

TURN YOUR BACK ON THE COAST AND HEAD FOR THE HILLS

Terry Ryder From: [The Australian](#) April 22, 2010 12:00AM

PROPERTY investors cling to the coast like a security blanket.

The last place they'll consider is a regional centre or country town.

Most favour the inner- or middle-ring suburbs of capital cities, all of which are on the coast, (the exception being Canberra), in the mistaken belief that this is where the best growth resides.

Sea-change locations also figure high in the order of priority for the typical investor, although few deliver good long-term growth.

Outer suburbs rank low in their estimation, despite the large body of data showing this is where the best long-term capital growth is found.

Regional centres and country towns barely rate a mention.

It's only in the context of mining towns that investors will look inland, and that's seldom a smart move.

It just goes to show how little people understand about property markets. It also shows how little research investors do, despite the risks involved with large sums of money.

The average punter would rather listen to industry rhetoric than do any foot-slogging. And industry rhetoric is misleading. The loudest noise in property is the voice of vested interests and the professionals who make money in the inner-city suburbs or the big-name sea-change locations (such as the Gold Coast). They are the ones who tend to get heard. Investors have their heads full of bad advice.

This means many are missing the best opportunities to invest well.

Hill-change out-performs sea-change. It surprises many to hear it, and many refuse to believe it, but inland centres usually have better track records on capital growth than the coastal locations.

NSW provides a case study of why investors should consider the inland regions above the coastal cities and towns.

Sydney has a vibrant market right now, particularly at the top end, but it has been the under-achiever among the state and territory capitals for six years.

Most of the coastal locations north and south of Sydney have been woeful performers, too. There are exceptions, but many have had no perceptible growth since 2004.

Some have values still below the levels of six years ago.

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Meanwhile, inland NSW is full of vibrant regional economies with rock-solid property markets. Few give them a moment's thought and it's rare that they rate a mention in metropolitan media.

A civic leader from Narrabri once commented to me that the nearest Sydney people get to his town is when they fly over it on the way to Asia.

It's a shame because NSW has many great regional towns, lively places busy with economic activity and bustling main streets characterised by grand old buildings.

Often they straddle major rivers. I really like visiting these places.

In pure investment terms, the raw numbers look good and certainly a lot better than the coastal locations in the same region.

On the NSW mid-north coast, for example, locations in the Port Stephens and Forster-Tuncurry areas have delivered poor growth rates over the past 10 years.

Most have single-digit growth averages, around 6 or 7 per cent, having shown no price growth since 2004.

Locations in the Hunter Valley, by contrast, have much higher growth rates.

Towns such as Muswellbrook, Singleton, Maitland, Cessnock and Branxton have double-digit growth averages in terms of median house prices.

And they're set to benefit from big infrastructure development plus expansion of mining and power generation activities in the region.

The Hunter Expressway project, funded in last year's federal budget, will boost these areas. Coffs Harbour, on the north coast, has the pattern of so many NSW sea-change locations: it had a surge in values in 2003-04 and no growth in median prices since.

Inland towns such as Dorrigo and Bellingen have shown different patterns: solid growth every year for the past six to seven years, including a number of years with 10 per cent-plus increases in median prices. Long-term growth averages range from 9 to 11 per cent.

The only part of NSW where the coastal towns challenge the inland ones on capital growth is in the state's north.

Locations such as Ballina and Brunswick Heads have done well (although Byron Bay has been an under-achiever), but so too have a series of inland towns with hill-change appeal. Mullumbimby, Kyogle, Casino and Murwillumbah all have growth averages in the 12 to 13 per cent range.