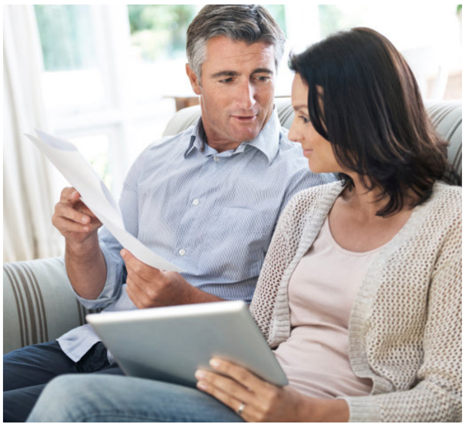
Rural and Regional Property Focus

Bringing you the latest news, facts and figures from the world of Australian real estate.

Take four breaths for peace of mind



The property is exactly what you're looking for at the right price. There are other buyers circling with offers, and you feel an urgency to do something or miss out.

Take a breath.

A real estate dream can sometimes end as a nightmare, but with the right advice and a little investigation and patience, you can minimise the risk of buying to almost zero.

It all begins with taking the time to ask the right questions of your Sales Consultant, and being aware of where to find all the right information that will give you a complete, 360 degree view of the property.

The risk-reducing information you are seeking roughly falls into four categories. (Please note: This article in no way intends to be an exhaustive list, but simply advice for home buyers).

SOMETHING THAT POTENTIALLY DEVALUES THE PROPERTY

If you inspected the home on the weekend, be aware that the peace and tranquillity that impressed you so much may be non-existent during the week.

There may be rowdy neighbours, barking dogs, or industrial noise close by, or perhaps a local factory producing unsavoury smells during weekdays. Chances are you will only discover this if you visit the home at alternative times.

The boundaries of the land may have looked obvious, but there may be an easement or crown land bordering the allotment that effectively reduce your property's size from what it seems.

Title searches are available from Government agencies, which will reveal exactly what you are getting for your money in terms of land size, and where you can build any extensions safely and legally.

Be aware that everything you see within the property may not be included. On occasions, sellers may allocate something within as a "chattel" which they intend to take with them after the sale. Ask your Landmark Harcourts Sales Consultant for a copy of the chattels inventory.

The difference between a fixture (that which must legally stay with the house) and a chattel can be a grey area, and some potential buyers go to the extent of taking a photo of all chattels mentioned.

For example, the elaborate storage system in the garage, or even an integrated sound system may be classified as chattels if they are not deemed to be permanently fitted to the home and are listed in the sale contract.

AN IMPROVEMENT THAT MAY BE NON-COMPLIANT OR ILLEGAL

Laws and regulations change, so even though a home or structure was compliant and legal at the time it was built, it may now be non-compliant or illegal. Normal wear and tear can have the same affect.

Swimming pools are a common case-in-point, with regulations governing pool fencing becoming much more stringent over the years. A pergola built by an owner/builder may look completely acceptable, but only an inspection by a building inspector will give you peace of mind.

Your perceived value of a home could change significantly if you discover that you are responsible for building significant pool fencing or another alteration to ensure your new home meets the appropriate standards.

BUILDING STRUCTURAL FLAWS

A damp patch in the lawn may indicate faulty water pipes, or mould in the ceiling a leaking roof.

A recently survey of over 3000 homes by building inspectors found that one-in-four homes displayed evidence of structural cracking and movement, while one in eight showed structural pest damage which had the potential to damage the integrity of the entire property.

Sometimes significant structural issues are not immediately obvious.

For these and many other reasons, viewing a pest and building inspection is a no-brainer. Although a pro-active seller will sometimes have these undertaken before a sale, buyers often prefer an independent inspection.

TOO RISKY FOR FINANCE

If a property is deemed as high risk of flooding or bush fire, or is zoned for commercial development, bank finance may become more expensive, or even impossible. Appropriate searches should discover these factors.

Each State in Australia has different laws governing real estate contracts, so your best bet is to have a good talk with your Landmark Harcourts Sales Consultant who will walk you through the finer details of the property, and let you know where you can find further information to give you complete confidence to proceed as needed.

Assessing the regional investment option

Regional Australia presents a range of vibrant, eclectic opportunities for active property investors.

With 6.45 million people living outside of Australia's 20 largest urban centres, the demand for properties in regional and rural areas is alive and kicking. Regional Australia is a property investment goldmine, which only needs a bit of digging to uncover the wealth.

The major attraction of investing in regional centres is obviously the lower cost entry point and subsequently lower median sale prices, which overall, can be half of that in cities and major centres. However, surprisingly, rental yields are often equal and sometimes higher.

Admittedly, capital growth in regional towns is a rare commodity, mostly due to stagnant or even reducing populations, but the astute investor can uncover opportunities through purposeful research and tenacity.

The greatest psychological barrier that many must overcome before investing regionally is the perception of value, distance and risk.

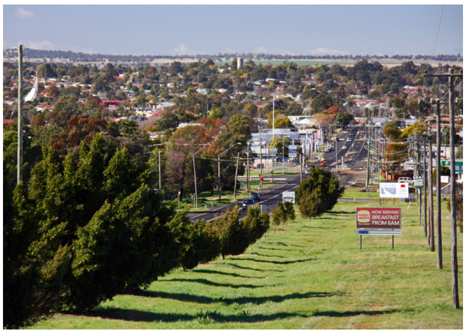
The first response at the mention of regional Australia is a comparison to the city. The towns may not be as attractive and modern as a city or larger centre, have less facilities, older architecture, and not as "hip". Heck, there may be only one coffee shop in town and no Maccas!

Inspecting prospective properties will probably involve a lot of travel, to and from the region, and conducting exhaustive research can be very time consuming due to the tyranny of distance.

Then we have the hyped-up publicity, which always focuses on the bad news and rarely on the good. For example, of every region in Australia, a recent report on a long-running current affairs show focused on a mining centre in Queensland where housing prices had plummeted as a result of local mines closing down.

But regardless of potentially poor aesthetics, being a long way from home, and lack of x-factor, the numbers can still stack up.

So, if you have stared down these obstacles and emerged with a renewed determination to invest in regional Australia, what is your next steps? What are the type of indicators that will point you to a profitable investment?



FEDERAL AND STATE INFRASTRUCTURE

What clouds are to rain, so Federal and State public infrastructure is to population growth. One typically comes before another.

While local government infrastructure typically follows population growth, large scale infrastructure at the Federal and State level, such as new roads, railways defence contracts and the building of transport hubs, often precede population growth.

There are various government websites available that outline future infrastructure plans, complete with timelines and expenditure that has been already committed.

ECONOMIC INDICATORS

Taking the indicator of current or future population growth a step further, finding median household income and its trends will determine the level of income available for future growth and housing.

Also look at business start-ups, particularly larger brands selling food, clothing or other essentials. Increased business activity means a stronger local economy.

It is important to understand what business drives the economy of a township. Your risk will be reduced by investing in a town where there are more than one dominant industry or business. If one business is the sole reason a township exists, obviously the risk is higher.

Also be wary of townships supported mainly by tourism as occupancy can be affected greatly by the inevitable peaks and troughs inherent to that industry.

Overall, when it comes to economic indicators, it is timing that is the most important factor. For this reason, rather than look at statistics in a snapshot of time, it is wise to form opinions based on trends over the five to 10 year period.

REAL ESTATE-SPECIFIC INDICATORS

The important real estate indicators available online and in local papers will always guide the astute investor, particularly trends over 12 months, five and 10 years.

Auction clearance rates: Calculated by dividing the total number of properties sold at auction for the week (including those sold before or after) from the total number of auctions reported. A figure trending up indicates a strengthening market.

Vendor discounts: Calculated by taking the average of the difference between the original asking price of a property for sale and the eventual sale price. A decreasing rate indicates a strengthening market.

Vacancy rates: Calculated as the percentage of all available rental properties that are vacant or occupied at a particular time. A decreasing rate indicates a stronger rental market.

When compared to city dwellings, property in a lot of regional centres is ridiculously affordable, but it takes a focused mind and often getting your hands dirty to separate the suitable investment property from the unsuitable.

With capital growth a rarity, most will not suit those investors looking for short-to-medium term capital growth, but rather for longer-term investment strategies. Buying property in regional centres also offers the chance of diversification for those who may already have properties in cities.

Market Facts

Property Sales of residential properties 4 to 40 ha in regional and rural Australia

	No. sold	Average price	Change	Region with highest sales volume
New South Wales	8345	$482,500	Up 7.2%	Capital Region
Victoria	6620	$320,000	Up 1.6%	Latrobe-Gippsland
Queensland	17,436	$322,000	Down 1.5%	Wide Bay
South Australia	857	$279,000	Down 2.6%	South East
Western Australia	5560	$366,000	Down 1.2%	Wheat Belt
Tasmania	1448	$280,000	Up 9.8%	South East
Northern Territory	390	$430,000	Up 2.4%	N/A

Source: Benchmark Tenth Edition