

Dissolving the mystery of market cycles

Can we find high growth property regardless of overall market conditions?

For the majority of investors, property is seen as a long term investment. When it comes to researching markets, New Projects Australia aims to achieve two things: 1. long term reliable capital growth, and 2. above average rates of capital growth in the first 1-3 years for the investor. The question is: is this achievable on a consistent basis?

Of course, we cannot predict the future performance of any particular area. However, we can use past history, research and logic to give ourselves the best chance of beating the average and maximising property growth in the early years.

Here is an insight into some of the historical considerations to take into account in sourcing high growth property markets.

The last major housing slump occurred between 1989 and 1994. During this time, the residential property market grew by only about 7.2% total over this five year period. This represents an annual growth rate of 1.4% per year through this period.

However during this period, some individual markets performed better than this, whilst others performed worse. The result was an overall flat market. In Brisbane for example the market was more positive than the average. Over the same period of 1989 - 1994, Brisbane grew by 39%, which represents an annual growth rate of 6.81%.

So, in answering the question of whether or not growth markets exist through all phases of the overall property cycle, the answer is: yes. The only remaining question then becomes: how do we identify which property types and markets will achieve this early growth for us?

This is where we will ask ourselves the important questions about each market we are studying. For example, where is the market in its cycle? Is the market relatively cheap or expensive? Do favourable supply and demand pressures exist?

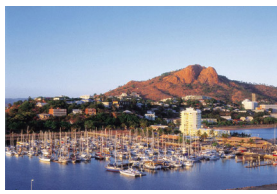
Using our knowledge of property market fundamentals such as cycles, population growth and dwelling approvals, we are able to seek out and position ourselves into growth markets. Regardless of the overall picture, we can still give ourselves a high probability of early capital growth in our property investments.

We now need to underpin this research with sound risk management strategies such as market diversification (See April newsletter). Knowing all the rules of the game will also allow us to minimise risk. This will ensure that our portfolio is robust and resistant to whatever the future may throw at us.

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Sydney	28%	23%	8%	-2%	3%	8%	7%
Brisbane	-1%	19%	18%	3%	6%	4%	4%
Melbourne	4%	10%	10%	5%	12%	22%	13%
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Sydney	8%	21%	31%	2%	-1%	2%	4%
Brisbane	10%	10%	20%	9%	9%	8%	6%
Melbourne	9%	12%	27%	5%	-7%	0%	3%
	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Sydney	4%	9%	2%	8%	12%	8%	13%
Brisbane	4%	3%	-1%	2%	4%	4%	4%
Melbourne	2%	3%	0%	5%	11%	8%	13%
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Sydney	6%	15%	20%	16%	-4%	-3%	0%
Brisbane	5%	16%	21%	30%	4%	5%	8%
Melbourne	8%	18%	14%	12%	3%	4%	6%
	<u>Yrs to</u>						
	<u>Average</u>	<u>double</u>					
Sydney	9.0%	8					
Brisbane	8.4%	8.5					
Melbourne	8.3%	8.5					

The above table provides an insight into the cyclical nature of the property market.

Written by Simon Newman
NPA Toowoomba



A Reminder about our free monthly seminar

Learn the Steps to Successful Property Investment

- Which properties to invest in
- Should I buy new or old?
- How to maximise capital growth
- Pay off your mortgage years earlier
- Debt reduction strategies
- Best finance options
- Where to invest
- Why location is so important
- Where NOT to invest
- How to maximise negative gearing
- How to receive tax benefits in your pay
- Whose name to put on the contract



Our Seminars are located throughout Australia the dates for January are as follows:

Townsville: 12/01/09

Melbourne: 14/01/09

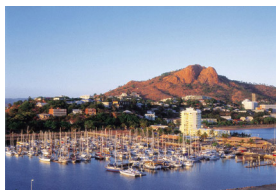
Gold Coast: 19/01/09

Brisbane: 20/01/09

Ipswich: 21/01/09

Toowoomba: 22/01/09

**For any information on the seminar dates and times please call Sarah on 1300 429 040
or e-mail any questions you have to info@newprojectsaustralia.com.au**



New Regional Locations for New Projects Australia-Ipswich and Gold Coast

New Projects Australia is proud to announce the commencement of 2 new Regional Offices at Ipswich and the Gold Coast. These Regions are two of the most dynamic growth areas of Queensland and as an integral part of the South East Queensland growth corridors they will offer opportunities for New Projects Australia clients to gain early entry into these dynamic areas of potential.

Our Team is made up of two of our long time Associates of New Projects Australia, Wayne Taylor and Heather Taylor.

Wayne Taylor is a licensed real estate agent and has a career in Real Estate spanning 4 decades having owned and operated his own Real Estate Offices in the Eastern Suburbs of Melbourne. Wayne has been an Agent of major Real Estate franchises including Ray White, Raine and Horne and RE/MAX specialising in Investment Sales and Development.

Wayne's experience in providing specialist services to Investors in general Real Estate has equipped him with the knowledge and desire to assist clients of New Projects Australia in these dynamic and exciting regions of Australia's premier tourist area of Gold Coast and Ipswich, the fastest growing population base in South East Queensland. Wayne is an experienced property investor and has been an associate of Craig Whaley and New Projects Australia since 2001. He brings his knowledge and experience, and the holistic approach of New Projects Australia, to the benefit of his existing and new clients.

Heather Taylor

Heather brings to New Projects Australia - Ipswich and the Gold Coast, a wonderful array of experience from her background of Real Estate Project Marketing and Mortgage Broking. Heather has also created and operated her own Businesses ranging from Distribution to Business Administration.

Heather, a Property Investor in her own right, has a dual role as Property Investment Consultant and Administration Manager for these two dynamic growth regions. She will assist clients with all facets of the property investment and learning process, including early identification and entry to growth properties through to completion of your investment process and portfolio management.

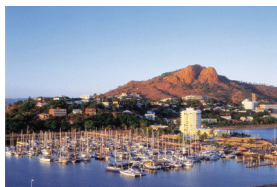
For Further information on Ipswich and The Gold Coast please visit our web site www.newprojectsaustralia.com.au and navigate from Regions to Ipswich and Gold Coast. Also ensure that you check out the Investor News Sections for these dynamic regions.



Heather
Taylor



Wayne
Taylor



Article of the Month

Four NPA investment areas make the Annual API top 100 investment hotspots

Courtesy of the Australian Property Investor November 2008 issue.

Note that average growth rate across last year's hot 100 list was 12.4%.

Caboolture

Median Price: \$305,000

Population: 132,000

Location: Outer North Brisbane

Caboolture and Morayfield on the northern outskirts of Brisbane have seen strong population growth over the past few decades, growing into regional centres for commerce and industry, Andrew Donnelly says.

And he believes developments afoot in the area will lead to further property price growth.

"Infrastructure upgrades to rail and road that have recently been completed or are underway have improved accessibility to Brisbane and the Sunshine Coast, as well as improved commercial efficiencies, such as better and faster freight connections", Donnelly says.

"It can be expected that strong job creation and economic growth coupled with a heightened level of population growth will underpin demand in the residential markets of the interior Caboolture region, while urban renewal and large-scale development in and around Deception Bay will likely lead to a spike in values within the region's waterfront corridor."

Ipswich

Median Price: \$320,000

Population: 140,000

Location: West of Brisbane

Often described as Brisbane's Parramatta, Ipswich has experienced very strong population and property growth over recent years.

Andrew Donnelly predicts it still has "exceptional short-term growth potential".

"There is arguably no other region in the country that has experienced such growth on all levels," Donnelly says, "and with each year of multifaceted growth Ipswich further establishes itself as the secondary centre of business and industry in Southern Queensland."

Donnelly says an ongoing \$285 million expansion of the nearby Amberley RAAF base will create thousands of extra jobs in the area.

Toowoomba

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Median Price: \$263,000

Population: 95,000

Location: Southern Queensland

Sound population growth and a low unemployment rate are the fundamentals underpinning Toowoomba's economy and property market.

But what sets the city apart and puts it in Hot 100 contention, according to Herron Todd White, is the resources boom.

"Toowoomba is poised to see solid growth on the back of the emerging and quickly developing energy and mining industry occurring to the west from Felton coal mine to the Jackson oil and gas fields," it says.

Proposed developments in the region include: doubling the number of gas wells, with the region expected to provide up to 20 percent of Queensland's gas needs by 2009; construction of a \$7 billion LNG pipeline to Gladstone; and development of up to 13 coal mines, plus expansion of existing mines.

Herron Todd White says the fact that the State Government has secured Toowoomba's previously uncertain water supply has also created a more confident investment environment.

Thuringowa

Median Price: \$344,000

Population: 72,000

Location: North Queensland

Thuringowa is a satellite city just outside Townsville and under recent council amalgamations was drawn into the Townsville local government area.

Cameron Kusher says the combined region has "arguably the most diversified regional economy in Australia", a fact that should "underpin population growth, which will create ongoing demand for housing in the region".

Kusher notes Thuringowa has been experiencing stronger population growth than Townsville and it has more affordable property.