; 12 months to October 2015				
Suburb	Average days on market 2015	Year on year change (days)	Median price Oct 15	Distance from CBD (km)
Richmond	47	-48	\$1,217,500	2.6
Hawthorn	67	-29	\$1,665,000	4.6
Strathmore	71	-26	\$885,500	9.7
Ascot Vale	40	-25	\$877,500	5.9
Footscray	53	-25	\$696,000	6.4
Pascoe Vale	46	-21	\$662,500	9.9
Balwyn	46	-19	\$1,717,500	9.7
Camberwell	43	-14	\$1,580,000	7.8
South Yarra	64	-13	\$1,700,000	3.3
Newport	55	-12	\$761,000	8.4

Source: APM

The biggest drop in average days on market in Melbourne was Richmond, which saw its figure fall by 48 days to come in at 47. It's one of the city's most prestigious locations, partly due to its period architecture. Melbourne buyers' agent Cate Bakos



says many of the suburbs in the top 10 are there because they're always in high demand by investors.

"This has been an interesting study because the sale figures and timeframes relate to three-bedroom houses," she says.

"Another point to make is that many of these inner-ring areas are home to single-fronted Victorian cottages and double-fronted Victorian, Edwardian, Federation and Californian Bungalow-era homes.

"In all of the older, inner-ring areas such as South Yarra, Richmond, Hawthorn, Ascot Vale, Footscray and Newport, three-bedroom homes are scarcer as a percentage than the family areas such as Camberwell, Strathmore, Pascoe Vale and Balwyn, and as such they do tend to have shorter days on market and more pent-up demand."

Many of the suburbs may be on the list due to their limited supplies of three-bedroom homes. Bakos would invest in these areas for that reason, but also because of their more general investment attributes.

"I'd target those areas that are close to the CBD, have high-quality tenant demand, a great shopping precinct and effective public transport options," she says.

"I'd invest in Footscray for affordability and potential, Ascot Vale for its established high street and great surrounding schools, and Hawthorn for its high capital growth performance and fantastic tenant demographic.

"Each of the three are vastly different in terms of entry price and cash flow shortfall, though, and Hawthorn houses are often precluded from investment strategies due to the cost being prohibitive for most."

Another factor that all three suburbs share is their location within six kilometres of the CBD, which is always attractive to both tenants and investors. But just because a suburb pops up on a "best of" list like this one doesn't mean it necessarily makes the investment grade.

In fact, Bakos says there are a few suburbs on the list that she wouldn't go near.

"I'd avoid Richmond, South Yarra, Camberwell and Balwyn as investment options for most circumstances," she says.

"Richmond is overflowing with new developments, high-rise apartments and plans on stream for new-builds. These developments can jeopardise the livability and quality of a house if the developments adversely affect sunlight, street parking and busy-ness of a neighbourhood.

"The latter three are all cost-prohibitive for most investors targeting houses. The low rental yields combined with current Chinese buyer sentiment concern me. Balwyn's lack of rail is another negative, unfortunately."

While still undone by Sydney in 2015, Melbourne's property market generally had a pretty stellar year, with median house

FEATURE ■ Days on Market



price growth of 4.5 per cent to \$729,500 in the September quarter according to the Real Estate Institute of Victoria.

With strong population growth tipped for the foreseeable future, the Melbourne market remains poised for continued price growth – apart from its off-the-plan sector,

which is oversupplied in some inner-city areas.

A trend evident in the Melbourne results is that five of the suburbs – Richmond, Hawthorn, Balwyn, Camberwell and South Yarra – all had million-dollar-plus median house prices. While prestigious suburbs such as these are always in high demand, that doesn't always mean that prices are rising, especially in a national economy that's still struggling to get back into top gear.

Bakos believes the demand for prestige Melbourne property peaked in 2015.

"[Prestige property] has been struggling since, particularly in the glossy eastern suburbs. Tighter scrutiny on foreign buyers has meant that demand has changed rapidly," she says.

"Longer days on market trends, lower auction clearance rates and heavier levels of discounting are all new hallmarks for some of these prestigious areas of late."

BRISBANE

AVERAGE DAYS ON MARKET – SUBURBS WITHIN 10KM OF BRISBANE				
Three-bedroom house only; 12 months to October 2015				
Suburb	Average days on market 2015	Year on year change (days)	Median price Oct 15	Distance from CBD (km)
Greenslopes	27	-28	\$617,500	5.5
Alderley	37	-25	\$673,500	5.5
Carindale	32	-21	\$624,000	8.5
Clayfield	71	-20	\$677,500	6.2
Morningside	41	-20	\$591,000	4.3
Chapel Hill	46	-16	\$583,000	8.6
Indooroopilly	32	-15	\$614,000	6.3
Stafford	30	-15	\$545,000	6.6
Sherwood	49	-14	\$628,000	8.5
Red Hill	20	-13	\$755,500	2.5

Source: APM

Looking at the Brisbane results, again, the top 10 list is dominated by upgrader suburbs with median house prices generally higher than the Brisbane median of \$615,000.

Four suburbs – Greenslopes (at number one), Alderley (two), Morningside (five) and Red Hill (10) – are all located within six kilometres of the city, which partly explains the continued strong investment demand in these areas.

The methodology for this story limits the data to within 10 kilometres of the Brisbane CBD, so it makes sense all of these suburbs are desirable given their proximity to the city. However, in Brisbane the inner-ring is considered to be within about five kilometres of the city, with suburbs from about five to 12 kilometres tagged "middle-ring".

The Brisbane market struggled to live up to expectations in 2015, but these results show there is something happening,

with two of the lowest days on market in the entire data-set located in the city – Red Hill on 20 days and Greenslopes on 27.

Real Estate Institute of Queensland research analyst Yvette Burton confirmed all the suburbs on the list are typical upgrader locations.

"In the current Brisbane market, upgraders are the predominant buyer type," she says.

"First homebuyers that want to, and can afford to, buy within close proximity of the Brisbane CBD are having to become more realistic [about] the entry-level prices in suburbs such as these in the top 10."

Burton says while demand is expected to remain strong in these suburbs, with continued price growth, investors must study other factors before deciding to buy.

"When considering which of these are worth investing in, one must consider what's in close proximity in terms of amenities and centres that will drive demand for housing in the area. For example, those close to major activity centres such as the Australia Trade Coast, Chermside, Indooroopilly, Carindale and Mount Gravatt, are set to achieve continued strong demand as the Brisbane city grows," she says.

"Suburbs also within proximity of major employment nodes such as hospitals, universities and industrial/business parks can also expect demand for housing to remain strong in the years to come.

"Infrastructure such as major arterial roads and public transport are also key drivers of property demand."

Burton says all of the suburbs listed in the top 10 tick some or all of these investment boxes. It's also likely why they're seeing increased buyer demand as the Brisbane residential market strengthens.

ADELAIDE

AVERAGE DAYS ON MARKET – SUBURBS WITHIN 15KM OF ADELAIDE				
Three-bedroom house only; 12 months to October 2015				
Suburb	Average days on market 2015	Year on year change (days)	Median price Oct 15	Distance from CBD (km)
West Lakes	127	-61	\$620,000	11.1
Brompton	72	-55	\$485,000	3.8
Klemzig	67	-50	\$493,750	6.1
Para Vista	59	-48	\$311,000	12.3
South Plympton	61	-48	\$490,000	6.9
Brighton	91	-45	\$547,500	12.7
Para Hills	94	-41	\$300,000	13.9
Fullarton	73	-35	\$717,500	3.8
Clearview	86	-31	\$381,000	7.6
Highbury	81	-30	\$407,750	11.9

Source: APM

The difference in the relative strengths of each capital city market can be identified in the vastly different DOM recorded for this study. While Adelaide's market has been quietly chugging along in the background, with average days on market ranging from 59 to 127, it's a long way off boom territory.

As the data shows, the biggest fall in DOM was in West Lakes, which dropped by 61, but it still took an average of 127 days to sell a property in that suburb.



“There are certainly some good buys out there in the current market.”

WARWICK HEMSLEY

Hardly a result that would inspire investment, you'd think. Not so, says property professor and author Peter Koulizos. He says he'd give West Lakes a run for its money, as well as two other suburbs on the list.

“West Lakes is undergoing a huge amount of urban renewal, facilitated by state government and private developers,” he says. “Brighton is a classic Adelaide beachside suburb, which has appeal to a wide range of buyers and renters.

“Fullarton is an inner-city suburb, which is highly sought-after by professionals who work in the CBD.”

Brighton's days on market was 91 versus Fullarton's 73.

Thinking about West Lakes, Koulizos says alongside its urban renewal, a lot of attention has been focused on the suburb because of the sale of AAMI Stadium.

“This will be a similar development to Waverley in Melbourne when they sold off AFL Park,” he says.

Meanwhile Brompton, which recorded a drop of 55 DOM to 72, has attracted attention due to a new transit oriented development being constructed in neighbouring Bowden, which is known as Bowden Village.

There are two suburbs on the list that Koulizos is wary of, however. He says both Para Vista and Para Hills are a long way from the CBD, in Adelaide terms, which means there's not usually a lot of demand from tenants.

But the data generally shows that the Adelaide market is on the move – upwards.

“If there are decreasing DOM, increasing number of sales, and an increase in median price, this is a good thing,” he says.

“If there are decreasing DOM, increasing number of sales, and a decrease in median price, this is a bad thing.

“The former is the case for Adelaide. This is a sign that Adelaide's [finally] in the upswing phase of the property cycle.”

A sure sign of a struggling market is a data-set for the most reduced DOM that includes just three suburbs where the indicator actually fell. The Perth results are certainly the odd one out for this story, with seven of the “top 10” actually recording increases in the average days on market.

QWest Paterson Valuers and Property Consultants chairman Warwick Hemsley says DOM in Perth have been increasing for many months.

“[DOM] in Perth have been steadily increasing for the past 18 months due to a slowdown in the overall economy,” he says. “It's certainly an indicator of waning demand for property and the fact that buyers are tending to take longer to make a decision about purchasing rather than feeling the need to rush in.”

The mining sector kept the Australian economy afloat during the GFC but those glory days are long gone, with Western Australia bearing the brunt of the fallout from the resources downturn.

While the sector will no doubt bounce back, no one can predict when and that remains a concern for the mining-dependent state.

“The mining downturn has had an impact on all facets of the WA economy and population growth has dramatically reduced,” he says. “This has led to less overall demand for property due to unstable employment conditions and less people moving to the area.

“While the Perth market is experiencing a tough time at the moment and interest rates remain at record lows, buyers are in the driver's seat and have the luxury of being able to do the research and choose very carefully.

“There are certainly some good buys out there in the current market and there will always be areas and locations that are in high demand despite market conditions.”

A mantra repeated often in API is “buy at the bottom of the market”, but no one is saying Perth's anywhere near its bottom. That said, prices are much softer, though so too is population growth, which remains a worry. Even with all the negatives attached to the Perth market at present, Hemsley says he'd invest in the majority of suburbs on the list.

“At least seven of the suburbs on this list could provide good investment potential,” he says.

“I'd say that Midland, Attadale, Mount Pleasant, Melville, Mosman Park, Nedlands and Inglewood all hold attributes that would be attractive to investors depending on price point and the type of property you're looking to invest in.”



■ PERTH

AVERAGE DAYS ON MARKET – SUBURBS WITHIN 20KM OF PERTH				
Three-bedroom house only, 12 months to October 2015				
Suburb	Average days on market 2015	Year on year change (days)	Median price Oct 15	Distance from CBD (km)
Midland	83	-26	\$381,000	16.1
Attadale	97	-22	\$817,500	9.5
Mount Pleasant	68	-7	\$935,000	8
Melville	52	2	\$750,000	10.8
Morley	59	3	\$539,000	7.9
Mosman Park	68	4	\$1,108,800	10.7
Nedlands	45	4	\$1,200,000	5.2
Inglewood	82	5	\$720,000	4.5
Como	67	6	\$690,000	4
Riverton	45	6	\$599,000	9.5

Source: APM