



# HOW TO SPOT A GROWTH AREA.

PROPERTY INVESTORS HAVE BEEN KNOWN TO OBSESS ABOUT THE NEXT HOTSPOTS – AND FOR GOOD REASON.

Hotspots, if you time your entry well, can see property values grow strongly within a short period of time. This enables you to amass equity quickly and use that to build your portfolio.

Unfortunately, hot spots in Australia have historically been associated with far-flung areas often linked with the mining industry. And of course there's the risk that by the time you hear about them, those hot spots have already gone up in value and you're buying at the peak.

So how do you cut through the hype and identify a growth area with real opportunity?

## HOW TO IDENTIFY AREAS POISED FOR GROWTH

### 1. Look for areas experiencing gentrification

These areas may have had a poor reputation in the past, but are now seeing homeowners moving in and changing the landscape of the suburb.

- Look at the affordable areas in a region you're interested in;
- Check out how the property prices have moved in the past two to three years;
- If prices have grown steadily, look at the demographics. An increasing number of young residents with good income is a solid indication that the suburb is about to gentrify;
- Look for signs of new houses or renovated homes springing up in the area;
- Look for new cafes or retailers opening in the suburb.

## 2. Look for the ripple effect

If you can't afford to buy into a high growth area (you might have just missed the mark this time around), you might still be able to buy into the area by checking the surrounding suburbs.

**Top tips for finding areas before the ripple of growth hits.**

- Measure property values by comparing the median prices of adjoining suburbs;
- If there is more than a 5% variation, chances are the suburb next door will be playing catch-up;
- Closely monitor median price trends on a quarterly basis. Once you are certain the cycle has kicked off, look for properties within your budget that are as close to the growth as possible. Subscribe to alerts from realestate.com.au for properties coming on to the market;

## 3. Examine supply & demand

The supply versus demand ratio of properties in an area is a key driver of price growth. If there is no more capacity to build in the suburb but demand keeps on growing, prices will likely climb.

**Top tips for finding high-demand, low-supply areas.**

- Look for areas where the rental yield is rising. This indicates that an area is popular among renters. When renters become homeowners, they also tend to buy in the same area they're renting in;
- Look at the demographics of people moving into the area. Harsh but true, suburbs where the median age is around 35 or so tend to gentrify faster as these demographics tend to have better income and are therefore able to afford to buy or rent more expensive properties;
- Look for areas with rising population. Population in itself is not enough to push prices up, but when combined with other indicators such as rising income and low supply, this is a good indication that property prices will grow in the area.

## 4. Look for large infrastructure projects underway

This is a good indicator that the area is likely to see a spike in housing demand as workers flock in for jobs. Projects that are already commenced are preferable, as project promises can fall through as governments rotate and budget priorities shift.

