



RP Data Autumn Investors Guide to Australia

A suburb by suburb guide on capital growth, rental growth and gross yields

April 2013

The report is based on a three key metrics calculated across each suburb:

A compounding growth rate of 7.2% over a 10 year period will result in a doubling of the price of an asset. For this reason, we have focussed on those suburbs around the country that have seen home value growth or asking rental price growth of more than 7.2% annually over the past five years. This would indicate that these suburbs may be on the way to seeing either home values or rental rates doubling over the decade.

Median value growth – this figure looks at the median value of all homes in a suburb based on their Automated Valuation value result and measures the annualised change between February 2008 and February 2013. The advantage of using this measure as opposed to selling prices is that is a more holistic view of the whole market and is not compositionally biased as can be the case with a median selling price which looks only at those properties sold throughout the two measurement periods. Median value growth has only been calculated when there has been at least 50 applicable value observations over each period.

Median asking rent growth – this figure looks at the middle value of all properties advertised for rent with an asking price over the 12 months to February 2013. Asking rents provide a good indication of the prices being achieved for rental accommodation within a market. Median rental growth has only been calculated when there has been 10 applicable rental observations across both periods

Gross rental yield – this figure is calculated by annualising the rent of those properties advertised for rent over the year and then dividing by the current median value. This formula provides a much more accurate measure of actual rental rates in the market due to it being only measured across those properties that have been advertised for rent. Rental yields have only been considered where there were at least 10 value and rental observations across both periods.

Tasmania –Tasmanian rental data is not available prior to 2009, therefore all analysis of housing markets across that state have been calculated over the three year period to February 2013.

Victoria and New South Wales have recorded the largest number of suburbs where values are on track to double over ten years, while the number of suburbs where rental growth is doubling over ten years is highest across New South Wales. For investors seeking the best rental yields, Queensland is recording the most suburbs where the gross yield is at least 5.5%.

There are typically three main metrics that an investor in the housing market is likely to consider when analysing a property, these are:

1. Potential for home value growth
2. Potential for rental growth
3. Rental yield

The RP Data Investors Guide looks at the performance of every suburb across the country over the past five years and determines which areas have seen strong home value growth and strong rental growth and which suburbs currently have attractive rental yields.

Using a compounding growth calculation, an assets value will double in 10 years if it records an annual increase of 7.2%. Based on this we have analysed the housing market over the past five years and highlighted the suburbs that have recorded annual value growth and annual rental growth at or in excess of 7.2%pa. We have also highlighted those suburbs that have a current rental yield at, or in excess of, 5.5%. It is important to keep in mind that housing market conditions have been much weaker over the past five years and the suburbs highlighted have achieved a strong performance despite the overall weaker market conditions.

Across the country, there were 263 suburbs that have recorded value growth of 7.2% or greater over the past five years. Rental growth has generally been greater than value growth over the past five years and this is reflected in the fact that 792 suburbs have reached the benchmark for rental growth over the past half decade. As at February 2013, 582 suburbs across the country had a rental yield at or in excess of 5.5%.

Overall the results show that some investors have still done well when investing in the housing market over recent years however, they need to be more discerning than they have in the past. In terms of value growth and rental yield, the better opportunities have existed in the regional areas of the country while rental growth opportunities have been greatest in capital city markets.

Number of suburbs showing high levels of value, growth, rental growth and yields across Australia

Region	Home value growth*	Rental growth*	Rental yield**
New South Wales	65	362	138
Sydney	26	249	57
Regional NSW	39	113	81
Victoria	68	92	41
Melbourne	38	45	3
Regional Vic	30	47	38
Queensland	41	48	224
Brisbane	1	17	76
Regional Qld	40	31	148
South Australia	18	23	56
Adelaide	14	21	35
Regional SA	4	2	21
Western Australia	40	196	13
Perth	19	181	4
Regional WA	21	15	9
Tasmania	13	8	96
Hobart	1	4	40
Regional Tas	12	4	56
Northern Territory	11	63	12
Darwin	10	49	4
Regional NT	1	14	8
Canberra	7	0	2
National	263	792	582

* Includes suburbs that have recorded compounding growth of at least 7.2%

** Includes suburbs with a gross rental yield of at least 5.5%

Focus on value growth

Across the country, 263 suburbs have recorded average annual value growth of more than 7.2% over the past five years.

Victoria has had the greatest number of suburbs on the list with 68. This should come as no surprise given the relatively strong value growth across the state throughout recent years. On the other hand, the Australian Capital Territory (which has relatively fewer suburbs) had the fewest suburbs with just 7. Melbourne was the region which had the greatest number of suburbs listed with 38 separate suburbs recorded across the city.

The majority of suburbs that have recorded annual average value growth of 7.2% or greater are situated in regional areas of the country (55.7%) rather than capital cities (44.3%). Across most states this same trend has been replicated with only Melbourne (55.9%), Adelaide (77.8%), Darwin (90.9%) and Canberra (100%) recording a greater proportion of suburbs listed within the capital city.

65% of all the suburbs which made the list made it for houses as opposed to 35% for units. Of course, a much greater proportion of the overall housing market nationally is houses as opposed to units which is partially influencing these figures. Units are much more abundant in the capital cities than they are in regional housing markets. In the capital cities, 54.7% of suburbs listed were listed for units as opposed to 43.3% for houses. This reflects the fact that across the combined capital cities, unit values have increased at an average annual rate of 2.8% over the past five years compared to 1.7%pa for houses.

The ten regions with the greatest number of suburbs recording high levels of value growth accounted for 57.5% of the total suburbs across. Five capital city markets made the top 10 list however, it is important to remember that there are comparatively more suburbs within capital cities than there are in regional markets.

Outside of the capital cities, mining areas are also quite prevalent on the top 10 list, with the Hunter Pilbara, Mackay and Fitzroy regions all detailed.

Number of suburbs showing value growth of at least 7.2% pa across Australia

Region	No of suburbs	% of state
New South Wales	65	
Sydney	26	40.0%
Regional NSW	39	60.0%
Victoria	68	
Melbourne	38	55.9%
Regional Vic	30	44.1%
Queensland	41	
Brisbane	1	2.4%
Regional Qld	40	97.6%
South Australia	18	
Adelaide	14	77.8%
Regional SA	4	22.2%
Western Australia	40	
Perth	19	47.5%
Regional WA	21	52.5%
Tasmania	13	
Greater Hobart	1	7.7%
Regional Tas	12	92.3%
Northern Territory	11	
Darwin	10	90.9%
Regional NT	1	9.1%
Canberra	7	100.0%
Total	263	

Top 10 regions Greatest number of suburbs showing value growth of at least 7.2% pa

Region	State	No of suburbs	% of state	% of national
Melbourne	Vic	38	55.9%	14.4%
Sydney	NSW	26	40.0%	9.8%
Perth	WA	19	47.5%	7.2%
Adelaide	SA	14	77.8%	5.3%
Hunter	NSW	10	15.4%	3.8%
Pilbara	WA	10	24.4%	3.8%
Darwin	NT	10	90.9%	3.8%
Mackay	Qld	9	22.0%	3.4%
South Eastern	NSW	8	12.3%	3.0%
Fitzroy	Qld	8	19.5%	3.0%

Focus on rental growth

As at February 2013, there were 792 suburbs across the country that had recorded average annual rental growth of at least 7.2% over the past five years. Given that only 264 suburbs nationally have recorded average annual value growth of 7.2% or more it shows that rental growth has generally been stronger than value growth over the past five years.

With 362 suburbs, New South Wales had the greatest proportion of suburbs on the list (45.7%). Sydney was the individual region with the greatest number of suburbs on the list at 249, followed by Perth with 181 suburbs. On the other hand, Tasmania had just eight suburbs that achieved the benchmark and Canberra had no suburbs.

The majority of suburbs that have recorded annual average rental growth of 7.2% or greater are situated in capital cities (71.5%) rather than regional areas (28.5%). Across most states this same trend has been replicated with only Melbourne (48.9%) and Brisbane (35.4%) recording a lower proportion of suburbs listed within the capital city.

69.4% of all the suburbs which made the list made it for houses as opposed to 30.6% for units. In the capital cities, 68.0% of suburbs listed were listed for houses as opposed to 32.0% for units. These results reflect the fact that while unit value growth has been stronger than that of houses over recent years, rental growth has typically been greater for houses over recent years.

The ten regions across the country with the most suburbs showing high levels of rental growth account for 86.2% of all suburbs nationally. The results highlight that strong rental growth over recent years has been mainly contained within select regions of the country. Six of the ten regions listed are capital cities with these six regions accounting for 71.0% of suburbs that have recorded average annual value growth of at least 7.2% over the past five years.

Outside of the capital cities it has typically been a selection of the more populous regional markets that have recorded the greatest number of suburbs.

Number of suburbs showing rental growth of at least 7.2% pa across Australia

Region	No of suburbs	% of state
New South Wales	362	
Sydney	249	68.8%
Regional NSW	113	31.2%
Victoria	92	
Melbourne	45	48.9%
Regional Vic	47	51.1%
Queensland	48	
Brisbane	17	35.4%
Regional Qld	31	64.6%
South Australia	23	
Adelaide	21	91.3%
Regional SA	2	8.7%
Western Australia	196	
Perth	181	92.3%
Regional WA	15	7.7%
Tasmania	8	
Greater Hobart	4	50.0%
Regional Tas	4	50.0%
Northern Territory	63	
Darwin	49	77.8%
Regional NT	14	22.2%
Canberra	0	na
Total	792	

Top 10 regions

Greatest number of suburbs showing rental growth of at least 7.2% pa

Region	State	No of suburbs	% of state	% of national
Sydney	NSW	249	68.8%	31.4%
Perth	WA	181	92.3%	22.9%
Hunter	NSW	54	14.9%	6.8%
Darwin	NT	49	77.8%	6.2%
Melbourne	VIC	45	48.9%	5.7%
Illawarra	NSW	38	10.5%	4.8%
Adelaide	SA	21	91.3%	2.7%
Brisbane	QLD	17	35.4%	2.1%
Barwon	VIC	15	16.3%	1.9%
Northern Territory - Bal	NT	14	22.2%	1.8%

Focus on rental yield

As at February 2013, there were 582 suburbs across the country that had recorded a gross rental yield of 5.5% or greater. This figure is often a simple benchmark figure used to determine whether or not a property is potentially suitable for investment.

Queensland has the greatest number of suburbs with a rental yield at or above this benchmark with 224 suburbs (38.5% of all suburbs nationally). Brisbane was the individual region with the greatest number of suburbs at this benchmark with 126 suburbs. The Australian Capital Territory, which also has significantly fewer suburbs than all other states and territories, also had the fewest suburbs on the list, with nine.

62.0% of all suburbs listed are located outside of a capital city region. In fact, 60.2% of all capital city suburbs which made the list are situated within either Sydney or Brisbane. This trend was replicated across each state and territory except for Adelaide and the Australian Capital Territory with more regional housing markets making the list than those in capital cities.

Across the country, rental returns on houses are inferior to those of units however, the split between suburbs listed for houses and units is an almost 50:50 split.

The 10 regions with the greatest number of suburbs showing high gross rental yields, account for 63.7% of all suburbs nationally with a rental yield of at least 5.5%. Interestingly, only four of the regions listed are located within capital cities however, these four capitals account for 35.7% of all suburbs nationally.

Regional markets are quite prevalent on the list and a number are characterised as being coastal housing markets that have recorded a significant fall in home values over recent years. Given this, it is important to remember that the calculation assumes homes will be occupied for 52 weeks of the year, in some of these areas and across certain property types this may be quite unlikely.

Number of suburbs showing gross rental yields of at least 5.5% across Australia

Region	No of suburbs	% of state
New South Wales	138	
Sydney	57	41.3%
Regional NSW	81	58.7%
Victoria	41	
Melbourne	3	7.3%
Regional Vic	38	92.7%
Queensland	224	
Brisbane	76	33.9%
Regional Qld	148	66.1%
South Australia	56	
Adelaide	35	62.5%
Regional SA	21	37.5%
Western Australia	13	
Perth	4	30.8%
Regional WA	9	69.2%
Tasmania	96	
Greater Hobart	40	41.7%
Regional Tas	56	58.3%
Northern Territory	12	
Darwin	4	33.3%
Regional NT	8	66.7%
Canberra	2	100.0%
Total	582	

Top 10 regions Greatest number of suburbs with gross rental yields of at least 5.5%

Region	State	No of suburbs	% of state	% of national
Brisbane	Qld	76	33.9%	13.1%
Sydney	NSW	57	41.3%	9.8%
Greater Hobart	Tas	40	41.7%	6.9%
Gold Coast	Qld	35	15.6%	6.0%
Adelaide	SA	35	62.5%	6.0%
Northern	Tas	33	34.4%	5.7%
Northern	Qld	30	13.4%	5.2%
Far North	Qld	27	12.1%	4.6%
Mersey-Lyell	Tas	22	22.9%	3.8%
Murrumbidgee	NSW	16	11.6%	2.7%

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