

25th Apr 2010

Property Hotspots

Investors,

This is an article Michael Yardney produced last month, being a buyer's agents based in Melbourne. He has a view about property hotspots and while others may disagree about the reasons to chase hotspots, choosing to purchase in proven areas that have increased over time and have a strong tenant demand, if you get the timing right, hotspots can be very rewarding.

I am not advocating investors chase these areas, the reason I am sending this on is just to give food for thought. Perhaps the most important component of his article is the last point, do your research.

10 Signs Your House is in a Property Hotspot

Thursday 18th March 2010

Most home owners and investors are chasing one thing: explosive capital growth.

One key to getting it is your area's overall sales performance.

Some locations and suburbs surge ahead of others and deliver amazing price gains. They're called property 'hotspots'.

Michael Yardney, director of property consultancy Metropole Property Investment Strategists, says a property hotspot is "a location that's experiencing – or about to experience – rapid, strong, sustainable capital growth above its normal trend".

Why should we be chasing hotspots?

"Most property investors want capital growth," Yardney says. "If you get more than average capital growth, you can borrow against the increased equity and go (buy) again."

So how can you tell if the suburb you own a house in, or want to buy in, is a hotspot – or potential hotspot?

Here are 10 signs to look for:

1. New transport

New transport links can instantly transform an area's desirability. "It brings areas that were more remote into closer proximity to the city," Yardney said. He adds there are usually three waves of price gains on the back of new transport infrastructure: when it's first announced and everybody gets excited, when construction begins, and near completion. "Those that do best get in early of course, but they're taking a potential risk that it may not ever be completed or take longer than expected," he said.

2. Regeneration/rezoning

Governments can spend millions revitalizing an area, improving amenities, road and other infrastructure. In Sydney, the regeneration of Redfern has helped drive strong price gains for homes. Rezoning from industrial to commercial can also bring a new wave of people moving in, pushing prices higher.

3. New infrastructure

Apart from roads and transport, the building of new amenities including schools, sporting facilities, and universities can transform a location and boost demand for houses.

4. Social trends – sea change

Major social trends can transform areas overnight into high-demand areas. Sleepy coastal areas became hot during the 'sea change' trend when people seeking a quieter life moved there permanently or snapped up holiday homes.

5. Employers relocating

A new factory or other major source of employment can suddenly boost demand for housing and drive up prices.

6. Gentrification

Yardney says one of the most powerful trends is gentrification. Previously working class areas with desirable attributes, such as proximity to the CBD, can suddenly become attractive to more wealthy buyers.

7. Ripple Effects

Housing recoveries often start close to the city centre and move out in what's dubbed the 'ripple effect'. Learn to ride the wave. Yardney says when prices rise people go across the road to the next suburb for better value. "People buy in the best location they can afford and if they can't afford there they move to the neighbouring suburb," he said.

8. Economic boom towns

Boom towns are driven by a major economic factor that has made people wealthier or attracted more residents. The most obvious example is Perth where property has surged on the back of the resources boom.

9. Exclusivity

Yardney says some areas are hotspots simply because of their exclusivity which causes them to outperform market averages. "Turnover is low and it's difficult to buy and when it does come up for the people who buy there, money isn't as big an object," he said.

10. Desirability

Some things never stop being in demand: houses with access to the water and houses close to the CBD. These may not only hold up better during property downturns, but their strong rebounds can quickly turn them into hotspots when the market recovers.

Do your research!

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