RAY WHITE **NOW**

AUGUST 2021

REAL-TIME PROPERTY MARKET INSIGHTS

MARKET UPDATE

Buying and selling is tricky in lockdown and over the past month we have seen a series of lockdowns rolling across Sydney, Brisbane, Melbourne and Adelaide. The good news is that it's now easier to transact in this environment and we have seen great takeup across our network of sellers moving to online auctions and virtual inspections. Pleasingly almost all have achieved sale prices far above the highest prior offer - an indication of both a hot market, as well as the adaptability of the selling process.

The past 12 months has been a record for our real estate family, achieving $74.245 billion worth of sales in total, something we certainly didn't anticipate at the beginning of the pandemic. In July alone, we helped almost 8,000 families sell their homes, around 250 per day. Our group sold $7.1 billion worth of property in July, it was in fact our best July ever recorded, illustrating both strong and synchronised buyer demand across Australia and New Zealand.

We continue to be the real estate agency that more people choose, selling one in eight homes across Australasia. Our analysis into auctions has shown this method achieves the best price, on average a 10 per cent uplift above the highest prior offer before going to auction. With this occurring no matter the market conditions, is one of the reasons why one in five auctions are conducted by our members.

While market conditions remain strong, the good news is that sellers are still active, although we have recently seen a dip in the number of properties for sale as a result of lockdowns. From our analysis as to what happened in Melbourne last year following Victoria's 15 week lockdown, we are confident that not only will we see a quick return of new listings to market once restrictions ease, sellers that do decide to come to market now will benefit from extraordinary buyer interest. With interest rates continuing to remain low, and strong economic conditions, it's certainly looking like our customers will continue to experience a strong market.

Dan White
Managing Director
Ray White

THIS MONTH IN **RAY WHITE NOW**

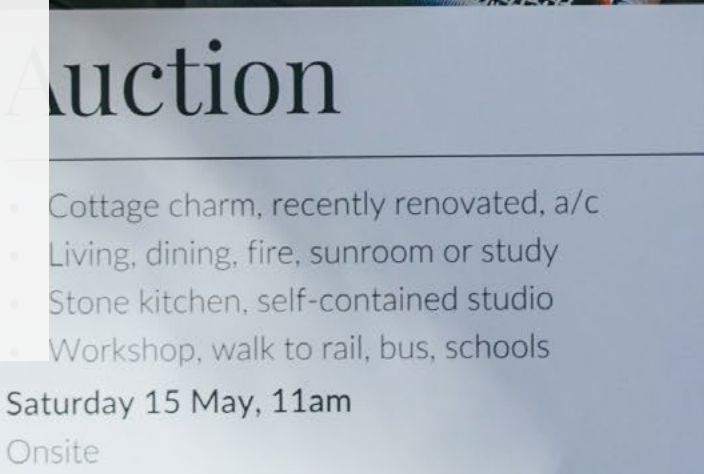
Will a house price boom end because it has been going on too long? It's unusual for strong increases in pricing to just run out of steam. Usually something happens that slows it down, or in more drastic cases, cause prices to tumble. Historically, this has included interest rate increases, heavy restrictions to finance or the end of a mining boom. This month, we take a look at what could break the boom and the likelihood of this happening in the near future.

Meanwhile investors are back with a sharp rise in housing finance for this group since the start of the year. Is it a good time to be an investor? And if you are, where are some places worth looking for your investment?

As a long time fan of Byron Bay, but sadly not a long time investor in the region, I take a look at where could potentially be the next Byron Bay by using a data-led approach. While more scientific than simply picking my favourite beach town, it does beg the question - is Byron Bay unique? Or could the incredible increase in popularity and subsequently pricing be replicated elsewhere.

Finally, our Head of Commercial Research, Vanessa Rader, takes a look at investing in a childcare centre. What should you look for when making the investment? And are there any pitfalls in purchasing this property type?

Nerida Conisbee
Chief Economist
Ray White



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WHAT COULD BUST THE BOOM?

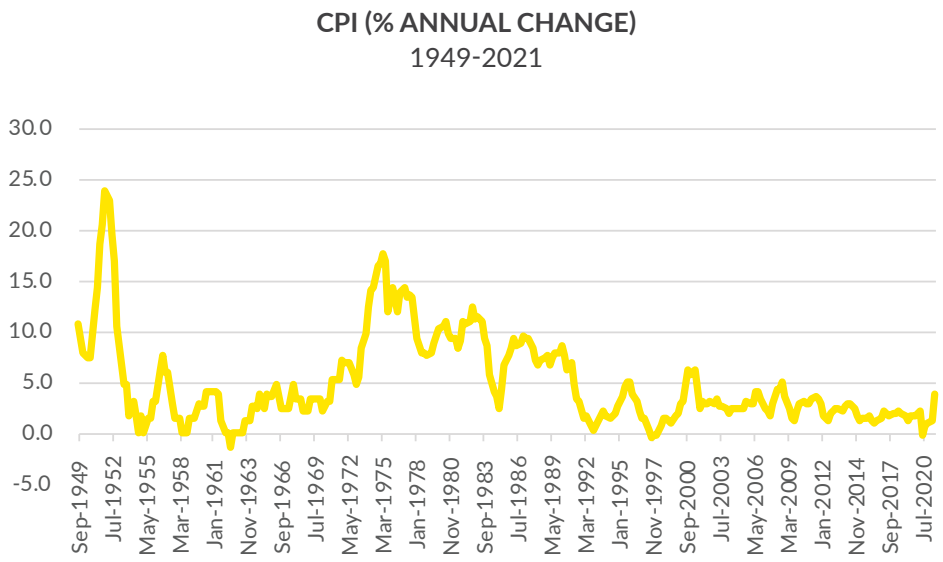
While all economic data is still overwhelmingly positive, a series of lockdowns over the past month has reminded us that conditions are still far from normal. With house price growth across Australia still running red hot, what could break the boom?

1. Interest rate rises

Housing markets are sensitive to the cost of finance. More particularly, the more expensive the city, the greater sensitivity to what happens to interest rates. This is why we tend to see Sydney move more closely with interest rate changes, compared to Perth, for example, which moves with the commodities cycle. Smaller regional areas are also less sensitive and are more in line with local economic conditions and population growth.

Interest rates will rise at some point and this is why the recent release of the June quarter's inflation rate was so important. It was no surprise that inflation moved past the Reserve Bank of Australia's (RBA's) inflation target of two to three per cent and hit 3.8 per cent. For now, this is certainly not a cause for alarm - most of the increase reflects that in the June quarter last year, childcare became free for many people and fuel costs reduced dramatically.

Added to this were more normal conditions and this meant people spent more. We are also seeing employment shortages in some parts of the economy as a result of negative overseas migration and this is pushing up wages. Problems with global supply chains are pushing up the prices of some imported products. All of these lead to inflation.



Source: ABS, Ray White

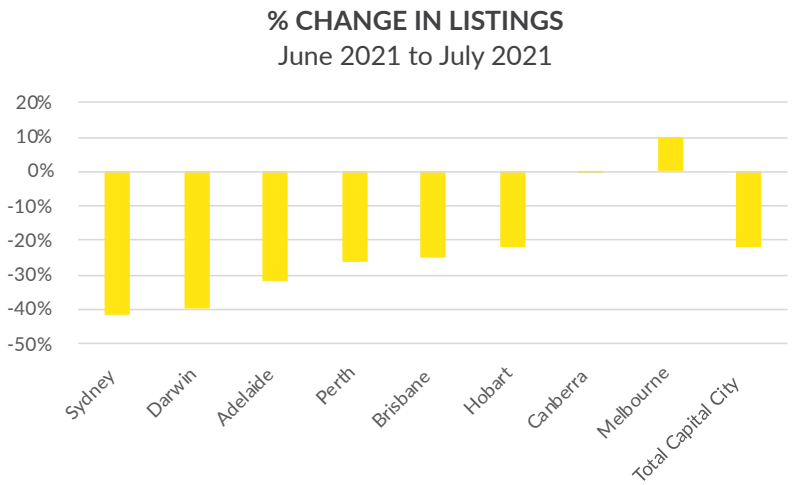
As to how soon the RBA moves on interest rates will depend on whether inflation remains stubbornly high. Best case, inflation will start to come down as the economy continues to open up again and interest rates don't move for some time. Worst case, we see interest rates move upwards quickly over a short time period.

2. Continued lockdowns

While lockdowns are annoying, they don't seem to be having much of a negative impact on house prices, particularly compared to what happened in 2020 in Melbourne. There are a number of reasons for this.

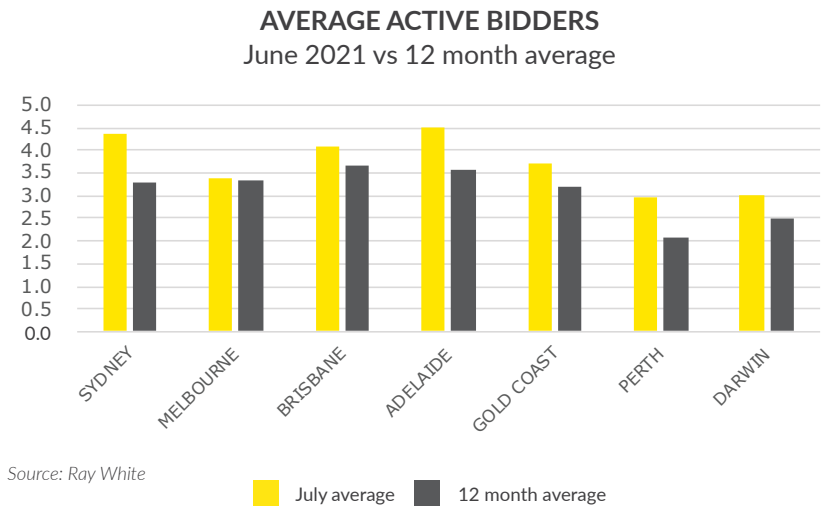
The first is that we are now in a very fast moving economy and house prices are moving quickly upwards. Prior to the July lockdowns, the number of properties for sale was increasing and early winter was the strongest on record for this metric. This increase in properties for sale was helping to calm price growth. The challenges with inspecting and selling properties as a result of lockdowns has put a hand brake on properties for sale.

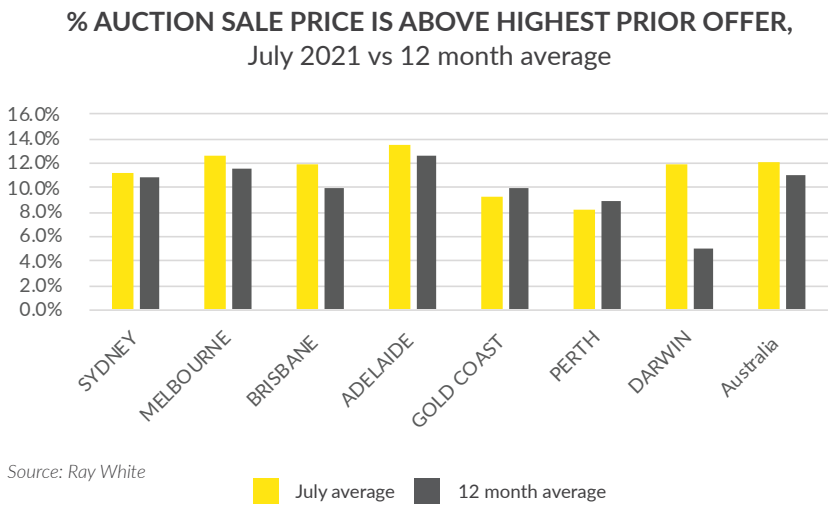
The only city to see an increase in new listings was Melbourne but that was because that city also had a lockdown in June which had a bigger impact on listings than the July lockdown. Surprisingly, we saw a drop in cities not even impacted by lockdowns, perhaps driven by lower winter activity, or more negatively, a change in sentiment amongst sellers.



Source: Ray White
Note: Includes all listings across all agencies

Meanwhile, although properties for sale are trending downwards, the level of buyer activity continues to be strong. Across Australia, we are seeing very high levels of active bidders at auction, averaging 3.6 compared to the 12 month average of 3.3.





The second is that there is now a higher level of confidence that we will get out of these lockdowns at some stage. Although the vaccination program is moving far slower than many of us would like, it's different to last year's Melbourne lockdown where there was no guarantee that a vaccine would ever be available.

The third is that government support is now more appropriately targeted to those who need it. In 2020, we saw very low levels of investor activity because of the impact of lockdowns on renters, rental levels and landlords. Most recently in New South Wales, rental support was given to renters impacted by job loss but this was offset by support also given to impacted investors.

The fourth is that unemployment continues to decline, despite lockdowns. Although there are some parts of the economy that continue to be negatively impacted such as hospitality and education, overall unemployment is at a far lower level than was expected at the start of the year.

3. Fortress Australia

Locking international borders kept us safe and allowed us to live more normally than elsewhere around the world. This resulted in our economy bouncing back more quickly and in the March quarter, we were the first country to get back to pre-COVID-19 level of our Gross Domestic Product.

While this has been the case, it's going to start to become more problematic, particularly now as the rest of the world opens up.

The biggest impact is on unemployment. While it's great news that this is trending down, it's moving down more quickly because we are now allowing international migration. This is having an impact on wage levels in some sectors, adding to the cost of running a business. At some point, it will impact inflation and if strong enough, could lead to a rapid rise in interest rates.

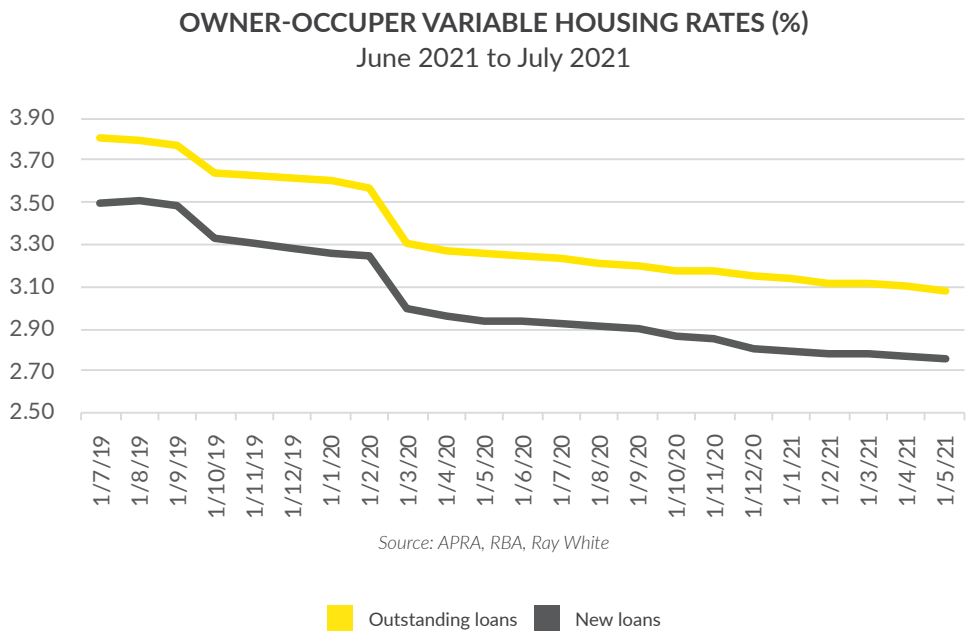
At a more localised level, the impact on the education sector is particularly negative. Education is Victoria's number one export and hence economic growth for the state is currently being heavily impacted. Local economies around universities would also be seeing a dramatic decline in activity.

Zero migration also isn't having the positive impact some would expect on affordability levels. House prices right now are being driven largely by high savings rates, rising wealth and low interest rates. Longer term, a declining population should theoretically lead to cheaper housing, evidence from ageing low migration countries shows that people tend to buy in bigger cities, continuing to put pressure on house prices in these areas, while there is a dramatic decline in values in less desirable locations.

4. Increasing mortgage rates or restricting finance

Even if the RBA doesn't move on the cash rate any time soon, mortgage rates are already starting to creep up for fixed rates although variable rates continue to decline. This is likely due to the highly competitive mortgage market - even though demand for finance is very strong, it would be hard for a finance provider to increase their mortgage rates without having a significant impact on market share.

While competition should keep mortgage rates low, it's possible that the Australian Prudential Regulatory Authority (APRA) will start to look at ways to restrict lending. This could be through greater stress testing of borrowers, restrictions to loan to value ratios or increased eligibility criteria. Depending how extreme this is, it could have a sizeable impact on house prices.



5. Mining and agriculture slowdown

Iron ore pricing continues to hit record highs and May saw a record $12.3 billion worth exported to China alone. Meanwhile, Australia's agricultural sector continues to boom. Australian farmgate production is on track for a record-breaking $66.3 billion year, driven by higher beef, wool and dairy exports, as well as a sharp recovery in cotton exports.

The impact on property markets is targeted. Iron ore is leading to strong conditions in the Western Australia and Perth markets while good news for agriculture is leading to some strong conditions in a number of small regional towns. Agricultural towns such as Finley in New South Wales, Merredin in Western Australia and Heyfield in Victoria have all achieved more than 40 per cent house price growth over the past 12 months.

An end to these strong mining and agricultural conditions would slow down local economies that rely on them. For now however, the rapid recovery in global economic conditions suggests that this will not occur any time soon.

STATE OF THE STATES – WHAT IS THE STATE OF THE INVESTOR MARKET?

Is now a good time to be a property investor? If you take a look at ABS finance data, it certainly seems investors are particularly buoyant right now and the increase in new loan commitments has been particularly rapid.

In May 2020, investor lending hit its lowest level ever recorded, plunging even further from the low levels recorded during the Financial Services Royal Commission. At this time, there were a lot of troubling conditions for investors - prices were falling, rents were falling and there was a six month eviction freeze for tenants. Investing in housing didn't seem like a particularly good idea.

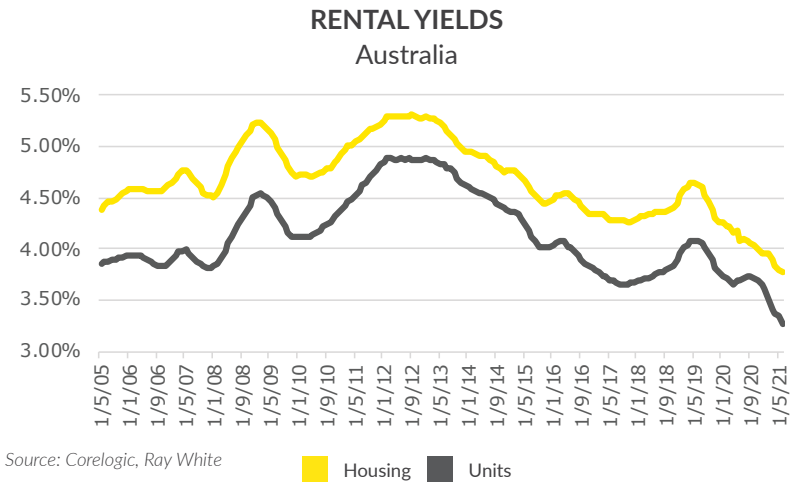
House prices, of course, turned around very quickly, rents began to recover and we are now in a situation where investing in housing is again in favour. Across Australia, prices jump 13.5 per cent and rents are up 6.6 per cent. There are only 59 suburbs (1.2 per cent of suburbs with house medians) that are recording house price declines and only 26 suburbs (1.4 per cent of suburbs with unit medians) that are recording unit price declines.

Also in favour for investors are the same conditions that have been driving owner occupiers. Very low interest rates, relatively easy access to finance and high savings rates. Investor lending is now 9.4 per cent below the 2014 peak but has more than doubled over the past 12 months.

While Australian investors are back, the same can not be said for offshore investors who were such major drivers of new development in the last investment surge between 2014 and 2016. Similarly, the types of purchases that investors are making seem to be different. High density off the plan developments are not as popular, instead replaced by outer suburban and regional areas.

What is consistent however is that investors are targeting capital growth, as opposed to rental yield. While prices have increased significantly, yields are now at record lows as prices continue to outpace rents.

Source: ABS Ray White



Source: Corelogic, Ray White

NEW SOUTH WALES

SYDNEY AND REGIONAL NEW SOUTH WALES - LOCKDOWNS LEADING TO PROPERTY SHORTAGES BUT FAIL TO STEM DEMAND

The big change from last month in New South Wales is of course the lockdown in Greater Sydney. For property, this has created a dramatic drop in properties available. Listings in July slumped 41 per cent compared to June. They are now below the number of listings we saw in 2020, although about the same as the 2019 level. More detailed data we have on auction listings show that people aren't withdrawing from the market, but rather holding off on decision making.

Meanwhile, although listings have dropped, active bidders at auction have hit particularly high levels and the gap between highest prior offer and price sold at auction remains high. This level of competition is likely to mean that prices are maintained. And once lockdown stops, we will ideally see a surge of listings entering the market.

For property investors, the biggest challenge right now is buying property. Listings are down so there are fewer available. Although it's still possible to inspect a property, limits are in place to restrict to just one person in the dwelling at a time. Auctions are still taking place but are online only. At this stage, there is still a lot of uncertainty as to when things will go back to normal.

Given that most investors tend to target properties priced under the median for that city and region, the following table details the best price growth suburbs in Sydney and regional New South Wales below the house price median. It's important to note that historical price growth is no indicator of future conditions however there are some interesting trends that could be considered:

1. Outer suburban and regional areas continue to see decent price growth conditions, consistent with people looking for more space, second homes and changes to the way that they work.

2. Sydney CBD unit market has come back, despite challenges for commercial property in this part of Sydney. More broadly, CBD residential markets have been considered one of the more COVID-19 impacted markets however there does seem to be a recovery in pricing.

3. Regional New South Wales is benefiting from great farming conditions (e.g. Finley), as well as lifestyle moves (e.g. Culburra Beach and Kingscliff).

HIGHEST PRICE GROWTH SUBURBS FOR INVESTORS - NEW SOUTH WALES AND SYDNEY

12 months to June 2021

SUBURB	REGION	TYPE	MEDIAN	% GROWTH
Sydney (highest price growth for homes under $1 million)				
Wentworth Falls	Outer Western Sydney	House	$825,000	27.9%
Sydney	Inner Sydney	Unit	$982,500	26.0%
Ettalong Beach	Central Coast	Unit	$700,000	25.0%
Umina Beach	Central Coast	Unit	$685,000	24.5%
Kogarah	St George-Sutherland	Unit	$780,000	23.8%
Regional NSW (highest price growth for homes under $600,000)				
Finley	Murray	House	$185,000	44.5%
Merewether	Hunter	Unit	$710,000	27.9%
Kingscliff	Richmond-Tweed	Unit	$735,000	25.1%
Moree	Northern	House	$242,500	34.0%
Culburra Beach	Illawarra	House	$736,000	33.8%

Source: Corelogic, Ray White

While investors typically don't target high yields, it can be useful to look at high yielding locations as they tend to be at cheaper price points. More negatively, they often don't achieve price growth that tracks the average.

In Sydney and regional New South Wales, the highest yielding suburbs tend to be in some of the lowest priced parts of the state. Broken Hill may now be more famous for its growing arts culture, as opposed to mining but homes are certainly affordable and particularly high yielding.

HIGHEST YIELDING SUBURBS WITH POSITIVE PRICE GROWTH FOR INVESTORS - NEW SOUTH WALES AND SYDNEY

12 months to June 2021

SUBURB	REGION	TYPE	YIELD	MEDIAN	% GROWTH
Sydney (highest yields for homes under $1 million)					
Warwick Farm	Fairfield-Liverpool	Unit	4.6%	$396,250	5.7%
Jamisontown	Outer Western Sydney	Unit	4.4%	$410,000	15.5%
Granville	Central Western Sydney	Unit	4.4%	$481,500	1.1%
Campbelltown	Outer South Western Sydney	Unit	4.4%	$460,000	4.5%
Ingleburn	Outer South Western Sydney	Unit	4.4%	$439,000	4.5%
Regional NSW (highest yields for homes under $600,000)					
Broken Hill	Far West	House	11.2%	$125,000	2.4%
Wellington	Central Macquarie (excl. Dubbo)	House	9.2%	$180,000	24.1%
Cobar	Upper Darling	House	9.2%	$152,500	1.7%

Source: Corelogic, Ray White

VICTORIA

MELBOURNE AND REGIONAL VICTORIA - JULY LOCKDOWN HAD LESS OF AN IMPACT THAN JUNE

It was such great news that Victoria has dodged New South Wales' high case numbers and the lockdown Melbourne experienced in July had less of an impact than the June lockdown. As a result, the number of properties for sale overall were up 10 per cent in July compared to the previous month. The lockdown did mean a short term drop in properties for sale in Victoria, particularly due to the heavy restrictions but the decline was shorter lived.

Even while the lockdown was in place, active bidders at auction hit particularly high levels and the gap between highest prior offer and price sold at auction remains high. This level of competition is likely to mean that prices are maintained. And now as conditions once again become more normal, properties for sale will continue to increase again.

Given most investors tend to target properties priced under the median for that city and region, the following table details the best price growth suburbs in Melbourne and regional Victoria below the house price median. It's important to note that historical price growth is no indicator of future conditions however there are some interesting trends that could be considered:

1. Unlike last year, price growth is moving to middle ring suburbs of Melbourne, particularly unit markets. This is likely due to emerging affordability challenges as a result of very high price growth since the start of the year.

2. Outer suburban areas continue to do well - people are still looking for more space.

3. Regional price growth areas continue to be a mix of lifestyle (e.g. Rutherglen), as well as areas benefiting from decent farming conditions.

HIGHEST PRICE GROWTH SUBURBS FOR INVESTORS - VICTORIA AND MELBOURNE

12 months to June 2021

SUBURB	REGION	TYPE	MEDIAN	% GROWTH
Melbourne (highest price growth for homes under $850,000)				
Bulleen	Eastern Middle Melbourne	Unit	$800,000	37.2%
Hadfield	Moreland City	Unit	$595,000	21.4%
Tootgarook	Mornington Peninsula Shire	House	$728,000	21.3%
Healesville	Yarra Ranges Shire Part A	House	$721,500	21.3%
Preston	Northern Middle Melbourne	Unit	$585,000	19.8%
Regional VIC (highest price growth for homes under $500,000)				
Wangaratta	West Ovens-Murray	Unit	$255,500	34.5%
Mirboo North	South Gippsland	House	$415,000	32.8%
Rutherglen	West Ovens-Murray	House	$362,500	31.8%
Yarrawonga	North Goulburn	House	$490,000	29.8%
Warracknabeal	North Wimmera	House	$155,000	29.2%

Source: Corelogic, Ray White

While investors typically don't target high yields, it can be useful to look at high yielding locations as they tend to be at cheaper price points. More negatively, they often don't achieve price growth that tracks the average.

In Melbourne and regional Victoria, the highest yielding suburbs tend to be in some of the lowest priced parts of the state. What is particularly interesting in this analysis is how high yielding university suburbs such as Carlton and Bundoora have become. Although this is likely due to big price declines we saw last year. Good news is that Carlton price declines in particular have reversed.

HIGHEST YIELDING SUBURBS WITH POSITIVE PRICE GROWTH FOR INVESTORS - VICTORIA AND MELBOURNE

12 months to June 2021

SUBURB	REGION	TYPE	YIELD	MEDIAN	% GROWTH
Melbourne (highest yields for homes under $850,000)					
Carlton	Inner Melbourne	Unit	4.8%	$398,888	17.3%
Bundoora	Northern Middle Melbourne	Unit	4.6%	$415,000	5.2%
Cranbourne	South Eastern Outer Melbourne	Unit	4.5%	$401,000	8.4%
Craigieburn	Hume City	Unit	4.5%	$405,000	8.7%
Sydenham	Western Melbourne	Unit	4.5%	$430,000	2.4%
Regional VIC (highest price growth for homes under $500,000)					
Warracknabeal	North Wimmera	House	7.9%	$155,000	29.2%
Nhill	North Wimmera	House	7.6%	$165,000	37.5%
Merbein	Mildura Rural City Part A	House	6.4%	$225,000	10.0%

Source: Corelogic, Ray White

QUEENSLAND

BRISBANE AND REGIONAL QUEENSLAND - MORE GREAT NEWS FOR THE SUNSHINE (GOLDEN) STATE

The good news continues for Queensland. Not only is the state seeing the strongest population growth in Australia, there was the July announcement of the Olympic Games in 2032. The Brisbane Olympics are estimated to contribute a $17.6 billion social and economic boost and will lead to considerable infrastructure spending for Brisbane, including $1 billion spent on the Brisbane Cricket Ground, commonly known as The Gabba.

This positivity of the announcement, as well as the infrastructure spending will be good news for Brisbane property and as further announcements are made, we will be able to get a better idea as to the geographic areas that will be most impacted. At the very least, more new housing will be developed than otherwise would - in both Melbourne and the Gold Coast considerable housing developed for athletes was subsequently converted to private housing.

For investors, the South East Queensland region does look particularly positive at the moment. Brisbane is still very affordable compared to Sydney and Melbourne so allows for a smaller deposit and loan. And although the region is lagging behind Sydney for price growth, it has not been hit by long lockdowns.

The latest lockdown in South East Queensland started on July 30, and yet properties for sale still declined over July by 25 per cent. Within our own group, listing authorities are still well above 2019 levels but now just on par 2020 levels. The biggest challenge for investors right now is finding a property for sale.

Given most investors tend to target properties priced under the median for that city and region, the following table details the best price growth suburbs in Brisbane and regional Queensland below the house price median. It's important to note that historical price growth is no indicator of future conditions however there are some interesting trends that could be considered:

- Some very affordable suburbs are seeing high price growth. This is likely in part due to strong population growth over the past 12 months.

- Many Northern Queensland towns are now seeing some particularly strong price growth. Strong mining and farming conditions have been positive for these areas. Keep in mind however these growth rates tend to be commodity price driven and can see significant swings in pricing as a result.

- The demand for second homes in South East Queensland remains strong and has been good news for the Gold Coast and Sunshine Coast across all price points.

HIGHEST PRICE GROWTH SUBURBS FOR INVESTORS - QUEENSLAND AND BRISBANE

12 months to June 2021

SUBURB	REGION	TYPE	MEDIAN	% GROWTH
Brisbane (highest price growth for homes under $650,000)				
Caboolture	Caboolture	Unit	$208,000	34.2%
Thorneside	Redland City	House	$671,000	26.0%
Windaroo	Logan City	House	$585,000	23.2%
Russell Island	Redland City	House	$240,000	23.1%
Ipswich	Ipswich City	House	$427,500	22.6%
Regional QLD (highest price growth for homes under $500,000)				
Charters Towers City	Northern SD Bal	House	$163,000	46.8%
Sarina	Mackay SD Bal	House	$375,000	30.2%
Allenstown	Rockhampton	House	$266,000	27.6%
Railway Estate	Townsville City Part A	House	$350,000	27.3%
Burleigh Waters	Gold Coast East	Unit	$492,000	27.0%

Source: Corelogic, Ray White

While investors typically don't target high yields, it can be useful to look at high yielding locations as they tend to be at cheaper price points. More negatively, they often don't achieve price growth that tracks the average.

Similarly to regional price growth, Northern Queensland is currently seeing some decent yields. Again, this is being driven primarily by decent mining and farming conditions.

HIGHEST YIELDING SUBURBS WITH POSITIVE PRICE GROWTH FOR INVESTORS - QUEENSLAND AND BRISBANE

12 months to June 2021

SUBURB	REGION	TYPE	YIELD	MEDIAN	% GROWTH
Brisbane (highest yields for homes under $650,000)					
Woodridge	Logan City	Unit	8.0%	$168,000	1.8%
Beenleigh	Logan City	Unit	7.5%	$195,000	0.0%
Caboolture	Caboolture	Unit	7.0%	$208,000	34.2%
Riverview	Ipswich City	House	5.9%	$250,000	4.2%
Brendale	Pine Rivers	Unit	6.7%	$271,750	1.7%
Regional QLD (highest yields for homes under $500,000)					
Woree	Cairns	Unit	10.3%	$136,000	8.8%
Home Hill	Northern SD Bal	House	9.3%	$140,000	24.4%
Ingham	Northern SD Bal	House	9.0%	$150,000	2.0%
Moranbah	Mackay SD Bal	House	8.1%	$287,500	12.7%
Charters Towers City	Northern SD Bal	House	7.7%	$163,000	46.8%

Source: Corelogic, Ray White

SOUTH AUSTRALIA

ADELAIDE AND SOUTH AUSTRALIA - SHORT, SHARP LOCKDOWN LEADS TO A DROP IN LISTINGS BUT IMPACTS LIKELY TO BE MINIMAL

Adelaide's lockdown was short and sharp but surprisingly led to a large decline in the number of properties for sale. The lockdown itself appeared to lead to a relatively large number of auctions being delayed, although for those that went ahead, active bidders remained particularly high and in fact were the highest in the country. Competition remains high for properties in Adelaide.

For investors, Adelaide is worth having a look.
It's affordable and it's possible to get a good quality home in a nice suburb for a competitive price. The city has been a good performer in terms of price growth and in many ways benefited from COVID-19, particularly changes to the way people work. The size of the city means it's hard to attract big employers, however if many employees have more freedom to live where they want, Australia's most liveable city appears to be a place that many choose to move to.

Given most investors tend to target properties priced under the median for that city and region, the following table details the best price growth suburbs in Adelaide and regional South Australia below the house price median. It's important to note historical price growth is no indicator of future conditions however there are some interesting trends that could be considered:

- Units in some of Adelaide's more expensive suburbs are doing well at the moment, perhaps driven by rising affordability challenges in housing markets and a subsequent shift by buyers to lower cost apartments.

- Mining is driving price growth in parts of regional South Australia. Topping the list for price growth for towns with a median under $300,000 is Risdon Park, a suburb of Port Pirie. The Whyalla region is also doing well.

- Agriculture is also doing well with Berri experiencing price growth of more than 20 per cent.
  Murray Bridge is also a strong performer.

HIGHEST PRICE GROWTH SUBURBS FOR INVESTORS - SOUTH AUSTRALIA AND ADELAIDE

12 months to June 2021

SUBURB	REGION	TYPE	MEDIAN	% GROWTH
Adelaide (highest price growth for homes under $550,000)				
Glenside	Eastern Adelaide	Unit	$510,450	56.5%
Kurralta Park	Western Adelaide	Unit	$403,500	40.8%
Salisbury	Northern Adelaide	Unit	$229,250	25.3%
Prospect	Eastern Adelaide	Unit	$432,000	19.0%
Magill	Eastern Adelaide	Unit	$433,000	17.8%
Regional SA(highest price growth for homes under $300,000)				
Risdon Park	Pirie	House	$173,550	38.8%
Berri	Riverland	House	$230,000	21.1%
Whyalla Stuart	Whyalla	House	$159,750	14.5%
Port Lincoln	Lincoln	Unit	$270,000	13.2%
Murray Bridge	Murray Mallee	House	$246,000	9.3%

Source: Corelogic, Ray White

While investors typically don't target high yields, it can be useful to look at high yielding locations as they tend to be at cheaper price points. More negatively, they often don't achieve price growth that tracks the average.

Almost consistently, the Elizabeths in northern Adelaide top the list for the highest capital city yields, currently well over six per cent. In regional South Australia, the strength of mining becomes even more pronounced.

HIGHEST YIELDING SUBURBS WITH POSITIVE PRICE GROWTH FOR INVESTORS - SOUTH AUSTRALIA AND ADELAIDE

12 months to June 2021

SUBURB	REGION	TYPE	YIELD	MEDIAN	% GROWTH
Adelaide (highest yields for homes under $550,000)					
Davoren Park	Northern Adelaide	House	7.9%	$175,500	1.7%
Elizabeth North	Northern Adelaide	House	7.5%	$180,000	14.6%
Elizabeth East	Northern Adelaide	House	6.9%	$218,505	8.4%
Elizabeth Downs	Northern Adelaide	House	6.8%	$210,000	16.7%
Elizabeth Park	Northern Adelaide	House	6.8%	$223,000	9.9%
Regional SA (highest yields for homes under $300,000)					
Whyalla Norrie	Whyalla	House	8.7%	$150,000	0.0%
Whyalla Stuart	Whyalla	House	7.3%	$159,750	14.5%
Port Pirie South	Pirie	House	6.2%	$190,000	1.3%
Berri	Riverland	House	6.0%	$230,000	21.1%
Risdon Park	Pirie	House	5.8%	$173,550	38.8%

Source: Corelogic, Ray White

WESTERN AUSTRALIA

PERTH AND WESTERN AUSTRALIA - THE GOOD TIMES CONTINUE TO ROLL

With iron ore pricing and exports continuing to hit new highs every month, and a low number of lockdowns, Perth and many parts of regional Western Australia continue to do well. House prices are still 12 per cent below the 2014 peak however rents are only one per cent down. The premium market in particular is doing well. The Local Government Areas of Cottesloe and Claremont are now seeing well over 15 per cent growth and prices are above their previous peak. Regionally, it's a mix of agricultural areas, mining towns and lifestyle locations that are doing well - these areas range from Merredin to Port Hedland to Esperance.

If you are interested in investing in Perth or Western Australia, you do need to be mindful of the commodities cycle with pricing moving far more closely with this than they do to interest rate changes. This applies not just to mining towns which have highly cyclical pricing but also to suburban Perth. Perth can go through periods of enormous price and rental growth, like it's doing now but historically, once mining conditions soften, so too does the property market.

Given most investors tend to target properties priced under the median for that city and region, the following table details the best price growth suburbs in Perth and regional Western Australia below the house price median. It is important to note historical price growth is no indicator of future conditions however there are some interesting trends that could be considered:

- The best performing Perth suburbs include a mix of premium unit markets, as well as houses in more outlying areas. Right now, most of Perth is seeing strong price growth.

- In regional areas, mining towns are currently dominating price growth.

HIGHEST PRICE GROWTH SUBURBS FOR INVESTORS - WESTERN AUSTRALIA AND PERTH

12 months to June 2021

SUBURB	REGION	TYPE	MEDIAN	% GROWTH
Perth (highest price growth for homes under $520,000)				
Joondalup	North Metropolitan	Unit	$395,000	33.0%
Medina	South West Metropolitan	House	$250,000	28.2%
Mosman Park	Central Metropolitan	Unit	$400,000	25.0%
Dianella	North Metropolitan	Unit	$338,000	23.8%
Armadale	South East Metropolitan	House	$245,000	22.5%
Regional WA (highest price growth for homes under $390,000)				
Merredin	Campion	House	$152,500	69.0%
South Hedland	De Grey	House	$290,060	34.9%
Coodanup	Mandurah	House	$305,000	29.8%
Boulder	Kalgoorlie/Boulder City Part A	House	$225,000	28.6%
Collie	Preston	House	$196,500	26.8%

Source: Corelogic, Ray White

While investors typically don't target high yields, it can be useful to look at high yielding locations as they tend to be at cheaper price points. More negatively, they often don't achieve price growth that tracks the average.

No surprises that mining towns are dominating the highest yielding regional areas given how strong rental growth has been.

HIGHEST YIELDING SUBURBS WITH POSITIVE PRICE GROWTH FOR INVESTORS - WESTERN AUSTRALIA AND PERTH

12 months to June 2021

SUBURB	REGION	TYPE	YIELD	MEDIAN	% GROWTH
Perth (highest yields for homes under $520,000)					
Midland	East Metropolitan	Unit	6.7%	$230,000	0.0%
Orelia	South West Metropolitan	House	6.3%	$265,000	11.3%
Armadale	South East Metropolitan	House	6.2%	$245,000	22.5%
Spearwood	South West Metropolitan	Unit	6.1%	$279,000	3.7%
Camillo	South East Metropolitan	House	5.9%	$265,000	22.4%
Regional WA (highest yields for homes under $390,000)					
South Hedland	De Grey	Unit	14.3%	$155,000	14.8%
Merredin	Campion	House	9.7%	$152,500	69.0%
Newman	De Grey	House	9.5%	$285,000	26.7%
South Hedland	De Grey	House	9.0%	$290,060	34.9%
Narrogin	Hotham	House	7.9%	$185,000	15.6%

Source: Corelogic, Ray White

TASMANIA

HOBART AND TASMANIA - ARE THERE ANY AFFORDABLE OPTIONS LEFT?

Tasmania's particularly strong price growth continues, with houses in regional areas and Hobart currently experiencing in excess of 20 per cent per annum price growth. On the West Coast and Central Highlands, prices are now accelerating at more than 30 per cent however they remain very affordable with the median sitting well below $200,000.

Tasmania became a very hot investment destination around 10 years ago. It was driven by the remarkable change to the local economy - the opening of MONA led to Hobart becoming a strong tourist destination and growth in overseas students led to strong demand for housing. It's now much harder to pick up a bargain in Hobart but in regional areas, houses are still very cheap, even in areas close to the beach.

Given most investors tend to target properties priced under the median for that city and region, the following table details the best price growth suburbs in Hobart and regional Tasmania below the house price median. It's important to note that historical price growth is no indicator of future conditions however there are some interesting trends that could be considered:

- All parts of Tasmania are seeing house price growth, this is partly because of how strong the economy is but also because it is a very strong investment destination. Many years of low levels of housing supply are also a factor.

- While Hobart has become very expensive, regional areas are still very cheap but many areas, particularly close to water, are seeing strong price growth.

HIGHEST PRICE GROWTH SUBURBS FOR INVESTORS - TASMANIA AND HOBART

12 months to June 2021

SUBURB	REGION	TYPE	MEDIAN	% GROWTH
Hobart (highest price growth for homes under $650,000)				
Rokeby	Clarence (C)	House	$403,000	17.5%
Claremont	Glenorchy (C)	House	$440,000	15.3%
Glenorchy	Glenorchy (C)	Unit	$360,013	13.6%
Kingston	Kingborough (M)	House	$600,000	11.1%
Glenorchy	Glenorchy (C)	House	$427,750	9.7%
Regional Tasmania (highest price growth for homes under $430,000)				
Queenstown	Lyell	House	$127,000	49.4%
George Town	Greater Launceston	House	$254,000	29.4%
Wynyard	Burnie-Devonport	House	$370,000	24.0%
Ulverstone	Burnie-Devonport	House	$355,000	20.3%
Devonport	Burnie-Devonport	House	$338,750	19.8%

Source: Corelogic, Ray White

While investors typically don't target high yields, it can be useful to look at high yielding locations as they tend to be at cheaper price points. More negatively, they often don't achieve price growth that tracks the average. Given the enormous change that has occurred in Tasmania over the past decade, it has been possible to achieve both high yields and high price growth in many suburbs and towns. As Hobart has become more expensive, yields have not surprisingly pushed down.

HIGHEST YIELDING SUBURBS WITH POSITIVE PRICE GROWTH FOR INVESTORS - TASMANIA AND HOBART

12 months to June 2021

SUBURB	REGION	TYPE	YIELD	MEDIAN	% GROWTH
Hobart (highest yields for homes under $650,000)					
Claremont	Glenorchy (C)	Unit	5.4%	$342,500	7.0%
Rokeby	Clarence (C)	House	5.4%	$403,000	17.5%
Glenorchy	Glenorchy (C)	Unit	5.3%	$360,013	13.6%
Glenorchy	Glenorchy (C)	House	5.1%	$427,750	9.7%
Claremont	Glenorchy (C)	House	5.0%	$440,000	15.3%
Regional Tasmania (highest yields for homes under $430,000)					
Queenstown	Lyell	House	7.6%	$127,000	49.4%
Ravenswood	Greater Launceston	House	6.3%	$225,000	12.5%
Smithton	North Western Rural	House	5.8%	$250,000	17.9%
Mowbray	Greater Launceston	House	5.6%	$315,000	18.9%
East Devonport	Burnie-Devonport	House	5.6%	$280,000	12.0%

Source: Corelogic, Ray White

AUSTRALIAN CAPITAL TERRITORY

CANBERRA - NO SLOWING OUR NATION'S CAPITAL

At this stage, Canberra's house price growth is looking unstoppable. Government employment continues to grow and that has a direct impact on other parts of the economy. In June alone, prices for houses increased by 2.7 per cent while units increased by 0.9 per cent. At current rates of growth, Canberra will be the next capital city after Sydney to achieve a $1 million median.

What could stop the growth? Unit price growth is more subdued, primarily because so many apartments get built in Canberra so housing supply does play a key role. For house price growth to slow more rapidly, it's likely that it would take a significant hit to employment growth (unlikely) or alternatively an increase in interest rates.

Investing in Canberra makes sense right now as it's a strong market and the outlook for rental growth is positive. One more unusual element of Canberra is that it has a land tax system, as opposed to stamp duty. For some investors, the yearly land tax bill is unattractive but of course you then don't pay stamp duty up front.

Given that most investors tend to target properties priced under the median for that city and region, the following table details the best price growth suburbs in Canberra below the house price median. It's important to note that historical price growth is no indicator of future conditions however what is particularly apparent about Canberra at the moment is that house price growth is relatively consistent. And although most investors don't often target yields specifically, decent yields are also available in a number of suburbs.

HIGHEST PRICE GROWTH SUBURBS FOR INVESTORS - CANBERRA

12 months to June 2021

SUBURB	REGION	TYPE	MEDIAN	% GROWTH
Canberra (highest price growth for homes under $900,000)				
Gordon	Tuggeranong	House	$700,000	24.4%
Evatt	Belconnen	House	$725,000	19.6%
Barton	South Canberra	Unit	$675,000	16.4%
Phillip	Woden Valley	Unit	$407,000	16.3%
Kaleen	Belconnen	House	$840,000	13.5%

Source: Corelogic, Ray White

HIGHEST YIELDING SUBURBS WITH POSITIVE PRICE GROWTH FOR INVESTORS - CANBERRA

12 months to June 2021

SUBURB	REGION	TYPE	YIELD	MEDIAN	% GROWTH
Canberra (highest yields for homes under $900,000)					
Gungahlin	Gungahlin-Hall	Unit	6.2%	$385,000	0.0%
Phillip	Woden Valley	Unit	6.1%	$407,000	16.3%
Watson	North Canberra	Unit	6.0%	$392,400	8.4%
Greenway	Tuggeranong	Unit	5.9%	$400,000	0.0%
Bruce	Belconnen	Unit	5.7%	$399,000	7.3%

Source: Corelogic, Ray White

NORTHERN TERRITORY

DARWIN, WILL THE MARKET GET BACK TO ITS PEAK?

Price growth in Darwin continued in June and it does look like the city is getting closer to its previous peak or May 2014. It's now only nine per cent below this level. As to whether it can continue to climb does depend on how the mining sector performs (still positive), and less so what happens with interest rates. Importantly, any major projects announced in the city will continue to boost employment and hence housing demand. Over the past month, major projects have included a processing plant for lithium and a large-scale diesel storage facility. Given the size of Darwin, even smaller projects can create a significant uplift to housing demand.

Is Darwin worth investing in? If you are prepared to watch the local economy carefully, it could be worthwhile. Like Perth, pricing does fluctuate more by what happens to mining and local industry, rather than the cost of finance. Pricing does also tend to swing around a lot which makes it a tougher market if you are wanting to buy and sell quickly.

Given that most investors tend to target properties priced under the median for that city and region, the following table details the best price growth suburbs in Darwin below the house price median. It's important to note that historical price growth is no indicator of future conditions. The top growth suburbs are all in Darwin and there is a significant disconnect between how houses in Darwin and the rest of the Northern Territory are performing. If you are after a higher yield than regional Northern Territory can be worth a look however the remoteness of many properties could put many investors off.

Source: Corelogic, Ray White

HIGHEST PRICE GROWTH SUBURBS FOR INVESTORS - DARWIN AND THE NORTHERN TERRITORY

12 months to June 2021

SUBURB	REGION	TYPE	MEDIAN	% GROWTH
Darwin and the NT (highest price growth for homes under $590,000)				
Parap	Darwin City	Unit	$325,000	30.0%
Nightcliff	Darwin City	Unit	$310,000	26.5%
Durack	Palmerston-East Arm	House	$525,000	26.5%
Leanyer	Darwin City	House	$577,000	16.6%
Stuart Park	Darwin City	Unit	$373,500	11.5%

Source: Corelogic, Ray White

HIGHEST YIELDING SUBURBS WITH POSITIVE PRICE GROWTH FOR INVESTORS - DARWIN AND THE NORTHERN TERRITORY

12 months to June 2021

SUBURB	REGION	TYPE	YIELD	MEDIAN	% GROWTH
Darwin and the NT (highest yields for homes under $590,000)					
Parap	Darwin City	Unit	6.8%	$325,000	30.0%
Araluen	Central NT	House	6.4%	$513,000	7.1%
Karama	Darwin City	House	6.0%	$390,000	2.6%
Braitling	Central NT	House	5.9%	$485,000	8.3%
Nightcliff	Darwin City	Unit	5.9%	$310,000	26.5%

Source: Corelogic, Ray White

WHERE IS THE NEXT BYRON BAY?

Byron Bay prices surged over 70 per cent over the past 12 months and the median is now more than $2.5 million. It's now cheaper to buy in some of Sydney's beachside suburbs, even though Byron Bay is not within commuting distance from any major CBD or large employment centre.

There is a lot to like about Byron Bay but many features certainly aren't unique. It has beautiful beaches, low rise development and a laid-back retail core. It has never been a particularly cheap town to buy in but what is unique is how quickly it has grown to global prominence and how quickly prices have risen as a result. So with so many people now priced out, where could be the next Byron Bay? Do you need a Hemsworth to take the title? And can you use a numerical approach to do the analysis or is there something mystical about Byron's popularity?

For my highly scientific analysis, I am putting in the following criteria:

- It needs to be by the beach
- It can't be within easy commuting distance to a capital city
- It has to be priced under $1 million
- It has to be achieving decent price growth already, at least 20 per cent
- Rental growth also has to be strong, at least five per cent per annum
- Long term growth has to be solid with annual growth of more than five per cent per annum over 10 years
- I haven't visited all beachside areas with this criteria so I am relying on internet searches to see whether the area is particularly attractive.

Here are my picks for your cheaper alternative to Byron Bay

PENGUIN, TAS

Penguin is on the north-west coast of Tasmania and is picturesque, has a beach and is still pretty affordable with a median under $450,000. The 10 foot penguin is likely to be seen as a bit tacky by many those that love Byron Bay but they would certainly approve of the weekly undercover market which is Tasmania's largest. It does of course have lots of real life penguins which are of course very cute and fun to watch.

YAMBA, NSW

Yamba has self-proclaimed itself the next Byron Bay so I will give it that for being aspirational. As far as a Byron Bay comparison, it does tick many boxes. Although prices have increased a lot, the median is still under $750,000 and there is no doubt, it has lots of lovely beaches. It also has a lighthouse, has regular farmers markets and what looks to be a lively main street which makes it already very Byron Bay like without too many adjustments required.

PALM COVE, QLD

Palm Cove is already very lovely but surprisingly is still relatively affordable with a median price under $800,000. It has a nice beach, a lot of great restaurants, and you can take your dog anywhere, even on the beach. There doesn't appear to be a lighthouse but there is a market that is regularly held along the beach. And being so far north, it does provide nicer weather when southern states are cold.

CAPE WOOLAMAI, VIC

Cape Woolamai is a town on the south-eastern tip of Phillip Island. It's far enough from Melbourne to make it a bit difficult to commute there, has a popular surf beach and a nice main street. It's still relatively affordable with a median of around $600,000.

ROBE, SA

There are a lot of beautiful beaches just outside of Adelaide but given one of my criteria was that the town had to not be within commuting distance to a capital city, I had to look a bit further afield. Robe on the Limestone Coast fit the bill. It's relatively affordable with a median of $435,000 but has seen almost 20 per cent price growth over the past 12 months. It has nice beaches and an historic town centre and sounds like a pretty relaxed place to visit.

DUNSBOROUGH, WA

Western Australia has so many beautiful beaches but the ones that have achieved the strongest price growth have been located in Perth, or within commuting distance from Perth. As such, I had to relax my price growth performance criteria to choose one that was not within commuting distance. And the most appropriate town was Dunsborough, close to Busselton. It has a median of $670,000 with prices increasing by 10 per cent over the past 12 months. It has lots of nice beaches, shops and restaurants. As an added bonus, it's close to Margaret River wineries.

CHILDCARE CENTRES - AS DEMAND RISES, IS NOW A GOOD TIME TO INVEST?

While uncertainty across the Australian economy has been high after the onset of COVID-19 which locked down the country from March 2020, this did not slow a large portion of the investor market who were keen to continue to invest in commercial property. Some traditional asset classes such as office and retail were impacted by forced business closures, work from home mandates and rising unemployment.
We saw many buyers active in the marketplace positioning themselves after the Reserve Bank of Australia announced the unprecedented interest rate reductions. While there was an immediate halt to transactional activity during this time, as we entered the 2020/21 financial year, we saw both buyers and sellers more willing to transact despite these unprecedented times which has continued into 2021/22.

The rise of alternative investments was in full swing prior to this pandemic period, however the increased volume of funds looking for a home in the marketplace saw many buyers move up the risk curve and consider new opportunities.

Private investors most notably were actively pursuing assets such as service stations, data centres, medical centres and childcare due to them being “set and forget” assets with long term, secure income streams.

For childcare, this demand continues nationwide despite the halt to population growth and the net migration losses of New South Wales and Victoria to the (COVID-19) safe havens of Queensland and Western Australia. Further fuelling interest in the childcare sector and stimulating not only investment but the ongoing development of assets was the Federal Government's increases to the childcare subsidy as announced in this year's budget. It's expected that this will aid in further growing occupancy levels which had been impacted by the increased cost to families in recent years.

During 2021 to date we have recorded more than $220 million in transactions across Australian childcare centres as investors scrambled to successfully purchase, while fear of missing out (FOMO) is driving new lows in yields. With demand levels not dissipating as auction assets attract record bidder numbers and investors have greater certainty around occupancy and income stability after the subsidy announcement, interest now has moved from the private buyer to institutional and foreign groups all vying for a piece of this attractive asset class. As a result, we have seen many investors move up the risk curve in the rush to secure one of these assets resulting in a narrowing in yield range and more significantly the average between metropolitan and regional properties. With COVID-19 aiding in the movement of some of the population to regional parts of the country, this has spurred on confidence in assets in these less populated regions bringing investment yields close to on par to metropolitan sales in some states.

Things to watch when purchasing a childcare asset:

- Just like buying most commercial tenanted investments, you are purchasing the property not the business, however in some cases this is on offer together as a going concern, so be aware of what you are purchasing.
- Check the lease and licence agreements; childcare assets are subject to stringent regulation regarding the number of children and occupancy standards. Be certain what these are and whether the tenant is adhering to these agreements as your income is often tied to them.
- Outgoings will be paid by the tenant; there are high standards and regulations around the condition of childcare assets, this is the responsibility of the tenant and should be built into the lease agreement. Similarly, other outgoing such as council rates, land tax and utilities should all be included in your agreement.
- Financing may be a little more difficult compared to other assets, the lender my impose differing loan value ratio requirements (however childcare is far better than other alternative assets such as service stations) which could alter the amount you can borrow.
- Supply is key to consider in your local area; with limited population growth expected in the short term, new facilities opening in your area could impact the occupancy and viability for your operators. Speak to the local council to find out more about what may be proposed in your immediate area.
- Consider the location; in the rush to secure an asset don't forget the important fundamental of real estate, location, location, location. Growing areas will ensure longevity in your occupancy level which means stability of income and potential capital growth.
- Research; look to find out what other similar sized and quality assets have sold to get a greater idea of value and don't let FOMO take over.
- The demand for childcare assets over the last year has been unprecedented with enquiry levels at a high and assets transacting at low yields. While the bulk of assets which have sold across Australia are within metropolitan areas, the appetite of buyers has grown to include regional assets which historically were discounted reflecting the increased risk. We continue to see this gap narrow as the weight of funds in the marketplace create greater competition and push prices which will be further stimulated by the increase in Federal Government subsidy for childcare users.

About **Ray White**

Ray White is a fourth generation family owned and led business. It was established in 1902 in the small Queensland country town of Crows Nest, and has grown into Australasia's most successful real estate business, with more than 930 franchised offices across Australia, New Zealand, Indonesia and Hong Kong.

Ray White today spans residential, commercial and rural property as well as marine and other specialist businesses. Now more than ever, the depth of experience and the breadth of Australasia's largest real estate group brings unrivalled value to our customers. A group that has thrived through many periods of volatility, and one that will provide the strongest level of support to enable its customers make the best real estate decisions.

Ray White's first auction house, 'The Shed' Crows Nest, Queensland.

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