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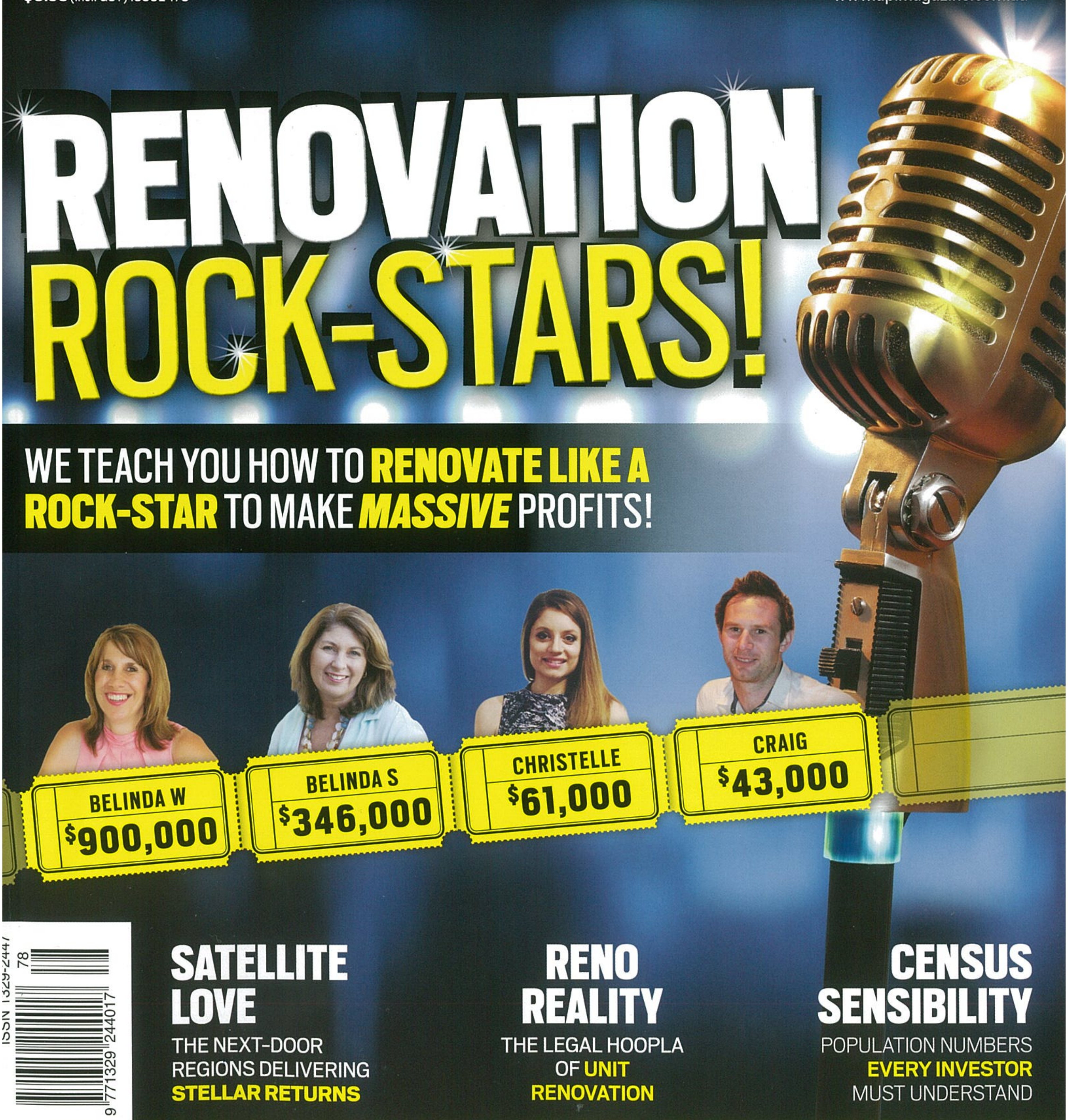

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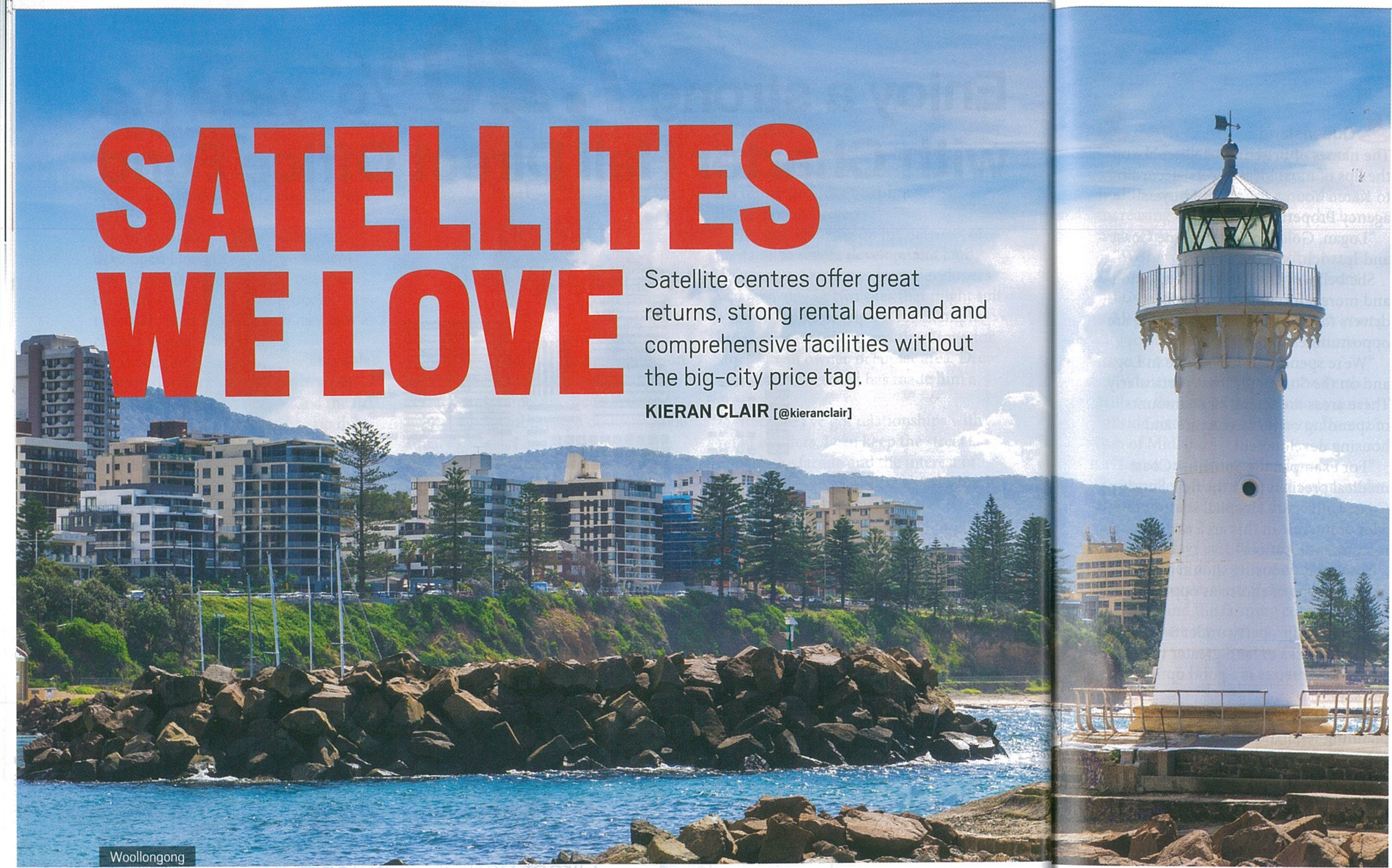
SPECIAL API STATES REPORT: AFFORDABLE CAPITAL CITY HOUSING ACROSS THE NATION

SATELLITES WE LOVE

Satellite centres offer great returns, strong rental demand and comprehensive facilities without the big-city price tag.

KIERAN CLAIR [@kieranclair]



Woollongong

When looking to park hard-earned cash in property, most buyers try to stay as close as possible to a capital city CBD, but this usually involves some of a region's most expensive real estate. The trade-off comes with distance as investors head to the suburban fringe. Here the homes are cheaper, but the long drive to town can be a bore and high-end services and facilities are thin on the ground. What if there were options close to employment, amenities and a busy urban community without having to front up a nose-bleedingly high, inner-city purchase price?

Satellite centres are the solution. Smaller economic hubs full of employment, transport and community that sit a commutable distance from the capital city's CBD, they allow residents to enjoy all the services necessary to create and build a population, but are still within cooee of the "big smoke".

SATELLITE CENTRES

According to Ali Hammoud, a director at Planzone Consulting, a satellite centre is a secondary city that supplements its capital and provides similar or specialised services, while still being able to operate independently.

Hammoud says satellites form on the notion that jobs will be provided close to where people live, allowing them to work and play close to home.

"In New South Wales, for example, the Parramatta CBD is a satellite city, which is now commonly referred to as Sydney's second CBD and supplements the main Sydney CBD."

He identifies three key elements in establishing a successful satellite centre.

Firstly, proximity to a capital city feeds demand for the satellite.

Of equal importance is good access to transport – this includes a variety of transport types as well as frequent and direct service.

ISTOCKPHOTO

The third important element is an established identity.

"A satellite city that is well known as a major hub or popular destination will have a better chance of success in the short-term than one that's not well known or known at all.

"A second CBD will fail if its focus is on growing to be larger than the main CBD as opposed to creating its own reputation and success and similarly if no demand exists for a second CBD/satellite city."

Hammoud says for any buyer wanting to take advantage of growing satellites, keep an eye on state and local government strategic plans and mapping resources. These signpost those regions earmarked for growth and infrastructure. A working knowledge of zonings maps and local area plans will also prove useful to pinpoint where new facilities are likely to be located and where development potential is on the rise.

THE GOOD STUFF

Satellite centres offer all the required services and facilities without the big city problem of congestion. This makes them not only appealing to residents, but business as well.

Of course for us real estate types, affordability is key. When comparing similar distances from central business areas, properties in satellites are relatively more price-accessible than the same real estate in capital cites.

Simon Pressley, managing director of Propertyology, argues markets are driven by affordability, because cheaper real estate has a larger buyer pool. On this front, he says, capital cities tend to fail.

Propertyology did a study of property performance over the past 15 years across every local government authority (LGA) in Australia – all 550 or so. It looked at average annual capital growth plus rental yield for each. While there were years where capital cities excelled, they didn't perform dramatically better than anywhere else over the long term.

"Melbourne and Sydney – obviously they're Australia's two biggest cities," Pressley says.

"They have more LGAs within those two cities than anywhere else… Almost all of those LGAs appeared in the bottom 40 per cent of the results.

"It's a clear demonstration that you don't need to be in the heart of town to get great gains."

There's also an advantage to satellite centres where a lag in capital growth means well timed purchases can yield great results. Pressley says satellites can see a "bump" in price as frustrated investors look beyond the main city, but warns this shouldn't be the main reason for buying in a satellite centre.

"If an investor's focus had been on Sydney, then they might look at Newcastle or Wollongong, or in Brisbane it might be Ipswich or Logan. There's that knock-on effect."

"[But] the investor needs to focus their research on where are the jobs and invest in close proximity to those jobs. We compromise investment performance if we end up in the middle of 'something'. As an example, a lot of people have been talking up areas like Coomera and Logan, and trying to justify that as a great investment decision because, 'Oh, look, you're halfway between Brisbane and Gold Coast.' I say you're in the middle of nowhere."

WHERE IS THE SATELLITE LOVE?

Sydney
Newcastle, Woollongong, Parramatta, Liverpool and Campbelltown.

Melbourne
Ballarat, Geelong, Doreen, Sunbury and Daylesford.

Brisbane
Logan, Gold Coast, Sunshine Coast and Ipswich.

Perth
Perth Hills, Northam, York, Mandurah, Guilderton, Seabird, Ledge Point and Lancelin.

SATELLITES CIRCLING THE NATION

We've asked experts from our biggest capital cities to identify satellite centres that provide investment options.

Sydney

Josh Masters, founder of buyers' agency Buyside, says Newcastle, Woollongong, Parramatta, Liverpool and Campbelltown are Sydney's most recognisable satellites. The appeal is obviously affordability given the runaway property prices in the heart of Sydney.

Of those centres, Masters sees some potential in Campbelltown.

"Campbelltown is set to take advantage of the few remaining land releases around Sydney's outskirts, with new rail connections and subdivisions opening up such as Oran Park, complete with superior planning and community centres. It's also poised to take advantage of the second airport at Badgerys Creek."

Masters' top pick, however, is one that's cropped up a lot this year.

"It's difficult to go past the Parramatta region. Caution prevails in the short- to medium-term as rezoning laws mean more and more units are being built up on top of an already-heated market, however as far as community planning, business development and infrastructure

Interview with Ali
Use your smartphone or tablet and your favourite QR scanner app to see Kevin Turner interview Ali Hammoud on satellite cities.
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Gold Coast

goes, Parramatta is well ahead of the curve.

"Well-located, boutique unit blocks close to transport and amenities will do well. Price points for quality strata purchases will be around $550,000 to $650,000."

Despite this, Masters is concerned the overall hot run in Sydney's market means buying for short-term gains in any of these satellites is risky.

"The Sydney region as a whole has had a stellar run for three years now and no area has been left untouched. Investing in any area where prices are near their peak, supply continues to increase and lenders begin to tighten borrowing criteria, means treading very carefully in my books."

Melbourne

Sam Lally, a buyers' advocate at Buyers Advocate Australia, says Ballarat, Geelong, Doreen, Sunbury and Daylesford fill out his list of Melbourne satellites. Lally says that while a country lifestyle is part of the appeal, there are more analytical reasons for investing.

"There's cheaper house prices with larger land plots, better rental returns for cash flow purposes and a sense of community."

"Ballarat and Geelong have always been good for investors, offering a great mix of growth and rental return.

"Newer estates like Doreen or Mernda are now becoming a lot more popular for investors due to proximity to the CBD without the price tag. So long as the infrastructure in the area can keep up with the demand that's currently going through the area, returns should last… Once train lines and stations go in, if they do as promised, Doreen should reap the rewards further.

"Homes in the area also currently offer a great return – including yield along with depreciation benefits – because they're newer style homes."

Lally suggests investors should stick with detached housing. Given houses come with land attached, they appeal more to family buyers, so demand remains consistent and solid.

Lally does note that while new housing estates are solid, they won't suit speculative investors, particularly in relation to new builds.

"Just stay well away from them and buy established. At least you know what you're buying. With claims from developers of big stamp duty savings and the like for off-the-plan sales, these are an illusion, with asking prices often above the market rate anyway."

Queensland

The names of Brisbane satellites are on the lips of most local buyers, according to Karen Young, founder of buyers' agency Property Zest.

"Logan, Gold Coast, Sunshine Coast and Ipswich," she says.

She believes lifestyle, less congestion and more affordability are the biggest drivers for these markets, and there are opportunities to profit.

"We're spending a lot of time in Logan and on the Sunshine Coast particularly. These areas are seeing large amounts of spending on infrastructure and housing development.

"For example, the Sunshine Coast medical precinct with the new Sunshine Coast University Hospital is attracting a lot of interest in this area as an investment location."

Young says housing should be your property type of choice as opposed to units.

"In Logan, property under $400,000 on large blocks of land greater than 600 square metres is a good option," she says.

"With recent changes to the city planning regulations in the Logan City Council area, there are some interesting development options available in terms of secondary dwellings, so larger blocks are popular."

Around the Sunshine Coast, Young says newer style executive houses close to the hospital precinct rent well for investors.

"For those looking to maximise capital gains, there are some good opportunities to add value to older style properties in the area."

Young says depending on your risk profile and available funds, certain satellites will appeal to certain investors. Low buy-in, high-yield investors might consider Logan or Ipswich, while higher-price buyers can purchase close to new infrastructure on the Sunshine Coast.

"It's a clear demonstration that you don't need to be in the heart of town to get great gains."

SIMON PRESSLEY

Perth

Gavin Hegney, founding director of advisory firm LMW Hegney, says nothing drives a satellite more than an increasing number of buyers who have high wage growth.

"We have witnessed this first-hand in Western Australia, especially from FIFO workers."

Hegney says Perth is a relatively young city so affordable investment options close to town still exist.

"While not a satellite city, the Perth Hills to the east of the city offer a quiet hillside setting only 15 minutes from the hub of Midland.

"Locations such as Darlington, Parkerville, Mundaring and Kalamunda all have unique features that attract buyers."

Hegney says east of Perth, the two satellite cities of Northam and York are historical settlements that service local residents and the farming community. "Homes here are in the $250,000 to


Sunbury

$600,000 price range… Yields are around four per cent to six per cent gross, but the dynamic of scarcity and development make an interesting mix."

South of Perth is the coastal locality of Mandurah, and the attraction of water drives its market.

"The best opportunity is for beachside property around the Halls Head to Dawesville stretch of coast – surfing, boating and fishing are features of this area," Hegney says.

"Beachfront lots can be bought for around $400,00 to $600,000 and there are a variety of homes, including cheap beach shacks for not much more. The commute to Perth can be via the train.

"North of the capital sit the satellite towns of Guilderton, Seabird, Ledge Point and Lancelin. Each has been established around the crayfishing industry originally, yet being affordable and close to Perth, demand from commuters and holidaymakers has tended to take over." API