

# Top 20 suburbs to invest in for 2009

Part 1

The residential property market is in a state of flux and most investors are scratching their heads as to where to buy next. We've taken the guesswork out of it for you, having rounded up the experts to pinpoint the hottest suburbs to invest in for 2009. With a mixed bag of investments, from bargain basement buys to prestige properties, there's something for everyone. *Sarah Megginson reports*

**T**here are certain characteristics that make up an ideal investment property – location, for one, along with easy access to public transport and local amenities, such as schools, shops and restaurants. But it's possible to put a finer point on the drivers that will push your investment property's value forward, says Patrick Bright, CEO of buyer's agency EPS Property Search. For a spectacular investment, things to look out for include the following.

**1 Landlocked property**  
“It's a good idea to target property that is landlocked, such as property that is bound by water or a national park,” Bright says. “If there's a limited supply and it's in a desirable location, then it's sure to be in demand into the future.”

**2 Areas with new infrastructure**  
There are always up-and-coming suburbs or regions where property hunters can get into the market before

the prices rise, Bright explains. “New and improved infrastructure within a suburb can make a big difference to the area's market value. For example, a new train line can connect an area to the CBD, making it more attractive and liveable for residents who are working in the inner city area,”

## Our panel of experts



Margaret Lomas



Michael Yardney



Helen Collier-Kogtevs



Patrick Bright



Angus Raine



Gareth Woodham

he says. You can visit local council websites and do some research to find out what infrastructure development is planned for the region.

### 3 Value for money

Even if you're shopping for a bargain, you still need to make sure that you know the current market values in the area where you're looking to buy. "I recommend that you research the market over a two to three month period, inspecting around 10–12 properties a week," Bright says. "Inspecting around 100 properties that meet your wish list over a maximum of three suburbs will give you a solid understanding of current values. That way, you'll know a bargain when you see one."

### Buyer beware

"Beware of deals that look too good to be true when searching for a bargain property," Bright warns. "Steer clear of rental guarantees, as prices are often inflated to cover the cost of the guarantee. Another trap to avoid is buying sight unseen, as the property can – and usually does – look completely different in a photo or on the internet than in real life."

Buying in small towns with only one or two major employers is also a risk. "While it can look cheap compared with the capital cities, if the region's major employers close, this will have a significant impact on the region's economy, and property values can drop very quickly," he says.

Read on for Part 1 of our experts' prediction hit list for 2009, showcasing opportunities in NSW, Queensland and Western Australia. Look out for Victoria, South Australia and Tasmania in the next issue.



Jonathan Rivera



Tim Lawless



## Haymarket, Sydney & Surry Hills

- Landlocked property
- Public transport
- Access to amenities
- Proximity to CBD

The inner city cluster of suburbs surrounding the Sydney CBD, such as Haymarket, Chippendale, The Rocks and Surry Hills, are well sought after by renters, particularly by trendy young professionals who seek convenience and instant access to all that the city has to offer.

The sheer number of eager tenants on tap makes these suburbs very popular with investors as the strong levels of demand will ensure rents in the region continue to surge, according to Tim Lawless, research director with RP Data.

"With rental rates likely to increase by at least 10% in 2009, it's possible that those buyers who invest now in these suburbs will see gross average rental yields moving close to 7% in 2009," Lawless says.

"This selection of suburbs provides a wide range of entry prices to the

inner city unit market, with median unit prices ranging from around \$400,000 at Surry Hills – with an average gross rental yield of 5.6% – to \$680,000 at The Rocks, where the average gross rental yield is 8.4%," Lawless says.

"The rental market should remain very healthy in the Sydney inner city, with vacancy rates below 2% and demand continuing to increase."

## Bankstown

- Proximity to CBD
- Value for money
- Council money spent on upgrades

Heading southwest of Sydney, the Bankstown region is one to watch, according to Angus Raine, CEO of Raine & Horne real estate.

"Bankstown is just 20 minutes from the CBD, and there are real bargains to be had," Raine says.

"Our office in Bankstown recently sold a three-bedroom house on 530m<sup>2</sup> for \$365,000. This represents great value in a city with a median house price well in excess of \$540,000."

Houses in Bankstown, which is home to around 180,000 people and boasts its own regional airport, average \$400 a week on the rental market, but investors "have been slow to take the bait", Raine says. "Two-bedroom villas are selling for \$260,000, with rental returns of \$300 a week."

The Bankstown City Council has also recently released a City Plan covering

Suburb	Property type	Number sold	Median price	Quarterly growth	12-month growth	Weekly median rent	Gross rental yield
BANKSTOWN	House	134	\$420,000	-3.50%	0.00%	\$330	4.09%
BANKSTOWN	Unit	298	\$247,250	0.92%	2.81%	\$290	6.10%
RANDWICK	House	175	\$1,310,000	1.35%	19.09%	\$500	1.98%
RANDWICK	Unit	436	\$480,000	0.00%	4.18%	\$440	4.77%
VAUCLUSE	House	93	\$2,890,000	1.23%	1.40%	\$1,500	2.70%
VAUCLUSE	Unit	65	\$540,000	0.47%	1.89%	\$475	4.57%
DUBBO	House	568	\$235,000	0.00%	6.82%	\$230	5.09%
DUBBO	Unit	39	\$152,500	5.17%	-2.24%	\$160	5.46%
ORANGE	House	600	\$273,667	0.24%	1.92%	\$245	4.66%
ORANGE	Unit	60	\$199,000	-4.67%	-5.24%	\$185	4.83%
HAYMARKET	Unit	122	\$500,000	0.01%	9.89%	\$485	5.04%
SYDNEY	Unit	655	\$529,650	-0.12%	6.25%	\$630	6.19%
SURRY HILLS	House	144	\$809,500	-0.98%	9.54%	\$620	3.98%
SURRY HILLS	Unit	374	\$405,250	3.91%	12.57%	\$440	5.65%

Source: RP Data July 2008



2008–13, which outlines the council's plans to invest in the city.

In the immediate future, capital expenditure of \$26.9m has been set aside for 2008/09, to go towards community facilities, recreation and sporting improvements, road and footpath improvements, stormwater and environmental projects, CBD upgrades and town centre improvements – all of which will improve the aesthetics and accessibility of Bankstown.

### Vaucluse

- Landlocked property
- Access to amenities
- Proximity to CBD



Photo: Woollahra Municipal Council

The prestigious eastern suburbs enclave of Vaucluse, on the other hand, presents a strong case for long-term capital growth – but at a much heftier price tag. The small, tightly held community is surrounded by water on three sides, affording the majority the properties in the area sweeping ocean and city views.

Michael Yardney, director of Metropole Property Investment Strategists, says affordable

opportunities abound in the “small pockets of streets containing units”, where it’s possible to secure a property without the million-dollar-plus price tag.

“It’s only 9km east of the Sydney CBD, and 4km to Bondi Beach with the Village shopping centre that caters to all day-to-day needs, and the cosmopolitan Double Bay cafe society and boutique shopping a short drive away. The world-renowned Doyles seafood restaurant in neighbouring Watsons Bay is also only minutes away,” Yardney explains.

But it’s the ripple effect from neighbouring Dover Heights, which historically has grown at more than 11% per annum over the last 10 years, that really puts Vaucluse in good stead for future performance.

“This is twice the rate of the Sydney market as a whole,” Yardney says. “The median apartment price in Vaucluse is \$562,000, compared to \$710,000 in Dover Heights. There’s also little to no new development happening, due to the low turnover of properties, leading to existing residents re-investing into their current homes.”

### Randwick

- Access to amenities
- Proximity to CBD
- Value for money

The bargains and opportunities in Sydney aren’t confined to the western suburbs. The eastern suburbs locale of Randwick, around

7km from the CBD, is home to many significant sites, including Centennial Park, the Royal Randwick Racecourse, the University of New South Wales, TAFE NSW Sydney Institute (Randwick Campus), The Prince of Wales Hospital, Randwick Army Barracks and several schools and shopping centres.

There are plenty of drawcards for tenants, and Raine & Horne Randwick reports that it’s possible to pick up two-bedroom apartments, with lock-up garages, near the famous Randwick Racecourse for around \$450,000.

“One property in particular sold at its 2003 market price, which indicates that bargains are available, even in Sydney’s highly sought-after eastern suburbs,” Raine says.

### Dubbo & Orange

- Access to amenities
- Value for money

Regional NSW offers opportunities for astute investors, according to WBP Property Group. Dubbo and Orange, located respectively 410km and 250km northwest of Sydney, are major regional centres, and are the two “stand-out hot spots beyond Sydney,” says Gareth Woodham, NSW state manager with valuation and property services firm WBP Property Group.

“Both Dubbo and Orange saw prices fall in recent years to bring them down to 2001 levels, primarily due to the economic impact of the drought. There are now many very affordable and good value properties at prices as low as \$150,000, and investors are currently achieving 7%-plus yield.”

These growth prospects are underpinned by good infrastructure, better economic conditions post-drought and improvements in amenity in recent times, he adds.

“The NSW government is selling substantial housing stock and, while this will increase supply, I think this will be offset by the influx of investors looking to get a bargain, and the associated government marketing campaign that will drive greater awareness of these areas.”



Suburb	Property type	Number sold	Median price	Quarterly growth	12-month growth	Weekly median rent	Gross rental yield
YANCHEP	House	44	\$490,000	0.51%	11.36%	\$300	3.18%
PILBARA	House	n/a	n/a	n/a	n/a	n/a	n/a

Source: RP Data July 2008

## Yanchep

- Public transport
- Access to amenities
- New infrastructure
- Population growth

Located approximately 50km from Perth, the beachside community of Yanchep is definitely poised for growth, says Angus Raine, CEO, Raine & Horne.

"This suburb is looking to boom in the next few years, due to the state government's extension of the railway line to nearby Butler and then on to Yanchep," Raine says. "This work will start in 2012, and the government plans to make the suburb a satellite town of 60,000 residents in the next 25 years."

Yanchep and Yanchep South have been targeted as "district centres" as part of WA's 'Network City Strategy' plan. Property values in Yanchep are very affordable, with a median house price of \$490,000, according to PR Data. The region experienced capital growth of 11.36% in the 12 months to July 2008, and the current average rental return of \$300 per week is expected to increase. Raine also expects property values to escalate, due to location, infrastructure and the master plan for the area.

## Pilbara

- Value for money
- New infrastructure
- Population growth

If cash flow is the name of the game, then mining towns are the place to source relatively stable, low-risk cash-flow positive properties, says Helen Collier-Kogtevs, director of property mentoring group Real Wealth Australia.

"Australia has been experiencing an exploding resources boom for the past few years, and predictions are that it will continue for at least several years," Collier-Kogtevs says.

The Pilbara region in the north of WA is currently experiencing an extreme shortage of housing for miners, Collier-Kogtevs explains, and the Pilbara region is showing to be a proven performer for capital growth as well as yield.

"This is underpinned by China continuing to require our natural resources, so these areas, although showing great signs of cash flow and growth, are more risky, as things could change quickly if the mining sector declines. But it may take a few years before the bubble bursts," she says.

Qld



## Wynnum

- Proximity to water
- Access to amenities
- New infrastructure
- Population growth

Wynnum, a waterside suburb about 25km southeast of Brisbane, is undergoing a major renewal program, driven by local businesses and residents. The end result will see property values in the region increase significantly, says Michael Yardney, director, Metropole Property Investment Strategists.

"The Wynnum CBD and surrounding blocks will undergo considerable development, and the council has approved major rezoning of land uses, with more medium density living in the new approved areas," he says. "They've increased the densities in some areas and planned high rise areas, so the look of Wynnum will change significantly for the better over the next five to seven years."



Suburb	Property type	Number sold	Median price	Quarterly growth	12-month growth	Weekly median rent	Gross rental Yield
WYNNUM	House	265	\$525,000	5.00%	25.00%	\$370	3.66%
WYNNUM	Unit	51	\$367,000	3.97%	9.55%	\$315	4.46%
BOWEN HILLS	Unit	61	\$400,000	1.91%	6.67%	\$350	4.55%
MORANBAH	House	208	\$352,500	0.14%	-2.08%	\$600	8.85%
DYSART	House	106	\$334,000	2.77%	7.05%	\$600	9.34%
SOUTH BRISBANE	House	12	\$902,500	5.87%	42.13%	\$343	1.97%
SOUTH BRISBANE	Unit	162	\$420,000	-0.94%	7.41%	\$480	5.94%
WEST END	House	58	\$868,750	8.93%	45.64%	\$360	2.15%
WEST END	Unit	125	\$554,500	1.09%	12.63%	\$365	3.42%
THORNLANDS	House	376	\$525,000	1.74%	16.41%	\$440	4.36%
COOLANGATTA	House	25	\$675,000	4.65%	10.66%	\$320	2.47%
COOLANGATTA	Unit	211	\$440,000	0.00%	7.32%	\$330	3.90%
TWEED HEADS	House	68	\$618,500	1.64%	30.21%	\$350	2.94%
TWEED HEADS	Unit	234	\$387,500	4.73%	12.97%	\$320	4.29%
LOGAN CENTRAL	House	94	\$282,500	1.62%	20.86%	\$280	5.15%
LOGAN CENTRAL	Unit	34	\$190,000	1.60%	24.59%	\$220	6.02%
LOGANHOLME	House	124	\$345,000	2.68%	18.97%	\$320	4.82%
LOGANHOLME	Unit	20	\$311,750	0.00%	-0.31%	n/a	n/a

Source: RP Data July 2008

Capital growth in Wynnum is underpinned by its proximity to the water and to the Brisbane CBD. The suburb is also benefiting from its accessible location and efficient transport systems in Yardney's view.

"I would buy an older house on a 600m<sup>2</sup> block in the new zoned areas, and I'd expect to pay around \$675,000," Yardney says.

"But you can't buy just anywhere in the suburb, as some regions are not worth as much as others."

Aim for water views and you can't go wrong.

## Bowen Hills

- Public transport
- New infrastructure
- Value for money
- Population growth

In the sunshine state, the Brisbane suburb of Bowen Hills is worth watching, according to Angus Raine, CEO of Raine & Horne. Located directly north of the Brisbane CBD and adjacent to the trendy suburb of Fortitude Valley, Bowen Hills is a central city-side locale situated just two train stops from Central station.

"Access to public transport is the key to investing wisely and Bowen Hills is located on major train lines and bus ways," Raine explains. "The suburb is set for massive urban renewal, which will transform the hodge-podge suburb of homes, industry and the hospital into a vital residential hub."

Raine says 4,500 new dwellings will be built over 15 years to accommodate 10,000 new residents in the region.

"Entry prices in the apartment market are affordable. The median price for apartments in this suburb, which is close to the city, is currently \$395,000."

## Moranbah & Dysart

- New infrastructure
- Population growth

High interest rates and declining capital growth in capital city properties have deterred many experienced investors from continuing to buy, says Real Wealth Australia director Helen Collier-Kogtevs. However, with vacancy rates at historically low levels nationwide, 'cash flow' is "definitely king" in the current market, she explains, and the best place to source a yield-rich asset is in regional mining areas.

"A great place to look for cash flow properties is in towns that support mining activity. There is a massive expansion in mining projects, which is creating an enormous demand for housing in these areas. There are more people needing to live in these towns than there is accommodation to house them," she says. "Many people are living in caravan parks and motels, so trying to visit these towns during the week is difficult due to the motels being fully booked out months ahead."

The coal mining towns of Moranbah and Dysart in Central Queensland are



Photo: Tourism Queensland

## “They’re attracted to South Brisbane and West End for the proximity of several universities and the major working nodes”

two towns in particular that possess unique characteristics, as they support mines that produce premium coking coal – the type that’s used in the steel manufacturing process. Demand for coking coal has been so strong as shown by the massive 200% jump in prices over the last 12 months, according to Collier-Kogtevs.

“Moranbah has a population of around 10,000, and is the only town within 200km that has any reasonable infrastructure,” Collier-Kogtevs says.

“Property prices vary but reasonable properties can be picked up for around \$360,000 with yields of around 8–10%,” she explains.

It’s important to consider the risks of investing in mining towns, however.

In the mid-1990s, Dysart was a thriving community with a population of around 4,500, but restructuring and downsizing of the mining industry in 1997 saw the population decline to about 2,500.

It has bounced back to around 4,000, but project-driven resident fluctuation is typical in mining communities.

### South Brisbane & West End

- Landlocked property
- Public transport
- Access to amenities
- Proximity to CBD
- Population growth

West End and South Brisbane are two of Brisbane’s most strategically located suburbs, situated across the Brisbane River from the CBD.

The West End area has long held a unique bohemian character, says Jonathan Rivera, state director – residential research at PRDnationwide and Colliers International.

“It’s now very much in vogue, and attracting people who seek an appealing, alternative near-city lifestyle,” Rivera explains.

South Brisbane has also emerged as a fashionable, cultural and residentially dense suburb, home to many arts centres, such as Qld Art Gallery, Qld Performing Arts Centre and GOMA.

The two suburbs are highly sought after by owner-occupiers and renters alike, and the median house price sits at \$902,500 in South Brisbane and \$868,750 in West End.

“They’re attracted to South Brisbane and West End for the proximity of several universities and the major working nodes surrounding the area.

“Investors should look towards investing in one- and two-bedroom apartment stock. Median weekly rents in the South Brisbane and West End area are on par with those of houses, and purchasing an affordable yet well-located unit should achieve a healthy return.”

### Thornlands

- Access to amenities
- Proximity to water
- New infrastructure

Thornlands, about 28km or 35 minutes’ drive southeast of the Brisbane CBD, is another one to watch, Rivera says.

The suburb is well serviced by amenities. Victoria Point Lakeside shopping centre adjoins Thornlands, providing residents with a variety of restaurants, cafes, shops and a cinema complex, and neighbouring Cleveland and Capalaba offer plenty of retail and dining options and public transport.

“In recent years, there has been an evolution of higher socio-economic lifestyle and retail development adjacent to Thornlands, which, combined with the bay-side location, has significantly increased the desirability of the area for both families and retirees,” Rivera says.

“We see this trend increasing in the future as the Redland council has prepared a draft structure plan to manage and maintain a sustainable approach towards future development in southeast Thornlands. That plan will provide guidance on integrated land use, and identifying and managing the correct mix of residential, commercial and community open spaces.”

The potential for further growth in the region is high, as vacant land between the Gold Coast and Brisbane is in short supply, Rivera adds.

“Location is key when looking to enter this market, and buyers will need to look at properties that are in close proximity to Moreton Bay and amenities,” he says.

### Logan

- Value for money
- New infrastructure
- Population growth

Logan is a central city located between Brisbane and the Gold Coast, roughly 25km south of Brisbane and 45km north of the Coast.

Margaret Lomas, director of Destiny Financial Solutions, points to Logan as a future growth spot, not because she believes it will suddenly boom but because it will be a consistent, long-term performer.

“With the country and the world in economic downturn, investors must be looking at a minimum 10-year investing period,” Lomas says. “This means choosing property that has the ability to look after itself, and the rental yields must be such that the expenses of the property are well covered, so that investors can stay in the market and wait until we are again in economic upswing, in around eight years or so.”

Logan and surrounding regions have strong “intrinsic growth drivers”, such as rising rental yields and an increasing population. “It’s also presently undervalued, in terms of rental yields, and as we see pressure on rent returns, I think Logan will see a significant rise in rental yields,” Lomas says.

## Coolangatta/Tweed Heads

- Access to amenities
- New infrastructure
- Population growth

Coolangatta is the southernmost suburb of the Gold Coast, located



25km south of Surfers Paradise, with Tweed Heads just over the border. They are commonly referred to as ‘Twin Towns’, and have a shared economy.

“The Tweed River and gorgeous beaches including Kirra, North Kirra, Rainbow Beach and Greenmount are the most noted natural features of the area,” Rivera says. “The Gold Coast Airport is in close proximity, and the newly opened Tugun Bypass provides greater access.”

The introduction of the Tugun Bypass has seen traffic bypass Tugun, Kirra and Bilinga.

“The heavy trucks and high volume of traffic that passed through these suburbs has been significantly reduced, giving it back its quiet ‘seaside village’ feel,” Rivera explains. “The increased accessibility will

see the region become more appealing for both residents and tourists.”

There are also several major high rise developments coming online in the area.

Apartments offer the greatest “bang for your buck”, he adds, with older-style apartments an affordable opportunity to secure a coastal property. According to RP Data’s July 2008 figures, the median unit price sits at \$440,000 in Coolangatta and \$387,500 in Tweed Heads.

“Buyers should be on the look out for well-located apartments in walking distance to the beach and shops,” Rivera says. “There are a number of new apartment developments under way and in the planning stages for this beachside area, which will also promote a certain amount of urban renewal to occur.” 🏠