



**PROPERTY  
UPLIFT  
PROGRAM**

**BECOMING AN  
AREA EXPERT**



One of the critical strategies in property development is to become what I call an “Area Expert”, which basically means that you get to know all there is to know on everything to do with real estate in an area that you choose to concentrate on for the purposes of acquiring a site.

### **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, what you can do to create a higher and better use of that site and how to best monetise this.

There are hard costs involved in pursuing a property (eg legal fees, searches, experts fees etc), not to mention the value of your time and the opportunity cost in chasing down the wrong deal for too long. So, having a well-established frame of reference in place will allow you to evaluate the estimated value of a property upfront to the end of saving yourself both money and time. Knowing which properties are NOT worth pursuing is just as valuable as knowing which properties are worth further investigating. The secret is in the FOCUS: Follow One Course Until Successful. If you have to kiss a lot of frogs to find the prince when searching for a stie it makes sense to have all those learnings (kissing frogs) going to good use – building up a profile of exactly what you are looking for and what you want to avoid in any given area.

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

You should investigate a number of suburbs, with a view to having at least 2 or 3 that you can really hone in on. Ideally, these should be in close proximity to each other so that you can focus on a “corridor. That way all the contacts you develop and the team you assemble can continue to work with you in your business. Markets change over time, and it may be that one of your areas is no longer viable due to over-supply, regulatory changes or too much competition etc. In this case, you will be able to focus your attention on your backup suburb/s until a further change occurs and the market becomes 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? This will dictate your end-market and exit strategy.

## WHERE CAN YOU FIND OUT THIS SORT OF INFORMATION?

We have demonstrated RP Data and its uses to you and this is a great starting point but you cannot get a haircut over the phone and you cannot Become an area expert digitally, that is, without actually walking the streets.

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 BUILD?**

Firstly, you will need to have a good understanding of the type of property you want to build (ie 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 build 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 build). There is no point being an expert in the value of waterfront mansions when you can only afford to purchase vacant and on the freeway! 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.

## **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.