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Tick, tick... BOOM

How to find a hotspot before everyone else does



Real estate hotspots always happen for clear reasons – which are easy to identify with *hindsight*. Successful investors are those who have *foresight* – and know how to identify hotspots before they happen. **Terry Ryder** describes the hotspotting process, a technique for identifying markets destined to out-perform.

Case studies in hotspot creation

The surest way to make money in real estate investment is to pinpoint a hotspot before it becomes one. And investors can do that by studying areas which have recently been hotspots.

By understanding why a region became a property out-performer, investors can identify areas with similar qualities which have yet to achieve full potential as real estate markets.

Mandurah in Western Australia has become one of the headline growth areas of Australia. It didn't happen by accident. And it didn't occur because of one overpowering influence. Like all hotspots, Mandurah had a combination of compelling factors.

Not only was it driven by the sea change phenomenon, but Mandurah had a series of important lifestyle features luring baby boomers and other buyers – specifically a rare combination of water attractions. The icing on Mandurah's real estate cake was transport infrastructure: the extension south from Perth of the Kwinana Freeway and the State Government decision to link the region to the capital with rail services.

Chinchilla in Queensland was an ugly duckling country town with very cheap real estate which took off when major industrial and resources projects turned it into a boom town.

As with Mandurah, the best time to be buying property in Chinchilla was two to three years ago.

But the key question is: what will be the next Chinchilla or the next Mandurah? Finding the answer isn't as hard as you might think. Existing hotspots all have one or more of ten "creator categories" (see sidebar on page 34) working for them. The next hotspots will be areas with similar characteristics which haven't yet reached their full price potential.

The following case studies in hotspot creation demonstrate the point.

Case study 1: sea change, lifestyle features, transport infrastructure

MANDURAH, WA

"If there was a national beauty pageant for sea change locations, Mandurah would be right up there among the finalists." So says demographer Bernard Salt of KPMG.

Mandurah has become a standout growth area, both for population and property values, because of a confluence of major influences – including sea change, new transport links

to Perth and the area's water features. When sea change took hold around Australia, Mandurah was a logical target because of its natural environment and proximity to Perth. Its status was cemented through new transport infrastructure, firstly through extensions to the Kwinana Freeway and, soon, with the creation of a rail link (now being built down the centre of the freeway). Mandurah is today one of Australia's headline hotspots. Salt, in his *Population Growth Report 2005*, identified it as the number one growth area among Australia's 70 largest cities. Mandurah Shire, about 75 km south of Perth, now has 60,000 citizens.

There are more living outside the shire, but still part of the Mandurah metropolitan area. On that basis, Mandurah is now a bigger city than Mackay and Rockhampton, having averaged 6.5 per cent annual growth for 20 years. It has shot from being Australia's 60th largest urban area in 1976 to the 23rd largest in 2004. It will soon be in the top 20.

The 2006 Property Outlook Report by Hegney Property Group says: "The sea change phenomenon sweeping Australia has resulted in a population surge in coastal cities around the country. Mandurah is at the forefront of this growth."

And Mandurah is projected to continue growing. In his *Australia on the Move* report for the Property Council of Australia (which predicted the number of dwellings required in Australia's 41 largest cities up to 2031), Salt ranked Mandurah number one in the nation.



BALLINA TO YAMBA

The Ballina to Yamba stretch of the northern New South Wales coastline will benefit from two pieces of transport infrastructure: improvements to the Pacific Highway and the

Tugun Bypass on the Gold Coast. One of the keys to the success of this region is the population base in southeast Queensland. Many Gold Coast and Brisbane residents head south for weekends and holidays – and Salt says the southern extension of the Pacific Motorway from Byron Bay to Ballina will lead to lifting values in Yamba and Ballina, while the planned Tugun bypass on the Gold Coast will add further impetus.

"People on the Gold Coast have holiday houses further south into NSW," Salt says.

"They'll cascade down south, using the Tugun bypass, down the Pacific Motorway, through to Ballina. There are a lot of towns with potential down that way."

Gold Coast valuer Garrie Love of CB Richard Ellis says the road improvements are on the minds of property owners.

"Every time we do a valuation in northern NSW, they say we have to take into account the Tugun bypass," Love says. "And that's understandable. Every time you see new roads which smooth out traffic flows, it benefits real estate."

Love says the road improvements are "fabulous" for markets such as Yamba, Ballina and Lennox Heads.

"Property in Ballina and Yamba is already benefiting," he says.

Ballina Shire spreads 33 km along the NSW coastline 190 km south of Brisbane, with 93 per cent of it classified as Crown land and water-based activities the main recreational activities. The precinct saw strong price growth after 2000 but remains quite affordable. The house sales market in the Greater Ballina area peaked in 2003 and sales last year were half those levels. Throughout Ballina Shire, the median house price is now around \$370,000.

About 100 km further south is Yamba which is also affordable, especially after recent price reductions. The median house price peaked around \$380,000 in mid-2004 but, according to Australian Property Monitors (APM), the median in the year

to April 2006 was \$345,000. Grant Gillies of PRDnationwide Yamba says the area is already feeling the benefits of road upgrades. Yamba is now little more than two hours from the Gold Coast and the Tugun Bypass will further shorten travel times.

"We already get a huge volume of Queenslanders coming this way for holidays," he says. "We're certainly getting a lot of buyer enquiry from southeast Queensland now."

Yamba's mainstream market (homes without views) ranges from \$300,000 to \$450,000, while waterfront property generally ranges from \$650,000 upwards.

"I sold a fibro home, but with spectacular ocean views, for \$1.8 million," says Gillies.



SURF COAST, VICTORIA

The sea change trend has already made fortunes for owners of properties along the Great Ocean Road, south of Geelong. Salt says the Surf Coast has enjoyed enduring popularity with Melbourne people seeking a second home.

But he believes the Surf Coast is a good investment now because of the \$380 million western ring road around Geelong, which recently started construction. The Geelong Bypass will bring the area about 30 minutes closer to the capital.

"Drivers using the bypass will avoid up to 29 sets of traffic lights," says the VicRoads website.

The bypass is being built in three sections and the State Government has promised that the road will be toll-free. The first two sections will open in 2008.

Agent Marty Maher of Great Ocean Properties says the new road will provide unprecedented access to the Surf Coast for the 3.5 million people currently living within 90 minutes.

"It will probably be the biggest insurance policy underwriting the forward movement of Surf Coast values in the immediate future," Maher says.

He says there are already instances of investors responding.

"A house with big water views at Fairhaven sold for \$1.95 million, \$650,000 over the reserve. The buyer told me the ring road was the major factor. He said he'd seen it happen before."

Lorne is one of Victoria's most popular seaside resort towns, sitting at the mouth of the Erskine River on one of the most scenic coastal routes in Australia. It's established as a long-term growth area and is now an expensive place to buy property. The physical parameters of Lorne's setting means it's constrained from expanding and developable land is scarce, a factor that underpins values.

Dale Whitford of Lorne Real Estate says \$400,000 is the entry point for a house in Lorne and anything with water views would be above \$500,000. Lorne's median house price in the year to April was \$650,000, according to APM, which showed little change on a year earlier.

"The growth we saw in the boom has come to an end," says Whitford. "We've seen prices ease a little but nothing that would have people jumping off bridges."

Things are more affordable in other Surf Coast locations. According to APM, the median house price for the year to April

was around \$380,000 at Anglesea, Torquay and Airey's Inlet. Fairhaven is a bit more expensive.

Case study 2: boom towns, ugly ducklings



CHINCHILLA, QUEENSLAND

Coal seam gas has been the main piston driving prosperity in the Queensland region which includes Chinchilla, Dalby and Jandowae.

The region, about one hour northwest of Toowoomba and two to three hours from Brisbane, is undergoing what has been described as "the biggest flurry of exploration and mining southeast Queensland has ever seen".

Projects include the \$1.2 billion Kogan Creek coal mine and coal-fired power station, the Kogan North gas field, the \$340 million Braemar gas-fired power station, the Berwyndale South gas field development, the Argyle gas field, the Wilkie Creek coal mine, the Tipton West gas field, a gas pipeline linking Roma to Brisbane via Dalby, the \$80 million Dalby Bio-refinery ethanol plant; and a \$200 million gas-fired power station near Chinchilla.

Dalby is the area's biggest town but Chinchilla is also a major beneficiary. Chinchilla is a town of 4000, but is predicted to double in the next six to seven years. There's been huge demand for houses, as workers invade the area.

The boom started in May 2004 when Kogan Creek Power Station was approved.

"It went bang overnight," says Chinchilla real estate agent Danny Gleeson.

An air-conditioned four-bedroom house could be bought back then for \$160,000 (and now rents for \$500 a week – a 17 per cent return). Two years on and Gleeson says the market is still "very, very buoyant".

He says: "Prices are still rising. Now \$170,000 will get you a decent entry-level house and they go up from there."

According to Real Estate Institute of Queensland figures, the median house price in Chinchilla was \$86,000 in 2004 but almost double that – around \$168,000 – by mid-2005. In the year to April 2006, the median was \$180,000, up 29 per cent.

Jandowae, halfway between Chinchilla and Dalby, is also catching some of the action. This was recently a town so desperate that the local council sold house blocks for \$1 to encourage new residents.

Its houses are considerably cheaper than either Dalby or Chinchilla, with a median price of \$130,000 in the year to April.



NEWMAN, WESTERN AUSTRALIA

The Hope Downs iron ore mine in the Pilbara region, a \$1.3 billion development by Rio Tinto and Hancock Prospecting, was granted State Government approval in April. First production is expected early in 2008.

The mine will create 1000 construction jobs and 300 permanent operational jobs. The Hope Downs deposits are 75 km from Newman, a model mining town not far from the huge

Mt Whaleback iron ore mine operated by BHP Billiton. Newman, the largest town in the East Pilbara, was built in the '60s beside what was then Australia's biggest open-cut iron ore mine. The longest privately-owned railway in the world was constructed, stretching 430 km from Newman to Port Hedland.

In 1981 Newman ceased to be a closed company town and is now a community of 6000 people with good schools and community facilities. It also has a significant tourism industry, being the southern gateway to the Karijini National Park.

Local real estate agent Debbie Becker of Hedland First National says Newman will get some of the spin-off from Hope Downs but "no-one knows how much at this stage". She says mining industry companies are buying or leasing land and houses in the town "in part to stop their competition from getting it".

"BHP is just starting to buy houses for their own people so it's definitely competitive with all these new companies coming in," Becker says. "There are millions of rumours circulating. Everyone is waiting for the LandCorp to release residential blocks and then everyone will be buying up land."

LandCorp, a State Government development body, announced in July it would develop 400 residential lots in a 50-ha estate at Newman – subject to Western Australian Planning Commission approval.

A typical three or four-bedroom house with air-conditioning rents for \$500 to \$600 a week. So a house bought for \$300,000 will return 9 or 10 per cent gross.

A three-bedroom fibro house will sell in the high \$200,000s, a solid concrete slab home will fetch in the low \$300,000s and brick houses will command \$350,000-plus – and all will rent for \$500 to 600 a week.

Becker says most buyers are distant investors chasing the 10 per cent returns, rather than local residents.



RAVENSTHORPE, WESTERN AUSTRALIA

The shire of Ravensthorpe is remote, nearly 600 km southeast of Perth, and has a population of only 1400, including the towns of Hopetoun and Ravensthorpe. However, population numbers will increase sharply soon thanks to a massive BHP Billiton project.

Ravensthorpe started as a gold and copper mining camp more than a century ago and has recently returned to its mining roots. BHP Billiton has approved the development of its \$2.3 billion Ravensthorpe Nickel Project, and a related expansion of its Yabulu Nickel Refinery near Townsville in Queensland, and the first nickel production is expected late in 2007. Product from the mine will be shipped from the port at Esperance, about 150 km further east, to Townsville for final processing.

The area has other potentially major mineral deposits, including Tectonic Resources' planned copper and gold mine and a potential tantalum-lithium deposit.

An estimated 350 project employees and their families will become part of the local community. In March Fleetwood Corporation was awarded a \$7.5 million contract to deliver 50 manufactured homes to be installed in the Wave Crest Village at Hopetoun by the end of the year.

The WA Government, in conjunction with BHP Billiton, has built an airport, upgraded roads and is building new schools and community services in both Hopetoun and Ravensthorpe. The State Government has also announced the release of new residential land at Ravensthorpe.

"The land will help meet an immediate demand for new housing, facilitating development and bringing workers and their families into the community," says WA Resources Minister John Bowler. "We expect subsequent housing developments will occur southeast of the town away from known mineral deposits."

Hopetoun is a seaside village 50 km south of Ravensthorpe on the shores of Mary Ann Haven – between Albany and Esperance. It's becoming popular as a low-key tourist destination with largely untouched beaches and headland – and this is

expected to continue as increasing numbers of whales, seals and dolphins come to the local waters.

Hopetoun has a population of about 350, but numbers swell to 2000 during the summer holiday seasons.

According to APM, Hopetoun had a median house price of \$245,000 in the year to April 2006, while Ravensthorpe was \$149,000 (though both figures were based on a small sample of sales).

Case study 3: boom towns, sea change



KARRATHA, WESTERN AUSTRALIA

It would be difficult for Karratha to avoid being a boom town. It's the regional centre of the resource-rich Pilbara region plus the North West Shelf oil and gas project.

Things that make you go boom

Many of the real estate hotspots to emerge around Australia in recent years have been strongly influenced by more than one of these 'creator categories' – events or influences which create capital growth for property.

Sea change. The most influential of all factors impacting on real estate markets. Australians are (arguably) more drawn to live by the ocean than any other people on the planet. Sea change is less in the news today but migration to the beach remains a big factor. It's expected to surge again as baby boomers start retiring.

Hill change. The property boom made inner city and coastal locations too dear for many buyers. They looked elsewhere – and found good pickings inland, but within striking distance of the city and/or beach. Hill change areas such as the Southern Highlands outside Sydney have good strong growth, though not as strong as sea change.

The stayers. Some city suburbs always seem to perform. They're the ones with character, café culture, quality shopping, schools and good public transport. They tend to be close to the inner city and provide steady growth over time.

Ripple effect. Property booms begin with the prime suburbs, often those in the inner city. As prices rise, they become unaffordable for many buyers who seek less expensive property nearby. The growth, therefore, ripples out – and continues to do so until it reaches the outskirts of the city.

Transport infrastructure. New roads and train lines can create value growth. Industrial property benefits from new motorways the most, but residential is also boosted. A major new road can open up previously inaccessible areas or provide faster connections to the CBD for commuters. Rail links and new bridges can have similar impacts on real estate.

Blue sky. In the current downturn, the upper end of the market has been the least affected. The truly exclusive areas have their own dynamic. "Blue sky" suburbs are always prime-located, either on the edge of the city, beside the river or at the beach. They have quality retail and café culture features, and exclusive schools within easy reach. In terms of price growth, the sky's the limit.

Lifestyle features. The greatest wealth creator in real estate is water. The nearest thing to a recession-proof investment is property fronting water. The ocean rates highest, although rivers, canals and lakes aren't bad either. Homes fronting golf courses command price premiums too, but not as high as water frontage.

Ugly ducklings. There are suburbs which were once shunned as downmarket but are now regarded as trendy. "Ugly ducklings" can be transformed into real estate swans. Richmond in inner Melbourne has made that change, as has Bulimba in near-city Brisbane, not through a conscious government urban renewal program but through market metamorphosis. With affordability the key issue in the current market, ugly ducklings with potential to change are expected to do well.

Boom areas. Sometimes areas take off for specific one-off reasons. Some towns in Western Australia and Queensland have had real estate booms because of mining operations nearby. Development of a major industrial project can have a similar impact. Sometimes a town can boom because a TV mini-series is made there.

Urban renewal and government decisions. State Governments or local authorities can transform areas through policy decisions or targeted action. Urban renewal programs have changed the character of suburbs, sometimes turning waterside industrial areas into prestige residential. Regional policy decisions – such as long-term growth management plans – can also impact. The *South East Queensland Regional Plan* is a good example.

Karratha – on the edge of Nickol Bay about 1600 km north of Perth – was created in the '60s to accommodate workers in the Hamersley Ranges iron ore mines. Since then other major resources projects have emerged, including the Dampier Salt project and the North West Shelf Venture (NWSV).

Estimates of projects under way and planned that will have a direct impact on Karratha are as high as \$10 billion. Worth \$2 billion alone is the NWSV's most recent expansion, driven by demand from Asia, that involves building a fifth liquefied natural gas processing train on the Burrup Peninsula, about 25 km from Karratha.

In May the first shipment of liquefied natural gas (LNG) under Australia's largest export contract – a \$25 billion LNG contract with China – was loaded at Karratha. And, more recently, there were announcements of two massive new resources projects offshore from Karratha.

One is the Gorgon liquefied natural gas project planned for Barrow Island off the Pilbara coast, involving joint venture partners Chevron, ExxonMobil and Shell. The \$11 billion project is expected to generate 6000 jobs.

The other is a gas discovery by Chevron 260 km offshore from Dampier and Karratha, potentially worth billions of dollars in export earnings.

Karratha is a town of 12,500 where the median house price passed \$300,000 last year, following growth averaging more than 10 per cent a year for the five years to June 2005 – but with values growing 18 per cent in the 2005 financial year.



SARINA, QUEENSLAND

The genesis of a strong property market in the coastal town of Sarina (population 3500) is the economic growth of The People's Republic of China.

The road from China to Sarina follows this path: China's hunger for economic growth is underpinning the resources boom in Australia; this has made the Bowen Basin in central Queensland an industrial nerve centre; the wealth pouring from coal and other industries in the Bowen Basin is feeding into Mackay, the nearest major regional centre; the wealth created in Mackay businesses and among highly-paid blue collar workers is finding an outlet in nearby sea change locations.

People with surplus income to invest are buying holiday homes or investment properties in Sarina.

But Sarina's connection with the coal export riches is more direct than that. Sarina Shire is the location of the largest coal export facility in the Southern Hemisphere – the Hay Point Coal Terminal. The adjacent Dalrymple Bay Coal Terminal is targeted for an \$800 million expansion.

PRDnationwide Research says Sarina, 37 km south of Mackay, is an example of a coastal town which thrives from being close to a major regional centre. And it has an affordable entry point to the coastal property market, with a median house price in the low \$200,000s. According to APM, the median house price in the year to April was \$230,000 (although Sarina Beach was \$370,000 and there are plenty of homes in the \$500,000 to \$650,000 bracket, with some worth more than \$1 million).

Salt sees Sarina as a beneficiary of the wealth pouring out of the Bowen Basin.

He says: "Sarina keeps popping up as a popular sea change destination. I see it as an opportunity for investors because the demand at Sarina is driven by blue-collar workers who have made very good money in the mining industry. The wealth cascades out of the Bowen Basin into places like Mackay and on to places like Sarina."

"The demand for beach property in Sarina is connected to the short to medium-term outlook for the Bowen Basin coal mining industry – and given the strength of demand from China, this is only going to accelerate over the next 10 years."



ESPERANCE, WESTERN AUSTRALIA

Esperance isn't a mining town but it's both a port and holiday destination for significant mining operations. This town of about 14,000 people is on the south coast halfway between Albany and the South Australia border.

The economy of Esperance is based on tourism, agriculture and fishing. It also has WA's only port in the southeast, which underwent a \$55 million upgrade in 2002, creating one of the deepest ports in southern Australia. Exports through there last year included 5.3 million tonnes of metal from the Koolyanobbing iron ore mine. Port activity will jump once BHP Billiton's new \$1.5 billion mine at Ravensthorpe, about 150 km west of Esperance, begins production late in 2007.

Esperance is eight hours' drive from Perth but it thrives on its proximity to the goldfields mining town of Kalgoorlie.

Salt says: "It's the nearest seaside town to Kalgoorlie and if you've worked hard in the mines you might have a holiday house there or you might retire down there."

Gavin Hegney, chairman of Perth-based Hegney Property Group, suggests Esperance is a good way to invest in the commodities boom out of Kalgoorlie.

"People who make money in Kalgoorlie tend to invest down at Esperance, which has very pretty beaches and a series of offshore islands," he says.

According to APM, Esperance recorded a median house price of \$280,000 in the year to April.

Kalgoorlie, 600 km east of Perth, is a community of 30,000 in WA's Eastern Goldfields where mining continues to be the main industry and employment creator. About 5800 people are employed in the Goldfields mining industry.

Kalgoorlie is projected to grow to 43,000 people in the next 12 or so years, a rise of 36 per cent, while Esperance is expected to increase its population from 13,500 to around 17,000 (a rise of 28 per cent).

Case study 4: urban renewal, lifestyle features, the stayers



HONEYSUCKLE, NEWCASTLE, NSW

The Honeysuckle project has been redeveloping 50 ha of derelict government land along Newcastle Harbour since the early '90s, creating waterside residential, commercial and

entertainment precincts. More than \$300 million in projects are completed and a further \$465 million in development work is under way. The Honeysuckle Development Corporation claims \$2 billion is being injected into the Hunter Region economy over the 20-year life of the project, with more than 8000 jobs created.

The project has restored historic buildings, built a bridge and a bus interchange, and created parkland and promenades.

Corporation general manager Craig Norman says 1500 people now call Honeysuckle home and that it's the workplace for 2000 people. Pricewaterhouse Coopers, Telstra Country Wide and numerous government departments have offices there.

While the Newcastle property market has slowed generally, Honeysuckle has continued to thrive, having the advantage of water frontage and also being part of the Newcastle CBD.

"There's something about harbourside living that people love," says communications manager Charnelle Mondy. "Harbourside dining is such a new thing in Newcastle and people want to be part of the action. The apartments which open out on to the promenade and the water are very popular places to invest."

Guy Robinson of Robinson Property says virtually all the residential product created in the development over the past six years has sold out off-the-plan. Apartments sold in 2000 and in 2001 are now achieving re-sales close to double their original prices.



COOGEE AREA, WESTERN AUSTRALIA

Coogee, south of Fremantle, has been a good performer recently – but an urban renewal project planned for this noxious industry area will take it to a new level.

About 20 km south of the Perth CBD, Coogee has taken some time to shrug off the stigma of nearby heavy industry. But Coogee's popularity is growing on the back of its coastal setting and proximity to Fremantle. There's been extensive renovation or reconstruction of older housing stock in the suburb.

The new Port Coogee marina and residential development will transform an eyesore area and boost nearby suburbs. The proposed development will be on 55 coastal ha and about 20 ha of seabed on Cockburn Sound.

The \$700 million development by Australand will rehabilitate the contaminated land and turn it into a residential estate with 700 houses, 330 marina berths and a small hotel. The first dirt was turned on the site in February 2006 and the sales campaign was due to start in October 2006.

Price levels are already high in Coogee (the median is above \$600,000) – and the suburb ranks as one with a high degree of consistency in value growth. The suburb's price growth last year, its five-year growth average and its 15-year average are all 15 per cent to 16 per cent.

A further boost to the region is the upgrade to South Beach, a little further north at South Fremantle. There's likely to be a 'ripple effect', boosting neighbouring suburbs like Hamilton Hill and Spearwood. Both have median prices under \$350,000

and have only recently started to show the kind of growth evident in Perth generally.

Hamilton Hill has ageing housing stock which is ripe for refurbishment or duplex development. It also has a government-sponsored 'New Living' urban renewal program happening.

Buyers agent Liz Sterzel of Property Wizards says Coogee, Spearwood and Hamilton Hill all offer opportunities to investors.

"These areas are relatively close to the CBD, are undergoing various government upgrades and refurbishments, are close to the vibrant restaurant strip in Fremantle and will benefit from the Perth to Mandurah rail line, which will cut travelling times to the city," Sterzel says.



WEST END, QUEENSLAND

The hallmark of a hotspot is having more than one decisive influence. The West End precinct, about 3 km from the Brisbane CBD, has four 'creator categories' working for it.

Lifestyle features, urban renewal and government decisions are all immediate influences on this market, and once the Brisbane residential market moves into a recovery phase, the ripple effect will also impact on West End.

This inner-city precinct sits beside South Brisbane – home of the South Bank Parklands, the Queensland Cultural Centre and the Brisbane Convention and Exhibition Centre.

West End is a "peninsula" suburb, with the Brisbane River wrapping around it, so it's affected by one of the greatest wealth creators in real estate – water. Increasingly, riverfront land occupied by industrial uses is being converted to residential.

PRDnationwide's Tim Lawless says: "The Urban Renewal Task Force is currently active in West End, providing direction for the transformation of industrial land. The industrial precincts along the river are being successfully redeveloped, as are key sites around the suburb. Unit prices in the area are still relatively low and we believe there's room for upward movement."

West End is also the subject of a traffic study to ease traffic congestion (plans include the proposed Hale Street link to connect South Brisbane/West End with Milton on the other side of the river) and a Suburban Centre Improvement Project by the Brisbane City Council is targeted on Boundary Road, a popular destination for shopping and dining.

One sign of West End's transformation as a more residential precinct is plans for a \$250 million "urban village" on the border between South Bank (where major residential development is well established) and West End.

Also in this neighbourhood is a \$550 million redevelopment of the Southbank Institute complex and the Millennium Arts Project, which will include a new Queensland Gallery of Modern Art and a redevelopment of the State Library. The Pradella Group has announced plans for an \$80 million riverside unit building in West End.

Typical West End houses now cost around \$500,000. Like everywhere in southeast Queensland, West End saw strong price growth after 2000. But the suburb hasn't yet fulfilled its potential and its growth rate has been lower than city averages. And recently the median price has declined.

'Now' hotspots – and ones most likely to be next

KEY INFLUENCES	NOW	NEXT
Sea change, lifestyle features, transport infrastructure	Mandurah, Western Australia	Yamba to Ballina, New South Wales Lorne & the Surf Coast, Victoria
Boom towns, ugly ducklings	Chinchilla, Queensland	Newman, Western Australia Ravensthorpe, Western Australia
Boom towns, sea change	Karratha, Western Australia	Sarina, Queensland Esperance, Western Australia
Urban renewal, lifestyle features, the stayers	Newcastle, New South Wales	Coogee precinct, Western Australia West End, Queensland
Ugly ducklings, transport infrastructure, government decisions	Armadale, Western Australia	Frankston, Victoria Beenleigh, Queensland

West End is a place where a lot of people rent, because it's handy to the city and also to the University of Queensland. Nearly 60 per cent of households are renters. More than half of dwellings are units and townhouses.

Case study 5: ugly ducklings, transport infrastructure, government decisions



ARMADALE, WESTERN AUSTRALIA

Armadale, 25 km southeast of the Perth CBD, is one of those ugly duckling places most people reject as down-market. As investor, adviser and author Margaret Lomas puts it, it's "on the nose".

Or it used to be that way. In the past year or so, Armadale has begun a major evolution.

Lomas sees it as an area of considerable potential. So much so that she bought an investment property there, well ahead of the pack now descending on Armadale and neighbouring suburbs such as Brookdale and Forrestdale. In 2003, she paid \$120,000 for a four-bedroom, two-bathroom house on a large block of land. She believed there would be major impacts from the extension of the Kwinana Freeway south from Perth and from government spending on schools and shopping precincts. The area had solid housing stock and a strong content of working class people wanting to buy and renovate homes.

"We knew all these things before we bought there," Lomas says. "We knew this area would get a better profile over time."

The \$120,000 home was valued last year at \$190,000 – a 58 per cent increase in two years – and was fetching \$175 per week in rent. More recently, because of the land size, Lomas was able to build a second dwelling for an extra \$115,000 – and now has a property worth around \$400,000.

Armadale property values grew 22 per cent in 2005 but the suburb still had a median house price of only \$170,000.

Data for March 2006 shows that growth has continued, with

Armadale's median price now \$186,500. In the year to March 2006, Armadale recorded 460 house sales, placing it in Perth's top 10 for property turnover.

The suburb is being revitalised by the Armadale Redevelopment Authority, appointed by the WA Government in 2002.

Plans include expansion of two Armadale shopping centres at a cost of \$115 million, an international rowing course and a 180-ha business park at nearby Forrestdale.

Brookdale, immediately south of Armadale, is another affordable suburb, with a median house price of \$190,000 in the year to April, despite values growing an average 17 per cent a year over the past five years. Forrestdale, west of Armadale, with a median price around \$290,000, is more expensive than Armadale.



BEENLEIGH, QUEENSLAND

Beenleigh is the kind of place everyone has been through rather than to, because it's on the way to somewhere – but not a destination in itself. It's also the kind of place that's worth a serious look by property investors.

The area may not be exciting, but short-term value growth may be. The Beenleigh precinct – including Mt Warren Park, Eagleby, Stapleton and Ormeau – will be examined increasingly by homebuyers faced with affordability issues. None of these suburbs is fashionable but they are affordable – and, in terms of location, they have a lot going for them.

Beenleigh is a strategic location. It's on the Pacific Motorway midway between the Brisbane CBD and the Gold Coast. It's close to Yatala, a leading employment node. The Logan Motorway from the west links with the north-south Pacific Motorway near Beenleigh. It also has the Beaudesert-Beenleigh Road link to Beaudesert Shire, a designated future growth area.

It's an area with good shopping facilities, plenty of schools and colleges, lots of parks and three golf courses.

Valuer LandMark White says Beenleigh has long been undervalued. But now major developers like Delfin Lend Lease are moving into the area. Immediately west of Beenleigh are Holmview, Waterford and Bahrs Scrub, which are the site of new large-scale development.

At Ormeau, developer Stockland is constructing the Jacobs Ridge estate, which will have more than 1000 homes, while Bunnings is opening a trade centre nearby at Yatala.

The Loganholme/Slacks Creek area is increasingly being targeted for major retail development including a \$150 million Ikea superstore, a \$100 million bulky goods complex and extensions to the Logan Hyperdome.

Lomas says councils are spending more in this precinct on community infrastructure and beautification.

"The corridor is closing rapidly and it all augurs well for the future," she says. "We have already seen considerable movement in prices and there's a lot more to come."

Lomas owns property at Woodridge, a little north of Beenleigh, and at Mt Warren Park, immediately south of it. She regards Mt Warren Park as a suburb moving ahead faster than others nearby. Modest units in Beenleigh, Mt Warren Park and Eagleby can be bought in the \$120,000 to \$150,000 range, sometimes providing returns in the 6 to 7 per cent range. APM says the median house price for the various suburbs in the precinct last year was \$236,000 for Beenleigh (up 10 per cent), \$188,000 in Eagleby (up 3 per cent), \$262,000 in Edens Landing (up 7 per cent), \$240,000 at Holmview (up 8 per cent), \$266,000 in Mt Warren Park (up 1 per cent) and \$310,000 in Windaroo (up 2 per cent).



FRANKSTON, VICTORIA

Frankston in Melbourne's south is bayside, the new EastLink motorway ends there and there's considerable government money being spent on renewal. But its median price remains under \$240,000. The Frankston area is a classic ugly duckling. It has a reputation for lower socio-economic residents and higher crime rates. But it's an area undergoing transformation. Investors

are just starting to wake up to the potential of this area and the impact the \$2.5 billion EastLink will have when completed in 2008. According to Real Estate Institute of Victoria figures, Frankston had Melbourne's highest number of home sales in the three months to April. And according to the Housing Industry Association, postcode 3199 (which includes Frankston and Frankston South) has become one of Melbourne's most favoured locations for first homebuyers.

The area has million-dollar homes along the beachfront, but a little back from the water houses are very affordable. A typical Frankston purchase these days is a three-bedroom, two-bathroom brick home for around \$245,000. Older brick homes can be considerably cheaper and three-bedroom weatherboard cottages can be as low as \$200,000. Frankston North is cheaper still, with virtually all houses recently for sale asking well under \$200,000, with rental returns in the 5 to 6 per cent range.

\$12 million is allocated under the Melbourne 2030 Transit Cities initiative to be spent on Frankston's commercial centre. The ongoing Frankston Foreshore Development by Frankston City Council has, to date, included boardwalks, playgrounds, parklands, a lifesaving club, a kiosk-restaurant and the multi-stage Frankston Pier development. ■

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