

Investing in the boom

This month **Mark Taylor** talks to John Edwards, CEO of Residex, Australia's most respected market forecaster, and poses the question: are mining towns the place to be for Australian property investors?

There has been a lot of media coverage about Australia's two-tiered economy and the mining boom. What impact are you seeing from this and what opportunities are there for property investors?

There is pressure on some house and unit prices in several blue-collar mortgage areas in each capital city. This is natural as many of these people are needing to relocate to mining communities, or regional towns near the mines, as their prior job opportunities are lost due to the decline in manufacturing, retail and associated industries.

The problem in some cities is more acute than in others. In particular, Melbourne will suffer further from this due to the overhang of stock as a result of decreasing immigration, reduced student numbers and excess recent development activity.

Personally, I like the regional areas that support larger mining cities most in terms of investment opportunity. This is because these cities have less risk and there is not as much chance of downturns as they normally support a number of mining ventures in the towns around them. Places like Newcastle, NSW and Mackay, Qld are good examples as they both benefit from resource projects in close proximity.

You recently produced your Best Rent Report; what type of returns are available in mining towns?

Our Best Rent Reports reduce Australia's 10,000-plus suburbs and towns to the top 100 locations for investment in terms of rental yields and capital growth better than five per cent each per annum, or a total return of 10-plus per cent per annum. In our September report, there are 14 towns that support the mining industry that have the following characteristics:

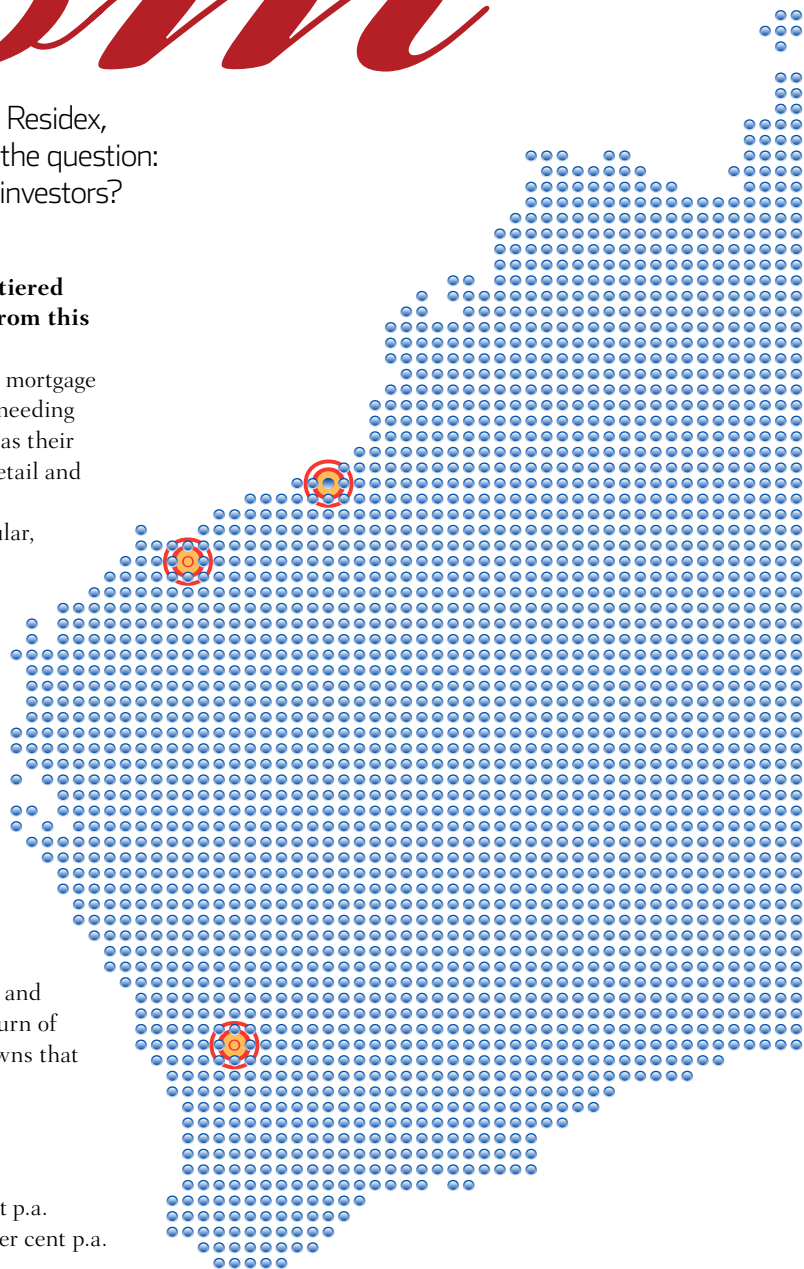
- Median value (range): \$291,000 – \$504,000
- Median weekly rent (range): \$315 – \$595
- Rental yield per annum (range): 5.22 per cent – 6.82 per cent
- Historical 10-year average growth (range): 9.07 per cent – 21.98 per cent p.a.
- Predicted growth, next five years (range): 5.20 per cent – 10-plus* per cent p.a.

* 7 out of 14 of the mining towns have predicted capital growth of 10+% p.a. over the next 5 years.

Before people jump into investing in a mining town, what would you advise they consider?

Demand and supply will drive the areas that offer better-than-average rental yields. Look for mining areas that are supported by other industries – such as education, healthcare, retail and tourism – that naturally draw people to the area. Find out what developments are underway or are being proposed. Generally, properties that have good potential for returns are located close to transport, education facilities and employment opportunities.

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Mark Taylor, our regular property columnist, is the founder and managing director of the Keys To Success Club, a must-have resource for anyone serious about property.

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