RENT & INVEST

Rentvesting can give you the dream lifestyle now and help you build a property portfolio, writes Ben Kingsley

A GROWING TREND AMONG property buyers is challenging traditional thinking about the great Australian dream of home ownership – a trend where early adopters are being rewarded financially when it comes to the buying-versus-renting decision.

It's called "rentvesting", whereby a person or family elect to rent where they want to live but still invest in property for their financial future. In simple terms, if you could afford to buy in a particular location and the mortgage repayments were $4000 a month, yet to rent a similar property in the same location cost $2000pm, then you would have a spare $2000pm to invest.

The goal would be to build a portfolio that grows in value and in the passive income it delivers but maintain your lifestyle by living where you want to live instead of where your budget says you should.

Rentvesting is a strategy that has emerged because of current property market pressures. Since the boom in Sydney and Melbourne and other popular locations, property prices have increased beyond the reach of many willing buyers. Yet renting in the same locations is within the budget of that same buyer.

It's fair to say that a decade or two earlier there were probably fewer high-value locations in our capital cities where most people couldn't afford to buy and the differentials between price and rent were not as high. And people were less likely to choose renting over buying unless they had to.

Now fast-forward to today, with a growing population and the fact that there is a finite supply of land in these – generally inner-city-developed areas. The lifestyle and its attractions – proximity to the city, beach and good schools – are difficult, if not impossible, to find elsewhere and prices have soared as a result of the strong demand.

> Property prices in popular locations have increased **beyond the reach of most Australians**

So rather than lowering their expectations about location and lifestyle – as life is too short – switched-on people are turning what many might see as a negative into a positive and benefiting from the best of both worlds: living where they want but also investing in property in other locations for the future.

For such people, rentvesting will be a compromise they can live with when it comes time to make the call between buying or renting.

But is the strategy simply a compromise or can it be even more – a smart, long-term wealth-creation strategy?

The pros

LIFESTYLE If it's too expensive to buy where you want to live, then you still have the option of renting. There are many reasons why you may want to live in a particular area: better schools, a safer neighbourhood, a bigger house, or proximity to lifestyle amenities and perhaps family.

WEALTH BUILDING Because you are saving on mortgage repayments and investing those savings into a portfolio of investment properties, you are not missing out on building a retirement nest egg.

COST SAVINGS Buying a home has high acquisition costs such as stamp duty and conveyancing and lending fees, which might include expensive lenders mortgage insurances (LMI) as well. A rule of thumb these days is that 6% of the cost will be one-off items – more if LMI is payable. So if you are buying an $800,000 house, expect these one-off costs to be more than $48,000, which you don't get back when you sell.

ALL CARE, NO RESPONSIBILITY For tenants, it's the landlord's responsibility to maintain the property. Any issues with the electricals, hot water, leaks, air-conditioning, building deterioration, inbuilt fixtures and fittings and worn items are the landlord's cost.

EASE THE BURDEN Your tenants and the tax office help out financially. Initially when you

GETTY IMAGES

When does rentvesting work?
In simple terms it works best when there is a good-sized differential between what it costs you to buy versus what it costs you to rent. So if buying costs 6% in interest and 1.5% of the property's value in holding costs – a total of 7.5% – versus renting at, say, 3.5% of its value, the differential is 4%. It's this differential that creates the financial benefit of rentvesting.

Who does it suit best?
It works well across all income ranges – as demonstrated in our case studies – but, because the tax benefits play a supporting role in assisting with initial cash flow and therefore holding costs, the higher the tax rate paid by the investor, the better the strategy works.

What are the best locations?
It's not a strategy that works well if the differential between buying and renting doesn't clearly exist. In other words, it's not a strategy recommended in locations where buying the home would be roughly the same cost as renting in that area. It usually works best in higher-value areas close to the major capital cities, as this is where large differentials between the buying and renting costs are found. And if you think about that logically, if properties in these locations were affordable to all, this differential wouldn't exist. But I don't know anywhere in developed economies and cities around the world where you can find cheap housing close to major capital cities. [And note that our model assumes a slower rate of growth for rents in these areas than for rent on the investment properties.]

An early advantage
In playing devil's advocate, you might be thinking that surely those who chose to buy the family home could at some point buy an investment property as well – and this is true. However, as clearly illustrated in the modelling, every time it might be possible for an owner-occupier to invest, the rentvestor is in a position to invest earlier, which would further increase the financial differential in the rentvestor's favour.

buy an investment property, the rent covers a portion of the loan repayments. Additionally, depending on how much you borrow, there might be a shortfall (loss) between the income you receive and the cost of running the property. When this occurs, the loss is subtracted from your other income, which reduces your overall tax bill in that year. Over time as the loan is paid down, the rental income becomes greater than your outgoings and, after you pay tax, the difference is passive income for you to enjoy or plough back into investment.

TAX BENEFITS With the investment property, you can claim depreciation on the building, plus the fixtures and fittings. This is in addition to your initial costs and will result in reduced tax.

GO WITH THE FLOW Because you don't have the high cost burden of buying (or selling, for that matter – up to 2.5% of the sale price), the world is your oyster. You can rent for a few years near the beach, then try inner-city living for a while or escape to the country. Renting gives you that flexibility and potentially a variety of accommodation types. Due to high buying and selling costs, it's not financially sensible to do this as an owner.

The cons

LOSS OF FULL CGT EXEMPTION This is one issue that doubters might raise. Your own home is regarded, from a tax perspective, as your principal place of residence and this carries a full exemption from any tax liability if you sell the property for a profit. On the other hand, if a rental property is sold for profit a portion will go towards capital gains tax. This amount varies subject to how much profit is made, the overall income in that tax year and how long you owned the property before selling it. Obviously, if you don't sell it no capital gains tax is payable.

EMOTIONAL COST Many of us grow up dreaming of one day buying a property and making it into our home where we can add personal touches. In a rental property you need the landlord's permission if you want to change anything substantially.

LOSS OF CONTROL A major frustration when renting is finding a suitable place and then moving in all your belongings. It's even worse if the landlord decides you must move out. It's their property and they have ultimate control over it.

PEER PRESSURE Residential property is the domain of the owner-occupier: they own about 70% of the market. So as you get older and more "responsible" the pressure builds on you to buy a property of your own even if you can't really afford it or you have to settle for one that's not completely suitable or is in an area you don't like. And when you do buy, you do your very best to convince yourself, family and friends that it was the right decision.

"RENT MONEY IS DEAD MONEY" I've included this point as a con because if someone decides to rentvest but doesn't get around to actually investing or only puts away some of the savings, the strategy won't work. The key is to invest that surplus money, otherwise it is likely you would have been better off financially with the buying-to-live-in option.

When it comes to decisions about our living circumstances, personal and traditional preferences will play a part. But so too should the financial implications of a choice. To illustrate this, on the following pages we have set up three real-life scenarios that compare buying to live in with renting and investing.

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The pay-off: $250,000

Young people who lack a big deposit can still get a foothold in an expensive property market

CASE STUDY 1

NAME: STEVE, 25; $64,000pa

SITUATION: CAN'T AFFORD TO BUY IN INNER CITY

STRATEGY: RENT INCOME WILL BOOST BORROWING POWER FOR FIRST-TIME BUYER

MEET STEVE – HE'S 25 years old. His financial situation looks like this: Steve lives at home with his parents, which has allowed him to save a decent deposit. He's had a good run at home but now his parents are looking to move onto the next stage of their lives and are considering downsizing.

He is considering his options for entering the property market – as a first-time own-home buyer or whether to join the growing movement of "rentvestors".

He's keen to live near the action and like-minded young people. This means he wants to be close to the beach, city and lifestyle of inner Melbourne which, like any modern and large city around the world, isn't cheap for property buyers. His initial research has shown him that to buy the type of property he wants it could cost him more than $700,000. If he had a mortgage of $665,000 at 6%, his repayments would be almost $40,000 a year – and that would just be the interest without paying off any principal.

Interestingly, similar properties he is looking at (two-bedroom apartments) are being rented for $24,000 a year. So if he and a flatmate shared, his rent would be $12,000, or less than a third of what it would cost him to service the interest if he tried to buy and didn't take in a renter to help him with the mortgage.

And disappointingly for Steve, even if he wanted to buy, the reality is that his maximum borrowing power – based on his income and living expenses – is limited to about $310,000. If he uses most of his savings as a deposit and towards the buying costs, his maximum purchase price is $350,000. His budget simply

STATE OF PLAY

	BUY TO LIVE IN	RENT-VESTING
Gross wages	$64,000	$64,000
Living costs	-$22,200	-$22,200
Savings & gift	$60,000	$60,000
Purchasing power	$350,000 (wages only)	$425,000 (wages + rental)
Buying costs	$13,450 (FHB benefit)	$37,500 (LMI)
Mortgage	$304,500 (87% LVR)	$403,750 (95% LVR)
Surplus cash	$1050	$1250
AFTER PURCHASE		
Outgoing rent		$12,000 (share apt)
Gross rental income		$19,550 (5% yield, 92% occupancy)
Rates, upkeep	-$5250	-$6400
Property mgmt (7.7%)		-$1500
Loan repayments (6% interest-only)	-$18,270	-$24,250
Depreciation claimed		$3450pa (for 20yrs)
Income tax payable	-$13,500	-$8050 (after dedns)
Surplus cash	$5500	$10,050

GETTY IMAGES

Steve is keen to live in Melbourne and is happy to invest where it's best.

WHERE TO INVEST

Ascot, Queensland

- median unit price $425,000
- current gross yield 4.8%pa

Charnwood, ACT

- median house price $420,000
- current gross yield 5.2%pa

East Brisbane, Queensland

- median unit price $400,000
- current gross yield 5.0%pa

COMPARING FUTURES

	BUY TO LIVE IN	RENT-VESTING
AFTER 10 YEARS		
Gross wages	$86,850	$86,850
Living costs	-$37,750 (incl prop costs)	-$30,550
Outgoing rent (5%pa)		-$19,850 (share apt)
Gross rental income		$35,000
Rental property expenses		-$11,250
Mortgage interest (with offset benefit)	-$10,200	-$12,900
Income tax payable	-$18,100	-$21,050
Surplus cash	$20,800	$26,200
Savings in offset acc	$125,250	$176,550
Net mortgage debt	$179,250	$227,200
Property value (@ 6%pa)	$626,800	$761,100
Net worth (excl super)	$447,550	$533,900
AFTER 20 YEARS		
Net property income		$46,350
Surplus cash	$41,650	$48,450
Savings in offset	$143,650	$153,400
Net mortgage debt	none	none
Property value	$1,122,500	$1,363,000
Net worth (excl super)	$1,266,150	$1,516,400

Income and expenditure indexed at 3%pa

won't allow him to buy where he wants to live or the type of place he wants.

However, if he rentvested he could use the rental income from the investment property he buys, in addition to his wages, to boost his borrowing power. In fact, based on this scenario, his maximum borrowing power would be in excess of $500,000 and the only issue that limits his purchasing power is how much deposit he has available, because lenders won't lend more than 95% as a loan-to-value ratio for an investment purchase. Therefore, it is the size of Steve's deposit that will limit him to buying an investment property around the $425,000 price point. Even so, this option from a financial view point is worth considering.

Let's take a look at the numbers in the tables and compare the two options he is considering.

What jumps out after the initial purchase is the cash flow story for the rentvestor. The rental income, combined with the lower tax and depreciation, means Steve is able to hold a higher-value asset yet still have solid cash flow of more than $10,000 a year.

Looking 10 years into the future we see the financial differences starting to appear: combining all the benefits – the rent he earns is more than the rent he pays, the tax benefits of investing and the interest saved by putting the $5400 surplus cash generated into his offset account – gives him a positive difference of $51,300 (if he continues to share his rent).

Furthermore, the investment property is now funded 100% by the tenant and is generating net passive income to the tune of $10,850 and will continue to increase. At this point it's worth pointing out that this surplus cash flow would accommodate another investment property purchase and the compounding effect of such a strategy could reap even greater wealth returns. But for the purposes of this exercise, we have modelled just the single investment property.

In terms of his overall net property wealth position he's $86,350 better off, when you combine both his cash assets and the appreciated property value. Interestingly, this is even though he borrowed more initially to invest.

If Steve stays this course for 20 years the numbers look even more appealing.

It's true that 20 years is a long time and a lot can happen that could alter this result. In both scenarios he would have been in a position to buy additional properties. Alternatively, he may have decided to increase his rent to have his own place rather than have a flatmate. Steve could have met his future life partner and started a family, which could have resulted in the sale of whichever property he decided to buy. All that said, when comparing his buy versus rentvest decisions, it's important to consider the financial impact. At 20 years the positive cash flow could be a healthy $46,350 a year and growing.

When you combine the forecast property value increase and his cash assets, Steve would be better off financially to the tune of over $250,000 over 20 years if he rentvested. This is serious food for thought for any younger person considering their property future.

The pay-off: $1.1 million

Upgraders who leverage the equity in their family home to buy more properties can achieve a huge increase in wealth

CASE STUDY 2

NAME: GREG & SUE, 37; $190,000pa

SITUATION: NEED BIGGER HOME FOR A GROWING FAMILY

STRATEGY: HOME BECOMES INVESTMENT AND TWO MORE PROPERTIES BOUGHT

WHERE TO INVEST

Centennial Park, NSW
- median 1-bed unit price $515,000
- current gross yield 4.5%pa

Chisholm, ACT
- median house price $505,000
- current gross yield 4.5%pa

Southport, Queensland
- median house price $515,000
- current gross yield 4.5%pa

GREG AND SUE ARE BOTH 37 and have two kids under 10. As in many households, they are grappling with the decision to upgrade the family home, as their kids are getting older. Although they don't mind where they live, they have always dreamed about a bigger home in a better suburb. They are both back in full-time work as their kids are well-settled in school now. They have done their numbers and the family budget can afford an upgrade costing up to about $1.6 million. What's also being factored into their decision is the location they are looking at, because it's within the school zone of a great high school where they want to send their kids.

If they opted to sell their current home for $900,000 and buy for $1.6 million, they are looking at a home loan of $1.14 million, which they would service with their after-tax incomes. But if they rentvested, they could turn their current home into an investment property and afford to buy two more investment properties, each worth $500,000 – one in NSW and one in Queensland. Such a move would give them a property investment portfolio of $1.9 million and will generate increasing rental income and grow in value over time.

GETTY IMAGES

Greg and Sue have always dreamed of living in a bigger and better suburb.

STATE OF PLAY

	BUY UPGRADER	RENT-VESTING
Gross wages	$190,000	$190,000
Living costs	-$45,000	-$45,000
Mortgage payment	$28,350	$28,350
Suplus cash	$66,200	$66,200
Value of family home	$900,000	$900,000
Net equity	$570,000	$570,000
Savings in offset acc	$15,000	$15,000
Purchasing power	$1,600,000 (wages only)	$1,900,000 (wages + rental)
Buying costs	$80,000	$40,000
Home sale (net)	$547,500	
Mortgage(s)	$1,140,000 (71% LVR)	$1,370,000 (72% LVR)
Surplus cash	$22,500	$15,000
AFTER PURCHASE		
Outgoing rent		-$40,000
Gross rental income		$70,400 (4.5% yield, 92% occ)
Rates, upkeep	$16,000 (+$7000)	$28,500 **(1.5%)**
Property mgmt (7.7%)		-$5400
Loan repayments (6% interest only)	-$68,400	-$82,200
Depreciation claimed		$13,350pa (for 20yrs)
Income tax payable	-$50,650	-$29,650 (after dedns)
Surplus cash	$23,200	$43,200
Value of property(ies)	$1,600,000	$1,900,000

Let's compare the two options.

In addition to the points highlighted in Steve's case, in Greg and Sue's scenario the upgrade to a $1.6m property would result in higher holding costs, such as rates, expenses (for example, insurance) and greater wear and tear on a bigger home. However, the rentvestor doesn't have to worry about these costs as they convert to an investment expense and will be covered in the 1.5% upkeep allocation that has been provisioned. And their cash benefits to the tune of the $9000 upkeep costs they previously paid.

The rentvesting strategy appears highly favourable for Greg and Sue just looking at the 10-year snapshot. There are a couple of reasons for this. First, they retain their original home and convert it into an investment property, which is cash flow positive almost immediately, as the existing debt is only $330,000. Second, the total asset value differential of $300,000 has had a significant impact on value growth and has given them greater rental income.

At 10 years their investment properties are generating net passive income of $42,500, all funded by their tenants. This also means the tax payable is higher on the rentvestor side of the ledger. In terms of overall net property wealth, they are significantly better off by more than $500,000.

When the numbers are revisited at 20 years, they are certainly compelling. Surplus cash flow being generated is $18,050 higher each year; cash on hand is $167,100 higher with no outstanding debt for either option; and, finally, the overall combined net worth is a staggering $1,129,250 higher.

COMPARING FUTURES

	BUY UPGRADER	RENT-VESTING
AFTER 10 YEARS		
Gross wages	$258,550	$258,550
Living costs	$71,700 (incl prop costs)	-$49,650
Outgoing rent (5%pa)		-$66,500
Gross rental income		$126,300
Rental property exp		-$48,050
Mortgage interest (with offset benefit)	-$35,070	-$35,750
Income tax payable	-$68,050	-$80,400
Surplus cash	$83,700	$104,450
Savings in offset acc	$517,950	$726,550
Net mortgage debt	$622,050	$643,450
Property value (@6%pa)	$2,865,350	$3,402,600
Net worth (excl super)	$2,243,300	$2,759,150
AFTER 20 YEARS		
Net property income		$157,250
Surplus cash	$159,600	$177,650
Savings in offset acc	$658,400	$825,500
Mortgage debt	none	none
Property value	$5,131,400	$6,093,550
Net worth (excl super)	$5,789,800	$6,919,050

Income and expenditure indexed at 3%pa

The pay-off: income for life

A single parent can make the most of modest assets to fund her son's education and achieve financial independence

CASE STUDY 3

NAME: JENNY, 39; $72,000pa

SITUATION: SINGLE MOTHER REBUILDING HER LIFE

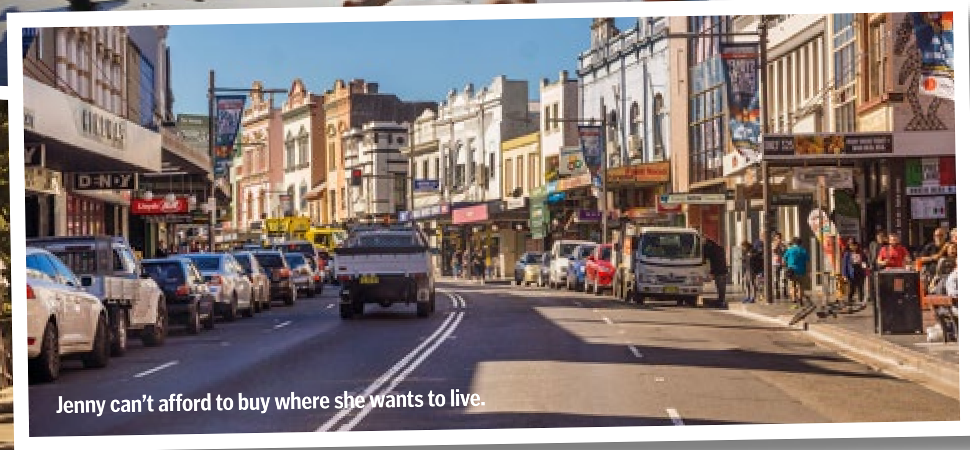
STRATEGY: USE DIVORCE SETTLEMENT TO LAUNCH PORTFOLIO

JENNY IS A 39-YEAR-OLD schoolteacher with a son, Sam, who is 13. She has recently received a settlement from her divorce and is looking at her options to rebuild her financial position. Jenny knows that on her single income she cannot afford to buy in the area where she and her son have lived for the past 10 years, but she doesn't want to leave her network of friends nor does she want to impact on Sam's important next few years of education by moving him to a new area and school.

In deciding to rentvest Jenny is playing the long game. She understands that although she needs to provide for herself and her son now, she doesn't have the benefit of a two-income household. She needs to invest to build her wealth base so she doesn't have to rely on a small government pension in retirement. Although Jenny's relationship didn't last, the property she and her partner owned and then sold as part of the financial settlement performed well and has left her with a nice amount of money to start her rentvesting journey.

STATE OF PLAY	
Gross wages	$72,000
Living costs	-$27,000
Outgoing rent	-$23,400
Income tax payable	-$16,400
Surplus cash	$5200
Divorce settlement	$450,000
YEAR 1	
Buy properties 1 & 2	2 x $400,000
Capital growth	5.5%pa
gross rental yield	5.5%
Occupancy	92%
LVR	60%
Mortgage interest	6%pa
YEAR 2	
Buy property 3	$250,000
Capital growth	4%pa
gross rental yield	6.5%
Occupancy	92%
LVR	63%
Mortgage interest	6%pa

GETTY IMAGES



Jenny can't afford to buy where she wants to live.

WHERE TO INVEST

Kuluin, Queensland

- median house price $420,000
- current gross yield 5.6%pa

Palm Cove, Queensland

- median unit price $260,000
- current gross yield 6.5%pa

Spring Hill, Queensland

- median unit price $420,000
- current gross yield 5.5%pa

In the earlier case studies we looked at the financial gain of one period of investing and then the 10- and 20-year snapshot results. For Jenny, we look at how she can build a portfolio of three investment properties in the next couple of years and check in at the 10- and 20-year intervals to measure her progress.

Jenny's $450,000 financial settlement is a great springboard. Jenny is conscious that her status as a single parent doesn't bode well for her borrowing power. Her goal is to build passive income to support her and her son down the track.

With this in mind, the loan-to-value ratio goal is set at 60% for the first two purchases, which will reduce the interest cost and, once depreciation benefits are added in, these properties are close to supporting themselves through the rental income they generate.

The first two purchases are set at $400,000 and she is aiming for a "balanced" return with the targets for capital growth and gross rental yield both at 5.5%. These properties will be bought immediately and can be found in the suburbs of one of many Australian capital cities.

These buys will be following by a final purchase in 2017: a third property to the value of $250,000. This is an entry-level investment focused on a high yield return of 6.5% and a capital growth of only 4% a year. These types of property are found in our mid-sized regional towns (outside the mining centres) that have sound, diverse economic drivers.

On completion of the third property purchase Jenny's debt peaks at just over $638,000 but, given the strategy she has adopted, her portfolio is slightly positively geared from day one and over time will start to generate significant cash flow, as noted in year 10 ($23,650) and year 20 ($52,300).

In fact, her portfolio is forecast to be debt free by early 2039 when she is 62. So Jenny will then enjoy all the passive income being generated from her portfolio, plus the appreciation in its value over this period.

Jenny has a solid plan here to not only survive as a single mother but to look forward to being financially independent and setting up herself and her son for life.

PREDICTION

	AFTER 10 YEARS	AFTER 20 YEARS
Gross wages	$96,750	$131,350
Living costs	$37,150	$49,900
Outgoing rent (5%pa)	$38,750	$63,100
Gross rental income	$91,300	$150,850
Rental property exp	$28,250	$40,150
Mortgage interest (with offset benefit)	$30,050	$7750
Income tax payable	$31,150	$69,000
Surplus cash	$23,650	$52,300
Savings in offset acc	$189,050	$548,250
Net mortgage debt	$511,950	$152,750
Property value	$1,736,600	$2,882,000
Net worth (excl super)	$1,224,650	$2,729,250

Income and expenditure indexed at 3%pa

LIFESTYLE SUBURBS: YOUR RENT BUYS MORE THAN YOU COULD AFFORD

SUBURB	STATE	TYPE	MEDIAN PRICE	MEDIAN RENT (PM)	MONTHLY MORTGAGE PAYMENT[1]
Campbell	ACT	U	$1,000,000	$1300	$5096
Hughes	ACT	U	$771,000	$1127	$3929
Abbotsford	NSW	H	$1,955,000	$3423	$9963
Ashfield	NSW	H	$1,397,500	$2643	$7122
Banksia	NSW	H	$1,138,888	$2643	$5804
Bexley North	NSW	H	$1,200,000	$2470	$6115
Carlingford	NSW	H	$1,250,000	$2513	$6370
Carlton	NSW	H	$1,192,500	$2557	$6077
Castle Hill	NSW	H	$1,310,000	$3033	$6676
Chatswood West	NSW	H	$1,495,500	$3402	$7621
Concord	NSW	H	$1,715,000	$3033	$8740
Denistone	NSW	H	$1,535,000	$3033	$7823
Drummoyne	NSW	H	$1,752,500	$3467	$8931
Dulwich Hill	NSW	H	$1,323,500	$3120	$6745
Earlwood	NSW	H	$1,250,000	$2817	$6370
Eastwood	NSW	H	$1,520,000	$2914	$7746
Five Dock	NSW	H	$1,504,000	$3250	$7665
Gladesville	NSW	H	$1,639,000	$3272	$8353
Glebe	NSW	H	$1,485,000	$3293	$7568
Greenwich	NSW	H	$2,195,000	$4333	$11,186
Haberfield	NSW	H	$1,900,000	$4008	$9683
Hornsby	NSW	H	$1,100,000	$2600	$5606
Kingsford	NSW	H	$1,860,000	$3467	$9479
Lane Cove North	NSW	H	$1,650,000	$3727	$8409
Lewisham	NSW	H	$1,375,000	$3250	$7007
Maroubra	NSW	H	$1,635,000	$3683	$8332
Melrose Park	NSW	H	$1,340,000	$2600	$6829
North Ryde	NSW	H	$1,412,000	$3012	$7196
North Strathfield	NSW	H	$1,687,500	$3250	$8600
Parramatta	NSW	H	$1,090,000	$2167	$5555
Putney	NSW	H	$1,903,000	$3467	$9698
Randwick	NSW	H	$2,100,000	$4550	$10,702
Rodd Point	NSW	H	$1,830,000	$4008	$9326
Russell Lea	NSW	H	$1,665,000	$3510	$8485
Ryde	NSW	H	$1,419,000	$2817	$7231
Strathfield	NSW	H	$2,114,500	$3120	$10,776
Summer Hill	NSW	H	$1,460,000	$3023	$7440
West Ryde	NSW	H	$1,350,000	$2600	$6880
Zetland	NSW	H	$1,504,000	$3423	$7665
Kangaroo Point	QLD	H	$905,000	$2492	$4612
South Brisbane	QLD	H	$1,220,000	$2167	$6217
West End	QLD	H	$1,000,000	$2600	$5096
Henley Beach South	SA	H	$802,000	$2264	$4087
Hyde Park	SA	H	$1,150,000	$2448	$5861
Unley	SA	H	$1,000,000	$2102	$5096
Albert Park	VIC	H	$1,540,000	$3250	$7848
Albert Park	VIC	U	$857,500	$1820	$4370
Alphington	VIC	H	$1,198,000	$2817	$6105
Armadale	VIC	H	$1,830,000	$3153	$9326
Ashburton	VIC	H	$1,416,250	$2080	$7217
Ashwood	VIC	H	$1,065,000	$1950	$5427
Balwyn	VIC	U	$777,500	$1701	$3962
Beaumaris	VIC	U	$870,500	$1950	$4436
Bentleigh	VIC	H	$1,142,500	$2383	$5822
Bentleigh East	VIC	U	$715,000	$1755	$3644
Black Rock	VIC	H	$1,640,000	$3889	$8358
Blackburn	VIC	H	$1,136,000	$1863	$5789
Box Hill North	VIC	U	$690,000	$1690	$3516
Box Hill South	VIC	H	$1,130,000	$1950	$5759
Brighton	VIC	H	$2,080,000	$4312	$10,600
Brighton East	VIC	H	$1,525,000	$3250	$7772
Bulleen	VIC	H	$1,037,500	$1907	$5287
Camberwell	VIC	H	$1,807,000	$3077	$9209
Canterbury	VIC	H	$2,400,000	$3683	$12,231
Canterbury	VIC	U	$888,750	$1993	$4529
Carlton North	VIC	H	$1,105,000	$2600	$5631
Caulfield South	VIC	H	$1,352,500	$2383	$6893
Chadstone	VIC	H	$880,000	$1820	$4485
Clifton Hill	VIC	H	$1,090,000	$2578	$5555
Doncaster	VIC	H	$1,150,000	$2080	$5861
Elsternwick	VIC	H	$1,370,000	$2708	$6982
Elwood	VIC	H	$1,420,000	$3250	$7237
Essendon	VIC	H	$1,050,000	$2015	$5351
Glen Huntly	VIC	H	$1,270,000	$2167	$6472
Hawthorn East	VIC	H	$1,575,000	$2719	$8026
Heidelberg	VIC	H	$985,000	$1950	$5020
Highett	VIC	H	$955,000	$2080	$4867
Hughesdale	VIC	H	$999,500	$1950	$5094
Huntingdale	VIC	H	$835,000	$1733	$4255
Ivanhoe East	VIC	H	$1,535,000	$2578	$7823
Kew	VIC	H	$1,990,000	$3402	$10,141
Kew East	VIC	H	$1,511,000	$2611	$7700
Macleod	VIC	H	$731,000	$1733	$3725
Malvern	VIC	H	$2,106,000	$3402	$10,733
Mckinnon	VIC	H	$1,339,000	$2470	$6824
Mckinnon	VIC	U	$790,000	$1863	$4026
Middle Park	VIC	H	$2,287,500	$3250	$11,658
Mont Albert	VIC	H	$1,825,000	$2936	$9301
Moonee Ponds	VIC	H	$995,000	$2167	$5071
Notting Hill	VIC	H	$750,000	$1733	$3822
Ormond	VIC	H	$1,169,000	$2578	$5957
Port Melbourne	VIC	H	$1,180,000	$2784	$6013
Prahran	VIC	H	$1,280,000	$2557	$6523
Rosanna	VIC	H	$882,500	$1863	$4497
St Kilda East	VIC	H	$1,155,000	$2600	$5886
Surrey Hills	VIC	H	$1,680,000	$2535	$8562
Surrey Hills	VIC	U	$760,000	$1733	$3873
Templestowe Lower	VIC	H	$956,750	$1993	$4876
Travancore	VIC	H	$960,000	$1733	$4892
North Perth	WA	H	$875,000	$2383	$4459

Source: CoreLogic RP Data as at 31-Dec-15. A selection of suburbs, ignoring the most expensive. Median prices and rents for year. H = house; U = unit. [1]P&I payments, 6%pa interest, 85% LVR.