

Secret suburbs ready to rise high

Contrary to what much of the recent media coverage might suggest, there are many pockets close to CBDs and the coast that have not yet had their growth spurt. *John Hilton* looks at how and where to find areas on the verge of taking off

The late American entrepreneur James Cash Penney once said: "Growth is never by mere chance; it is the result of forces working together".

This quote can be applied to property prices, as there are ways you can identify the many "forces working together", and hence anticipate growth.

For instance, have you ever wondered why a particular suburb has significantly lower property prices than its immediate neighbour? Sometimes this can be attributed to the cheaper suburb being further away from a key growth driver, such as the train line or the beach.

However, it's often the case that both suburbs have seemingly similar characteristics and the only real noticeable disparity is the median property price. If that's the reality, there's a good chance that the more affordable area will soon be ready to thrive.

Enter the ripple effect. *Your Investment Property* Investor of the Year 2010 winner, now property manager Prue Muirhead sums up this process as follows: "When a suburb becomes too expensive for a purchaser to buy, they will look at a neighbouring cheaper suburb. As growth areas rely on supply and demand, the demand for this suburb will increase and, in turn, the value of the homes in that area will increase also."

But in addition to using the ripple effect to find the best bargain areas, investors must consider a range of other factors that work together, in order to maximise their profit and minimise their risk.

How to find an area that's set to surge

1 Be open to searching interstate

Chances are that the most appropriate suburb to invest in for growth potential is not within a 10km radius of your home. In fact, looking outside your local area and buying sight unseen can actually be an advantage, because it forces you to look more at the growth drivers and statistics as opposed to trivial and emotional things, like whether or not you like the look of a bathroom. If you are still nervous about venturing into the unknown, the services of a buyer's agent might be your best bet.

2 Look for the visible warning signs

Look closely and you may realise that a working-class suburb is starting to show signs of accommodating a wealthier demographic. Cate Bakos of Cate Bakos Property reveals some of the telltale signs that gentrification is underway and that property prices should adjust in a positive manner accordingly:

- New cafes starting up in the high street
- Low-density development activity, such as developers purchasing house blocks and building two to three townhouses on a site
- Renovation projects underway on old houses
- Introduction of 'disposable income' shops
- 'Phasing out' of lower-rent service provider shops (such as local accounting firms, dry cleaners, etc.) to make way for galleries, boutiques, cafes and bars
- Increased numbers of prep children in an annual school intake