

DATA FEATURE ■ Not-so-risky Business

NOT-SO-RISKY BUSINESS

How about an investment strategy that minimises risk and maximises returns? Does such property nirvana exist in real life? Well, yes, it does. **NICOLA MCDOUGALL**



Any type of success in life usually involves taking risks – hopefully calculated ones. You start out with an idea or end goal and you do your research.

But then one day you need to actually do something.

You need to take a risk.

The comment sections of online real estate stories are often littered with the lost dreams of those who did nothing, and who seem surprised the market didn't crash like they were secretly hoping in order for them to snatch up a "bargain".

Of course, there are suburbs in each capital city that are the equivalent of property catnip. They're always in

demand because, well, they're generally awesome and more people want to live there than the location can ever provide.

■ LOW-RISK SUBURBS

In the devilishly handsome world of data, there's a subset of stats that every investor needs to admire. It's called "lowest risk" suburbs and it's a metric produced by our friends at CoreLogic RP Data.

Senior research analyst Cameron Kusher says the lowest risk measure generally relies on desirability of location.

"A 'lower risk' score is primarily based on investing in areas and property types that are traditionally popular to live in.

"They tend to command higher rent

and have consistent growth over the long-term. The benefit of these areas is that they've historically had higher levels of demand... and subsequently they also tend to have higher rental rates because they're the more desirable areas of the city.

"Obviously, the benefit is that these locations are usually seen to be in the better suburbs in a city, the downside being they're generally going to cost more to purchase a home."

OK, so maybe this property nirvana isn't all rainbows and returns all of the time, but top of the food chain rarely comes cheaply.

Kusher says the high buy-in prices do remove the gloss a little.

“The con is that housing costs are typically much higher in these areas and, from an investment perspective, rents may be higher but relative to the housing cost they’re low, which means the rental returns are somewhat lower.”

In this special report, we’ll take a look at the top 10 suburbs in each major state, which are mainly located in each respective capital city.

■ VICTORIA

Suburb	Lower risk score	Median sale price	Median rent
Hawthorn East	84	\$1,720,001	\$620
Ashburton	84	\$1,420,000	\$485
Kensington	83	\$792,000	\$495
Clifton Hill	83	\$1,067,000	\$595
Knoxfield	81	\$675,000	\$398
Wantirna	80	\$764,500	\$410
Ormond	80	\$1,242,000	\$550
Ivanhoe	79	\$1,260,000	\$490
Mont Albert	78	\$1,855,000	\$600
Caulfield	78	\$1,547,000	\$725

(Source: CoreLogic RP Data)

A lower risk strategy is primarily based on investing in areas and property types that are traditionally popular to live in. They tend to command higher rent and have consistent growth over the long term.

The number one suburb for lowest risk in Victoria, according to CoreLogic RP Data, is Hawthorn East, in Melbourne, which has a median house price of \$1.7 million. In fact, this list has seven suburbs with million-plus medians.

“Median prices above \$1 million certainly preclude many investors from house purchases, but this doesn’t mean that they can’t still target these prestige suburbs,” Melbourne buyers’ agent Cate Bakos says.

“Townhouses and villa units are abundant in these areas also, and rental yields are always higher on a strata, tighter-sized block.

“The advantage of a prestige area, aside from strong and consistent capital growth, is generally a really high quality tenant.

“There are exceptions to the rule, though, and investors should decide whether a house in a less-prestige area is a better capital growth choice than a similarly priced unit in the prestige location.”

While there are three suburbs with more affordable median prices on the list, Bakos isn’t overly taken with two of them. In fact, she’d give them a wide berth.

“I’d invest in all of [the suburbs] with the exception of Knoxfield and Wantirna,” she says.

“Every client’s brief is different and is based on their cash flow and wealth position, so what I may select for one brief could be different for another. But, in short, I look for areas with strong and sustained growth drivers, good amenity, easy transport links to the city and attractive vacancy rates.”

In a growing city such as Melbourne, Bakos says she always considers distance from the city and commuting times when evaluating potential investment properties.

It just so happens that closer to the city also usually means a variety of property types and architectural styles to choose from.

“My favourites are the closer-to-the-CBD areas such as Hawthorn East, Kensington and Clifton Hill.

“As our traffic becomes more congested and busy working families take on more hours of work, people will value shorter commute times more and more,” she says.

“The leafy eastern and southeastern suburbs such as Hawthorn East, Ashburton, Ormond, Ivanhoe, Mont Albert and Caulfield all have many commonalities... similar rates of median household incomes, many private schools in the immediate surrounds, large family blocks, leafy streets, older style apartment blocks and [with the possible exception of Caulfield] also aren’t inundated with high-rise buildings and an oversupply of apartments.”

■ QUEENSLAND

Suburb	Lower risk score	Median sale price	Median rent
Nathan	70	\$532,500	\$420
Wilston	70	\$880,000	\$500
Morningside	68	\$699,000	\$500
Palm Beach	67	\$650,000	\$523
Chelmer	67	\$1,005,000	\$600
Grange	67	\$848,500	\$495
Mount Gravatt	67	\$633,250	\$420
Kelvin Grove	66	\$748,000	\$498
Holland Park	66	\$635,000	\$450
Camp Hill	66	\$750,500	\$493

(Source: CoreLogic RP Data)

Compared to the Melbourne results, the top 10 locations in Queensland are veritably cheap! With only one suburb a million-dollar baby, the riverside location of Chelmer, it seems reducing your risk in Brisbane can also reduce your spend.

Meighan Hetherington, director of Property Pursuit Buyers’ Agents and Advisors, says the majority of suburbs on the list are good buys but perhaps not prestige.

“The list reflects a number of suburbs we’d consider good quality locations but aren’t necessarily classed as ‘blue-chip,’” she says.

Her agency recommends properties to clients based on an “investment quality matrix”, with eight of these suburbs among the 58 in the Brisbane local government in which she regularly buys.

“[Our] research has been based around a number of factors including character style housing, zoning [density], transport, schools, facilities, access to the city and airport, infrastructure projects, community hubs, cafe culture and level of renovation activity [gentrification],” she says.

Interestingly, the number one suburb, Nathan, doesn’t make her investment cut and nor does Palm Beach on the Gold Coast at number four.



“As our traffic becomes more congested... people will value shorter commute times more and more.”

CATE BAKOS

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“Nathan is a small suburb (rarely searched for on property portals), no nearby amenities and dated homes that aren’t being renovated to the ‘next level,’ she says.

“In Palm Beach, almost anything can be demolished to make way for units.

Market fluctuation is more extreme than Brisbane, so it’s more volatile and higher risk.”

Wilston and Morningside came in at number two and three, with median prices of \$880,000 and \$699,000 respectively.

Hetherington says she’d invest in either location without hesitation.

Wilston has character homes, she says, is low-density and aspirational with a cafe strip and is close to the city and top public school catchments. What’s not to love?

“Houses and townhouses are very popular. Some have city views and there’s a lot of money being spent on renovating homes to a very high level. Public transport is very good, with a train station and good bus services,” she adds.

“Morningside houses with potential to renovate are good, especially on the Balmoral side. It’s not suitable for units [thanks to oversupply].

“A word of caution is that parts of Morningside are in the flight path to the airport runway, so noise can be an issue.”

NEW SOUTH WALES

Suburb	Lower risk score	Median sale price	Median rent
Stanhope Gardens	95	\$817,500	\$580
Milperra	95	\$800,000	\$533
Allambie Heights	95	\$1,320,000	\$900
Wheeler Heights	94	\$1,255,000	\$850
Mount Colah	94	\$923,250	\$600
Kirrawee	94	\$1,020,000	\$640
Sutherland	93	\$1,002,500	\$545
Newington	93	\$1,225,000	\$718
Manly	93	\$2,210,000	\$1,200
Botany	93	\$1,190,500	\$750

(Source: CoreLogic RP Data)

The NSW data, like Victoria’s, features many million-plus suburbs.

There’s even one suburb, Manly, which has a number two at the start of its median price.

The most “affordable” suburbs on the list all have medians of \$800,000 or



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Wilston came out on top for lowest risk in Queensland

above, though that’s probably not that offensive to Sydneysiders.

However, buyers’ agent Nick Viner of Buyers Domain isn’t overly taken with these lowest risk suburbs at all. In fact, he thinks they’re a bit so-so.

“I generally wouldn’t invest in any of these suburbs because they’re too far away from the Sydney CBD,” he says.

“I like to invest in blue-chip areas with perennially strong rental demand within five to 10 kilometres of the Sydney CBD.

“I understand that these suburbs are low risk, which is one thing, but I’d be looking for better returns.

“Having said that, if a property in one of these suburbs had standout re-development potential, then I’d consider it. Ultimately, it depends on what type of investment you’re looking for,” he adds.

The number one suburb for NSW is Stanhope Gardens, about 40 kilometres northwest of Sydney.

It’s also the second most affordable suburb on the list.

Viner says that suburbs on the list share a number of commonalities, particularly geography.

“They seem to be middle- to outer-ring suburbs and no inner-ring suburbs,” he says.

“The closest to the CBD is Botany in the eastern suburbs [11 kilometres from the CBD].

“There are three suburbs in the Northern Beaches [Manly, Allambie Heights and Wheeler Heights], three suburbs in the west/southwest [Newington, Milperra and Stanhope Gardens] and two in the Sutherland Shire (Kirrawee and Sutherland).”

WESTERN AUSTRALIA

Suburb	Lower risk score	Median sale price	Median rent
Piara Waters	71	\$540,000	\$478
Wattle Grove	70	\$563,750	\$500
North Coogee	68	\$1,210,000	N/A
Aubin Grove	66	\$600,000	\$480
Craigie	65	\$475,000	\$400
Mount Hawthorn	65	\$861,000	\$535
Boya	65	\$489,000	N/A
Kingsley	65	\$590,000	\$500
Carine	65	\$773,000	\$620
Hilton	65	\$580,000	\$430

(Source: CoreLogic RP Data)

Like Queensland, the WA results are more financially palatable to many investors, with only one suburb with a million-plus median. In fact, there are two suburbs that have medians in the high-\$400,000s.

Warwick Hemsley, chairman of QWest Paterson Valuers and Property Consultants, says that some of the suburbs are better than others due to basic property investment fundamentals.

His top three picks are located in the second half of the list, complete with affordable median prices. He says the suburbs of Craigie, Kingsley and Carine all share attributes that make them potentially good investment locations.

“They’re well-located close to the coast and freeway, giving them ease of access to the rail line and the CBD,” he says.

“These areas also have limited new supply coming on to the market so

demand's likely to be comparatively strong in the current market.

"These areas generally offer good size lots, which are attractive to a range of buyers and renters looking for family homes with good schools and facilities."

Hemsley says in terms of recent performance, Craigie has experienced 2.4 per cent price growth in the past five years, while Kingsley recorded 2.3 per cent and Carine 1.1 per cent.

To the south, a number of suburbs are recording strong demand because of their location next to more prestigious beachside areas.

"Hilton has growth potential, given recent new development in North Coogee, and also South Fremantle," he says.

"Areas like Hilton are benefiting from overflow demand from buyers who maybe can't afford the marina/coastal development.

"This is similar to what occurred in the hinterland suburbs surrounding the Sorrento Quay development in the late 1980s/early '90s."

However, there are a couple on the list that Hemsley would avoid for the time being – Piara Waters and Aubin Grove.

"[They're] new development areas with new land supply coming to market regularly. In the current, slower Perth market, where demand for land remains low, this type of increased supply may be reason to avoid those areas at this time."

■ SOUTH AUSTRALIA

Suburb	Lower risk score	Median sale price	Median rent
Glenside	69	\$776,500	\$520
Goodwood	68	\$716,500	\$475
Glenunga	67	\$826,444	\$495
Clarence Gardens	66	\$542,000	\$380
Clarence Park	65	\$650,000	\$420
Hendon	61	\$387,000	\$345
Cumberland Park	61	\$683,000	\$430
Sefton Park	59	\$541,000	\$355
Lockleys	59	\$625,000	\$410
Oakden	58	\$435,000	\$370

(Source: CoreLogic RP Data)

The SA results include a mix. Like Brisbane, the comparatively solid weekly rents, compared to median prices, means attractive yields for investors.

Peter Koulizos, property lecturer and author, says he'd invest in a number of the suburbs, in particular the top three.

Glenside, at number one, is close to the city in the eastern suburbs of Adelaide, which have some of the area's most expensive properties.

"Glenside's adjacent to the more expensive suburbs of Dulwich, Toorak Gardens, Burnside and Linden Park," he says. "The whole suburb is in the zone of the highly sought-after Glenunga International High School.

"The school is very popular with international families as it specifically caters for international students.

"There's also a large redevelopment of the site, which housed the Glenside Psychiatric Hospital."

Goodwood, with a median sale price of \$716,500, is another solid option given its proximity to the city and its character/period-style homes. It's also well serviced by public transport.

"Glenunga is close to the city and has many character/period-style homes, especially bungalows that were built in the 1920s. This suburb is also within that Glenunga school zone," Koulizos says.

He also rates Clarence Gardens, Clarence Park, Cumberland Park and Lockleys as potential investment locations, adding that Lockleys is "one of the gems of Adelaide's western suburbs".

"There's a lot of 'old money' there... it's popular with developers.

"Many of these suburbs are quite pricey, in Adelaide terms, but if you can't afford a house, buy a unit.

"You can also buy relatively cheap if the property needs some cosmetic work," he says.

However, Koulizos would stay away from Hendon, Sefton Park and Oakden, as they don't have any special characteristics and aren't close to the city.

"Instead of Sefton Park, I'd buy in neighbouring Prospect. It's pricier but Prospect's an aspirational suburb." **API**

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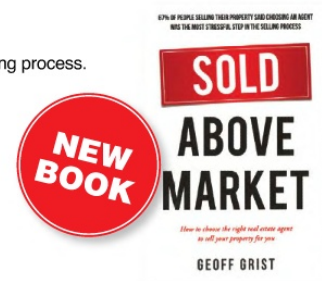
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