



REAL ESTATE
RESCUE

REAL ESTATE RESCUE

BECOMING AN AREA EXPERT



© 2019 DG Institute Pty Ltd | All Rights Reserved



BECOMING AN AREA EXPERT

One of the critical strategies for Real Estate Rescue is to become what I call an “Area Expert”, which basically means that you become an expert on everything to do with real estate in an area that you choose to concentrate on for the purposes of purchasing property.

WHAT ARE THE BENEFITS OF BEING AN AREA EXPERT?

You want to become an area expert so that when a deal presents itself, you are in a position to know whether it represents good value, and whether it is worth pursuing further. Your local knowledge of the suburb and even the street will give you some context with which to judge the property, especially if there is a considerable difference in the overall condition of the house you will be looking at.

There are hard costs involved in pursuing a property (eg legal fees, searches etc), so if you have a well- established frame of reference in place that will allow you to evaluate the estimated value of a property upfront, you can save yourself both money and time. Knowing which properties are NOT worth pursuing is just as valuable as knowing which properties are worth further investigating.

HOW DO YOU CHOOSE THE AREA TO BE AN EXPERT ON?

A great website to start you off with finding an area to research further is www.dsldata.com.au. This website has great information and “how to’s” on searching statistics on a suburb.

Of course, you will still need to combine this information with your own research into the suburbs that you choose – you should never rely solely on the results of the website. A computer algorithm is only a starting point for you and is no substitute for you pounding the pavement.

HOW MANY AREAS SHOULD YOU LOOK AT BEING AN EXPERT ON?

You should investigate a number of suburbs, with a view to having 2 or 3 that you can become an area expert in. Markets change over time, and it may be that one of your areas is overheated in terms of price. In this case, you will be able to focus your attention on your backup suburb until a further change occurs and prices become more suitable for your budget and desired profitability.

WHAT FACTORS SHOULD YOU CONSIDER WHEN SELECTING AN AREA TO INVEST IN?

Once you have selected a possible suburb, you should start investigating the following aspects to give you a picture of whether it is desirable from a re-sale point of view.

- General upkeep/neglect of neighbourhood
- Schools – location & quality of the school district
- Shopping - is it nearby and convenient?
- Construction - this is a sign of investment in the area. Any new buildings or major renovations?
- Crime statistics - local police department can tell you what has been reported in that area
- Other properties for sale - look to see what the other competition is. Are there lots of homes on the market, and how long have they been for sale? There is usually a reason if everyone is selling and no-one is buying.
- Transport – how accessible is it?
- Anticipated growth of suburb – is the area booming?
- Proposed development in the area and impact (could be good or bad).
- Other suburbs close by that are booming that could indicate this one will follow suit
- Is it mainly owner-occupiers or renters in the area? If you are renovating and flipping you will want the former;





if buying to hold, the latter.

- The disparity between renovated and unrenovated properties if this is your niche. If the market will not pay much more for a renovated property as compared to an unrenovated property, you may be wasting your time!

WHERE CAN YOU FIND OUT THIS SORT OF INFORMATION?

There is no substitute for spending time in the suburb – immerse yourself in it! Good sources of information in an area can be:

- Local residents – talk to them about what's it like to live there, what do they love, what are the local concerns etc
- Shop-keepers – talk to them about what the local economy is like and how business is doing in the area. What is it like to find and retain staff?
- Chamber of commerce – this can be a great source of information on the progression of the town and how well it is doing
- Local government – they can be a source to find out about new developments, infrastructure being planned; local initiatives etc
- Police – talk to them about local crime rates, streets & areas with known problems, noise issues that have been reported
- Real estate agents – they can be a rich source of information, but be aware of bias! Ask which areas are selling best and renting best. What are the vacancy rates?
- Look at the local newspapers for jobs and real estate information, as well as to pick up on local issues that may affect real estate prices

WHAT OTHER FACTORS SHOULD YOU TAKE INTO ACCOUNT WHEN SELECTING A SUBURB?

One thing that investors often forget to take into consideration when picking a suburb to be an area expert in – are you able to manage the time/distance factor? The best suburbs for investment at the moment may be in North Queensland, but if you live in Perth, will you be able to manage to fly there for each property inspection requirement? You may need to consider investing in a suburb which is close enough for you to be able to spend the time there to become an area expert. The yields may be less, but it has to be manageable or you won't be able to sustain the pace. Or even worse, if you don't take the time to research the area well because of the time and cost involved, you can end up making bad decisions on a property that could be very costly.

ONCE YOU HAVE SELECTED THE SUBURB, WHAT DO YOU DO NEXT?

If the research on the suburb looks good, then it is time to get a thorough understanding of the value of the property there.

1. What type of property do you want to invest in?

Firstly, you will need to have a good understanding of the type of property you want to invest in (i.e. units/townhouses/houses etc.). This may be affected by the type of property that is selling well at the moment in your suburb, or it may be affected by rental vacancy rates if you are planning to buy and hold. The selection process will be different for everyone, based upon your unique investment and risk profile, as well as your budget.

2. Know what you can afford

You need to know the rough price bracket you can afford to purchase in (which will also have a bearing on the type of property you invest in). There is no point being an expert in the value of waterfront mansions when you can only afford to purchase a townhouse! Take the time to get your finances sorted out and your loan pre-approval in place, and be realistic.





3. Know the best streets

You will need to become an expert in knowing the good areas and bad areas of your suburb, which may even come down to individual streets. Some of the factors influencing this can be proximity to amenities, transport, shops, schools, recreation, views etc. It can be a good idea to get yourself a map of the area and mark out the best streets so that you can see the suburb at a glance. Don't forget, you are looking for an undervalued or distressed property on a great street that will have good re-sale value.

4. Know the value of property

Finally, you need to become an expert on the value of property in your area. The best way to do this is to research comprehensively – you will need to inspect properties, attend auctions, and follow up on sale prices after the event. You will need to talk to agents and research on RP Data for comparative sales in the area, length of time on the market, rental vacancies and so on. The more you research, the greater your understanding of the market, and you will soon find yourself able to evaluate the value of a potential property easily.

