Our Property Selection Process - *When, where, and what?*

We turn data into insights so that you can make smart investment decisions.

1. *When should you invest?*

An often-neglected aspect of property investment is timing i.e. *when* should you invest? markets tend to move through repetitive phases. While there's a degree of long term performance consistency across Australian capital cities, there are shorter term price growth disparities. This means an investment in one city (or more) could yield a higher short to medium term capital gain than the national average.

How can we determine when a market will likely transition from the bottom of its cycle to the upswing portion? Our research indicates that price growth tends to occur after growth in:

- Sales numbers (indicates demand)
- New dwelling finance
- Private capital investment (indicates business confidence)
- Construction rates
- Employment
- Clearance rates

As a capital city property market approaches the peak of its cycle, affordability becomes strained (households contribute between 30% and 40% of their monthly household income to mortgage payments, depending on city) and the probability of a near term correction increases.

On determining *when* to invest, the next step is knowing *where* to invest to maximise the probability of near term gain

2. *Where should you invest?*

Given property price growth is a function of supply and demand, *where* you should invest is largely dictated by the level of demand, both current and future, an economy will likely produce.

In property markets, demand is primarily driven by population growth and investor activity, both of which are a result of:

- Economic growth
- Improvements in affordability/cheaper credit
- Capital investment
- Gentrification and demographic evolution

Benchmarking these on a city level against the national rate, or on a local government area (LGA) level against the city provides an effective measure of the potential for outperformance of a city or LGA provided market timing restrictions are satisfied.

We’ve built the industry’s most comprehensive regression model to make identifying *where* to invest scientific rather than emotion driven.

3. ***What should you invest in?***

Between 2004 and 2017, housing growth slightly outpaced apartment growth, with the former increasing by 104% and the latter by 82% - a difference of 22%.

If you’re thinking: ‘I’d rather buy a house and make the additional 22%.’ Here’s a couple of reasons why this point of view fails to consider the investment big picture:

1. Rental yields for apartments are 33% higher than those for houses (4% vs 3%). On a $500,000 property, that’s an extra $97 per week rent for the apartment investment. That additional 1% per year adds up to a 13% advantage for apartments between 2003 and 2013. That 22% difference is down 9%.
2. Depreciation benefits are higher on an apartment than they are for a house because the building makes up a larger proportion of value for an apartment.
3. Maintenance costs on apartments are lower than they are for houses, negating the effect of body corporate fees.

All things considered, the argument isn’t one of houses or apartments. Rather, it’s a question of whether demand in an area is geared more toward larger or smaller dwellings.

Property level analysis

On an individual property level, demand is a function of:

- Value - How is the property priced relative to comparable assets. This minimises the risk of a price/value mismatch particularly when it comes to off-plan investment
- Design - Our research indicates that larger, well designed properties have higher rates of capital growth than properties without those attributes
- Cashflow - Rent less holding costs
- Build quality and profile
- Developer/builder reputation and experience
- Amenity - In a competitive market place residential amenity adds another dimension to demand

Knowing *when, where* and *what* takes the emotion out of investment so that you can make smart investment decisions.