

SUN & PROFIT

Summer holidays are when many are tempted to buy their dream coastal getaway but if you want your slice of paradise to pay its way, then be sure to invest in an area with more to offer than just sun, sand and sea, writes **Bina Brown**.

Top holiday destinations

Location	No. of international visitors in 2013	Median value	Rental yield (%)	HOUSES		
				Capital growth 1 year (%)	Capital growth 3 years (%)	Capital growth 5 years (%)
NEW SOUTH WALES						
Northern Rivers – Lismore	186,854	\$266,000	5.63	-6.55	-13.09	-4.81
North Coast NSW – Byron Bay	136,693	\$734,000	4.84	25.00	19.29	26.45
Hunter Region – Cessnock	114,282	\$260,000	6.15	0.00	10.08	20.88
South Coast – Wollongong	111,679	\$673,000	4.35	12.08	14.74	32.93
Blue Mountains, Mount Victoria	79,351	\$322,500	5.31	10.94	10.06	24.13
VICTORIA						
Western Victoria – Warrambool, Port Campbell	142,348	\$312,000	5.32	4.43	2.80	12.46
Geelong	41,305	\$210,500	4.26	8.99	7.88	35.19
Mornington Peninsula	36,271	\$515,000	4.39	3.48	2.88	30.62
Gippsland – Traralgon	32,921	\$253,000	5.93	3.73	2.96	23.56
Phillip Island – Cowes	31,200	\$368,500	4.49	5.97	1.77	23.88
WESTERN AUSTRALIA						
South West WA – Mandurah, Margaret River, Peel Region	125,656	\$440,000	4.36	5.62	5.62	7.38
North West WA – Broome	65,608	\$680,500	5.35	-17.29	12.24	-6.76
Coral Coast – Geraldton	61,985	\$330,000	4.92	-7.46	-5.29	0
Golden Outback – Esperance	42,966	\$355,000	4.50	1.97	8.21	-2.68
SOUTH AUSTRALIA						
Limestone Coast – Mt Gambier and wine regions	41,043	\$223,500	5.56	3.48	1.28	5.78
Kangaroo Island – Kingscote	36,743	\$256,500	4.79	-6.95	5.32	0.51
Flinders Ranges and Outback – Port Augusta	34,759	\$178,500	6.41	5.65	-13.41	-11.25
Flinders Peninsula – McLaren Vale	20,222	\$398,000	4.63	-7.85	0.26	9.03
Eye Peninsula – Port Lincoln	12,473	\$284,500	5.40	0.80	9.76	21.15
Barossa – Williamstown	10,327	\$321,500	5.20	-1.90	-18.02	5.98
QUEENSLAND						
Gold Coast – Surfers Paradise	792,701	\$954,500	3.30	-0.45	-18.35	-13.36
Tropical North Queensland – Cairns	684,241	\$664,500	4.42	12.86%	9.14	24.28
Sunshine Coast – Maroochydore	218,404	\$451,000	4.81	0	4.80	5.57
Whitsundays – Airlie Beach	182,337	\$661,500	3.48	N/A	N/A	N/A
Fraser Coast – Hervey Bay	123,102	\$308,500	5.22	N/A	N/A	N/A
Central Queensland – Emerald	104,567	\$394,000	5.87	-13.65	-4.69	3.35
TASMANIA						
Hobart	129,292	\$479,500	4.49	N/A	12.18	21.53
Launceston	53,044	\$337,500	5.02	-0.75	-6.00	2.17
Wilderness West – Strahan	30,034	\$204,500	6.42	-33.00	-30.64	-11.61
East Coast – Bicheno	26,892	\$291,500	4.49	27.08	26.29	16.68
North West – Smithton	24,780	\$179,500	5.75	3.63	5.56	-8.65
NORTHERN TERRITORY						
Lasseter – Uluru and surrounds, Mount Johna	136,710	\$654,000	5.63	4.72	N/A	N/A
Alice Springs	121,843	\$404,500	7.48	5.71	2.99	22.93
Darwin	119,596	\$903,500	3.91	N/A	N/A	N/A
Kakadu Arrnhem	59,402	\$545,500	4.38	N/A	N/A	N/A
Katherine, Daly	50,346	\$369,500	6.23	12.73	12.73	30.53
Barkly – Tennant Creek	28,125	\$242,500	6.88	11.67	29.16	91.43

Destinations based on largest town in the region. Visitor numbers by Tourism Research Australia, analysed by finder.com.au. Median values and yields from On The HouseResides.

If you've spent time sitting on a deck staring at the ocean recently and are now thinking how fabulous it would be to own your own place there, you're not alone.

It's that time of the year when people start dreaming of having their own weekend – or even to live in paradise permanently. But before you let the summer sun and holiday

spirit seduce you, make sure you are buying with your head and not just your heart.

There are plenty of examples where Australia's iconic holiday destinations have been anything but rewarding for investors. It is easy to fall in love with many parts of the country but mixing investment with personal aspirations doesn't always make sense.

Property Investment Professionals of

Australia chairman Ben Kingsley explains: "You have got to have an honest conversation with yourself in terms of the opportunity cost of investing in a lifestyle or resort-type location."

A lifestyle decision may be one where capital growth and rental return are deliberately put aside just to have a place near the sea you can enjoy when you want.

	UNITS				
	Median value	Rental yield (%)	Capital growth 1 year (%)	Capital growth 3 years (%)	Capital growth 5 years (%)
	\$179,000	5.67	N/A	-15.87	-16.67
	\$446,000	5.93	20.89	3.64	31.03
	\$267,500	5.42	12.43	1.42	9.62
	\$372,500	5.56	8.68	11.42	29.06
	\$179,500	N/A	N/A	N/A	N/A
	\$233,500	5.44	-0.29	1.45	23.53
	\$437,000	4.43	0.84	-15.25	36.36
	\$391,000	4.65	11.83	14.63	36.94
	\$195,500	5.55	-1.91	-2.15	20.59
	\$268,500	4.85	13.82	5.74	37.25
	\$319,000	5.32	-2.92	-9.39	4.18
	\$433,000	6.12	5.14	18.60	6.06
	\$274,000	5.17	15.22	N/A	22.86
	\$296,500	4.96	N/A	N/A	N/A
	\$173,000	5.45	3109.00	0.29	6.06
	\$155,500	5.07	N/A	N/A	N/A
	\$250,000	2.97	0	-20.97	N/A
	\$263,000	4.94	N/A	N/A	N/A
	\$244,500	5.10	-2.13	9.52	23.16
	\$186,000	5.26	N/A	N/A	N/A
	\$304,000	6.66	-2.40	-4.17	-6.76
	\$347,500	6.00	3.02	-15.78	-18.99
	\$306,000	5.75	0	-5.41	0
	\$347,000	5.71	5.45	6.80	-29.99
	\$235,000	5.65	N/A	N/A	N/A
	\$314,000	5.71	-3.73	9.32	13.16
	\$452,500	4.67	15.89	1.01	6.38
	\$236,500	6.75	2.97	-11.96	-7.95
	\$320,000	6.00	N/A	N/A	N/A
	\$280,500	4.51	N/A	N/A	N/A
	\$193,000	4.59	N/A	N/A	N/A
	\$442,500	5.31	N/A	N/A	N/A
	\$257,000	2.66	24.58	40.77	97.16
	\$543,000	6.48	0.73	7.40	29.60
	\$412,500	6.00	N/A	N/A	N/A
	\$268,500	7.16	N/A	N/A	N/A
	\$151,000	6.06	N/A	N/A	N/A

Capital growth figures sourced from RP Data/Your Investment Property.

Source: finder.com.au

who rent houses across coastal communities where there is strong demand," he says.

And after close to a decade of lacklustre capital growth in many of Australia's iconic holiday spots, there are many emerging reasons why people might be looking to buy.

RP Data senior research analyst Cameron Kuser that the vast majority of holiday areas are once again showing signs of life thanks to higher capital city property prices, particularly in Sydney and Melbourne.

“THE BEST AREAS FOR INVESTMENT WILL HAVE ELEMENTS SUCH AS EDUCATION, IT AND MEDICAL INFRASTRUCTURE.”

“Areas like the Gold Coast and Byron Bay have not seen much capital growth for seven to eight years, or since the global financial crisis, but we are starting to see a change,” he says. “As growth in values picks up in Sydney and Melbourne, there is a wealth effect. People feel wealthier and they might go and buy a luxury item like a holiday home.”

Areas on the rebound

Kuser says areas such as the Shoalhaven, south of Sydney, and the surf coast west of Melbourne have started to see a bit of growth, while there are early signs of growth in Cairns in far north Queensland.

Mornington Peninsula in Victoria, home to Portsea and Sorrento, might be more expensive than other areas but, as property in Melbourne continues to grow, so too does demand in those areas.

Kuser says while the West Australian economy is no longer growing as fast as the east coast's, there could be increased activity in Busselton and Bunbury, south of Perth.

Similarly, the South Australian economy might also be sluggish but, if people were looking for holiday lifestyle stock, then Victor Harbor south of Adelaide and the Copper Coast, in the northern Yorke Peninsula, are areas where people should start to look, he says.

Property commentator and the founder of hotspotting.com.au, Terry Ryder, says capital growth and rental yields in popular coastal locations tend to fluctuate along with salaries and house prices in the major cities, as well as local council decisions, tourism numbers and environmental factors.

Acceptable coastal locations to invest in are the ones that have more going for them

But if you are looking for a certain return, then you may be better off investing in a sensible property investment in a city location and renting somewhere for the times you are able to get away, Kingsley says.

“The financial rewards are often significantly better if someone invests for that primary purpose rather than mix the use.”

Look beyond tourism

That being said, Kingsley agrees there is an opportunity for holiday-letting returns and capital growth in popular places dotted around the country – you just need to do your homework as to what is driving the local economy beyond tourism and retirees, the potential rental returns and location.

“There are plenty of great stories of people

than just tourism and retirees, he says. Other areas starting to rebound include Gosford and Port Macquarie in NSW, and Queensland's Gold Coast.

Byron Bay is a popular holiday destination with arguably Australia's best easterly facing beach but its capital growth would have been a bitter disappointment for any investor and its coastal erosion problems make it a place for investors to avoid.

Environmental traps

One favoured destination, the Gold Coast, has also had extremely poor capital growth and many investors have suffered significant losses. In addition to oversupply, it has suffered from a drop in international tourist numbers thanks to a strong Australian dollar.

Its beachside properties are also threatened by storm surge. Ryder says rising sea levels are an issue for several areas with coastal erosion problems, including Byron Bay, the Gold Coast, Lake Macquarie in NSW and East Gippsland in Victoria.

Some councils won't let people build on their land because of climate change issues, says Ryder. "I urge caution around lake frontages on Lake Macquarie because of rising sea levels and council reluctance to approve developments," he says.

Environmental factors aside, Ryder says that as well as being easily accessible to a major city, the best potential areas for investment will have other elements to their economy such as education, information technology and medical infrastructure.

The areas where this is happening include Cairns and the Sunshine Coast, north of Brisbane. "They are becoming dynamic because the local councils are diversifying their economies and actively encouraging investment," Ryder says.

"The Sunshine Coast was dependent on tourism but there is \$15 billion worth of investment in infrastructure to develop a medical and education economy. Cairns, having been left behind other areas, is now spending a lot on infrastructure, including the airport, sea port and hospital. The local council is proactively encouraging investment and, at the same time, tourism has rebounded strongly."

Ryder says the price drop in Cairns means properties have some of the best rental returns anywhere in Australia.

While the Gold Coast has many of the characteristics you would want to see before investing – with infrastructure and increased spending ahead of the 2016 Commonwealth Games – it is negated because developers

repeatedly flood the market. "The Gold Coast has had five years of values going backwards because of oversupply," Ryder says.

"That oversupply has finally been absorbed and so is going into a growth phase. But the seeds of the next phase are being sown because developers have an endless passion for the Gold Coast. There might be short-term growth but in the long term, as we have seen in the past, investors will lose money," he warns.

“IMPROVED ROAD AND RAIL LINKS HAVE REVOLUTIONISED THE APPEAL OF SOME COASTAL REGIONAL TOWNS AND CITIES.”

In NSW, Port Macquarie and Gosford have been going through similar diversification processes, which have led to a strong growth in prices in the past 12 months.

Ryder says Gosford has traditionally been about lifestyle, tourism and retirement. In addition to some infrastructure spending in the town, which is a 90-minute train ride from Sydney, is the relocation of 600 Commonwealth public service jobs – half of them from the Australian Taxation Office. It is a similar story for the former steelworks town of Wollongong, an hour's drive south of Sydney.

"It is commutable and a cheaper seaside lifestyle than say, Sydney," says Ryder. "There is a lot of infrastructure development in residential, commercial and retail, which is creating jobs. It has a strong education sector which is creating new technologies such as IT."

Geelong in Victoria shares a similar story. Located on the Bellarine Peninsula, one hour's drive from Melbourne, it has the bay and beaches, and is very much a factory town in the early stages of a transition to a more diversified economy.

Commuter potential

"The factory days are coming to a close, so Geelong is diversifying into education, medical services and IT," says Ryder.

"Close by, the coastal towns of Barwon Heads and Torquay have improved infrastructure and will soon benefit from the regional rail link."

In the west, Ryder sees Mandurah, south of Perth, continuing to be a growth market, particularly for fly in, fly out workers who



discovered it as a cheaper and better lifestyle than one they could have in Perth.

"It has been through some lean years but is coming back strongly thanks to some highway expansions and extensions and rail links. It also has the ocean and estuaries for those who enjoy a water-based environment," he says.

Improved road and rail links have revolutionised the appeal of some of the coastal regional towns and cities around the country and remain key to future capital growth potential.

"The number one driver of capital growth is infrastructure, particularly transport. Education and medical infrastructure are



close behind. If you have a coastal location that is just about retirement and tourism, the economy is going to be struggling and there won't be much capital growth in the property market.

"If infrastructure factors are introduced, such as is happening in Sunshine Coast, Port Macquarie, Cairns and Geelong, suddenly they become much stronger economies and superior property markets," Ryder says.

RP Data's Kusher agrees that accessibility is a big driver of property prices in holiday destinations. Having said that, some places are appealing because they are tucked away and harder to get to, but there is little in the way of fundamentals to recommend them.

"In general, it is about being close enough to the city to be able to get there reasonably quickly on a weekend or holidays," Kusher says.

Kingsley says location remains key to finding the perfect holiday rental rather than the property itself and recommends being no more than two-and-a-half hours' drive from a capital city.

"There is no doubt you can find some good cash cows as holiday letting but there are negatives as well, as not every property makes for a good investment when it comes to buying in resort areas or summer coastal retreats," he says.

Kingsley says a more durable or tired

property which is beachfront or a two-minute walk from the beach could rent more easily and more frequently than a modern mansion.

"The beach shack concept does still work. People don't always have to have the best mod cons," Kingsley says.

"Location outstrips fancy and is more likely to create a bigger rental pool for not only the peak seasons but the softer season you also get in these markets."

Complex pitfalls

Kingsley says the biggest risk of buying in a holiday or seasonal town is once the emotional element goes and the reality of rental opportunity becomes apparent.

He says much of it may come down to the local people's ability to get jobs.

"If they are getting second- and third-tier jobs and are missing out on the big salaries then the reality is the demand dries up and values stagnate, so you don't get that overall investment return you may have thought you'd get," Kingsley says.

"Some people are renting out fully furnished places for the three- or four-day weekend breaks and getting terrific cash flow but they are not going to see the same appreciation as in the CBD locations."

Kingsley says, as a starting point, investors need to do their homework to find the areas that get consistent rentals and where more accommodation may be needed.

The investments to avoid are the ones in larger developments and complexes and resorts where there may be a holiday letting pool.

"They sell them very smartly on golf courses and prime locations, and you would think they have strong demand from tourists who want to stay in those locations. But if the group managing them isn't making a good dollar then they change ownership.

"The first thing that happens is they want people to refurbish their apartment. You are always putting your hand in your pocket and the money coming in is eaten up by fees," Kingsley says.

It is no coincidence that real estate agent windows and local papers are brimming with properties for sale. The holiday season is when real estate agents will try hard to prise out a buy.

Before you sign any contracts and start imagining your new lifestyle, however, you might also like to have a good hard look at the numbers or even have the property assessed by a qualified independent investment adviser, just in case you've had too much sun. ■