

THE TRUTH about railway suburbs' growth prospects

Properties located near public transport systems are attracting strong interest from buyers and renters amid rising petrol prices and worsening traffic congestion. But how significantly and to what extent have train lines impacted capital growth? The answer may surprise you. Robin Christie reports

With the cost of fuel continuing to escalate and the rising costs of long-term parking and traffic congestion, it's hardly surprising that property buyers are increasingly targeting areas within close proximity of public transport links.

In fact, Grow Consulting Group director Ayda Shabanzadeh says that proximity to transport nodes is now one of the most desired features when it comes to buying property.

"Where once homeowners and investors valued waterfront views above all else, they're now putting a great deal more emphasis on whether their home's location allows easy access to their place of employment and other amenities."

Savvy investors have quickly caught on to such trends and have started to strategically purchase properties that incorporate efficient transport infrastructure within a short walk,

as well as lifestyle amenities, to best maximise rental rates.

"It is well promoted that investing in real estate in close proximity to strong transport nodes (particularly train lines) attains the best long-term returns for property investors," says Dan O'Halloran, residential research analyst with PRDnationwide.

But how do these suburbs really stack up against the transport 'black holes' or areas without train stations?

Railway suburbs vs 'black holes'

The team at PRDnationwide analysed the performance of houses in railway suburbs within a 15km radius of the CBD in Sydney, Melbourne, Brisbane and Perth, and compared these with transport 'black holes'. The results may surprise you.



○ SYDNEY

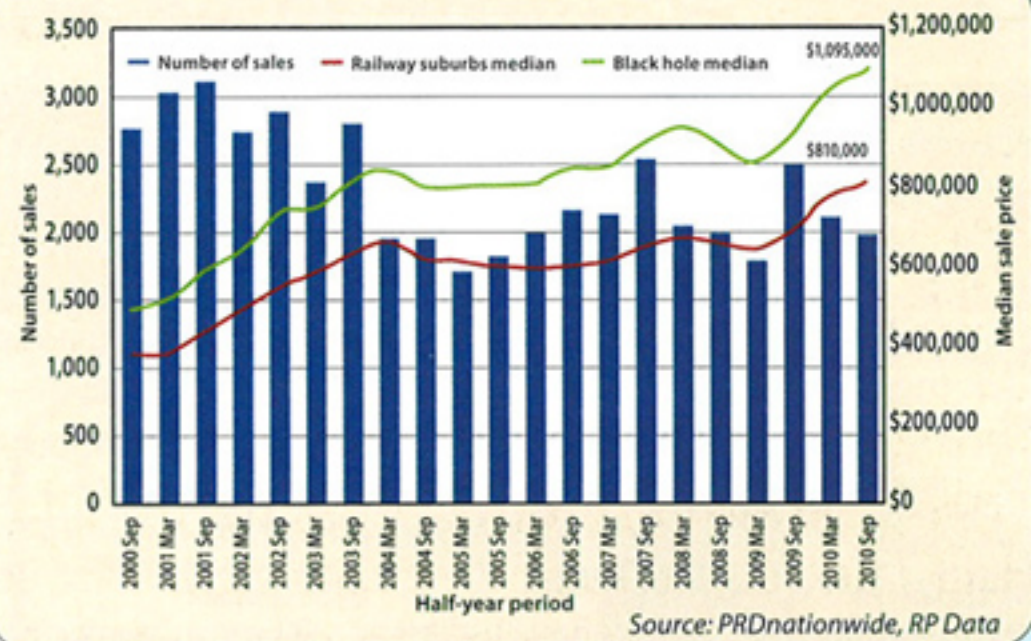
Key findings

According to Oded Reuveni Etzioni, residential research analyst, PRDnationwide:

- On the whole, Sydney suburbs housing a train station racked up an average of 17.4% median price growth over the 12 months to September 2010, while suburbs without a train station achieved 17.3%. Over the five years to September 2010, 'black hole' suburbs equalled or slightly surpassed the 6.2% median price growth recorded by station suburbs.
- Suburbs with a train station experienced a 20% decline in sales from the half-year period ending September 2010 to 1,991 transactions. Black hole suburbs on the other hand recorded only a 13% drop to 3,153.
- The western black hole suburbs, bordering the northern and southern rail lines, recorded a growth of 25.5% over 2010 to \$894,000 median house value. This was followed by the western rail line suburbs notching up 20.5% growth to \$780,000.

Analysis

- In the selected precincts, Sydney train stations appear to have less of an impact on residential property values than other capitals. This can be attributed to efficient and convenient bus services.
- The limited parking facilities around train stations also



creates the need to combine train use with a bus ride to the station.

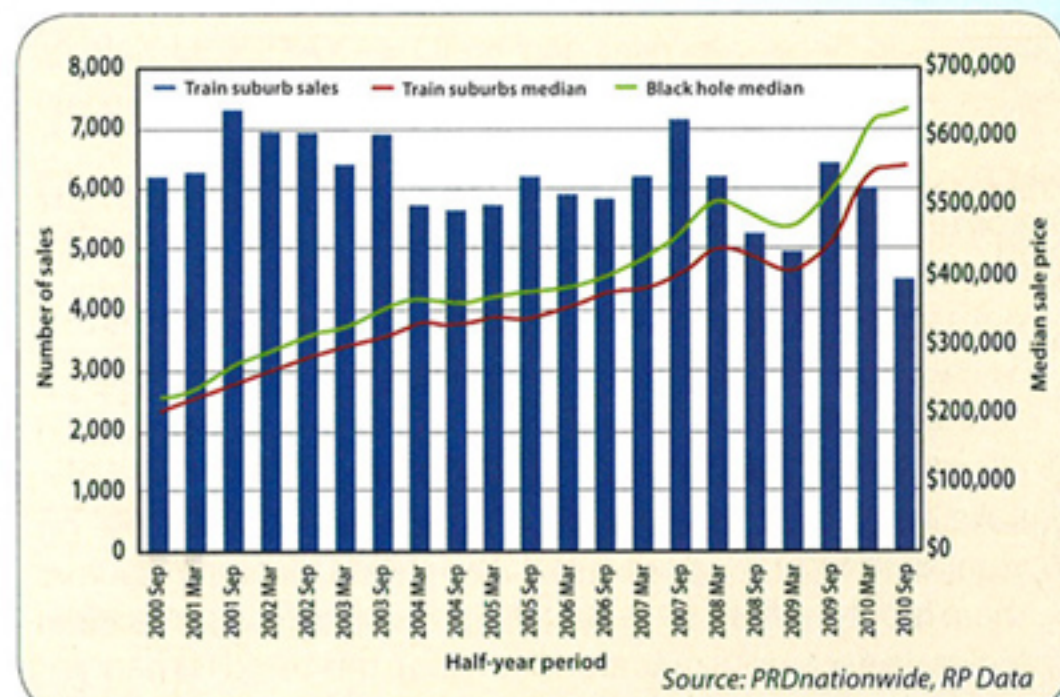
- In a large metropolis like Sydney, areas with their own distinct characteristics and appeal emerge as desirable places to live, regardless of rail infrastructure.
- The analysis is limited to houses, while many of the major rail station suburbs are heavily populated with apartment-type dwellings.
- Additionally, the location of many black hole suburbs within close proximity of highly desirable waterfront locations has aided in these suburbs' performance, highlighting this criteria as a priority in factors creating and sustaining demand.

○ MELBOURNE

Key findings

According to Dan O'Halloran, residential research analyst with PRDnationwide:

- The 10-year sales cycles of both 'train line' and 'black hole' suburbs, the level of sales activity and the median sale price trends have followed each other extremely closely, showing no real long- or short-term differences in appreciation.
- The western train line suburbs are the most affordable, recording an outstanding 12-month growth of 21.1% to \$407,000 median house price. A total of 1,185 houses were sold during the same period.
- The northern train line corridor recorded 20.8% growth to \$455,000 over the year to September, achieving a total of 1,632 house sales.
- The eastern train line corridor is the most premium market, recording a median of \$885,000 or an annual growth of 17.9%. This corridor also represented the most active market, attracting a total of 1,985 house transactions.
- Surprisingly, when comparing the performance of the total 'rail line' suburbs to the total 'black hole' suburbs, the black hole suburbs outperform rail line suburbs in both the overall dollar value and in capital appreciation.
- This suggests that wealthy Melbourne residents in the middle ring are actually willing to spend more money in order to live in suburbs away from the train lines rather than those suburbs with direct access. However, the level of sales activity in the train line corridor has remained 40% higher over the past five years.



Analysis

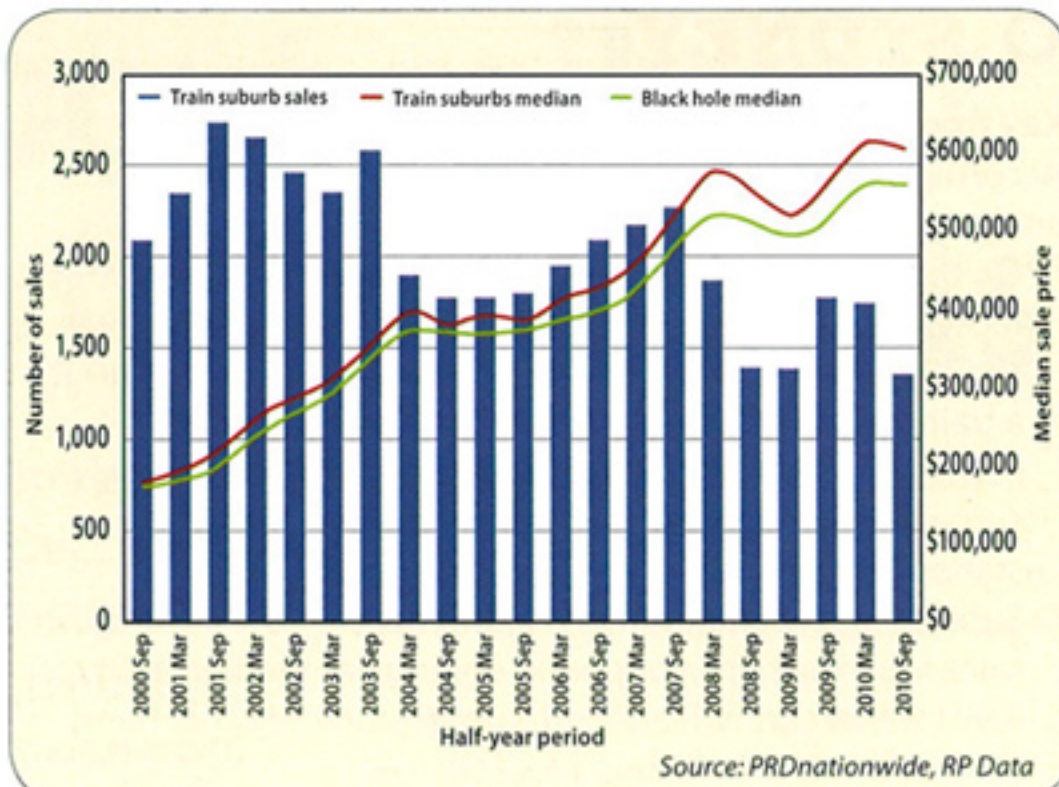
- Melbourne residents who are capable of spending more money on a home prefer to live in the potentially quieter and more prestigious black hole suburbs of the middle ring. Their extra wealth may afford them the ability to absorb the increasing travel costs to continue commuting to work in the privacy of their own vehicle. Such proximity to a rail line is not of huge importance to them.
- For the larger majority of Melbourne's middle ring residents, proximity to a rail line is of higher importance (hence the larger number of sales). The level of interest and competition from investors and homebuyers alike push property values in these suburbs up; however, the overall dollar value remains slightly lower than the premium black hole suburbs.

BRISBANE

Key findings

According to Josh Brown, residential research analyst with PRDnationwide:

- Despite black hole suburbs recording slightly higher growth than station suburbs over the 12 months to September 2010, the long-term trend shows suburbs with train stations as the consistently stronger performers. Comparison of the five-year and 10-year growth rates has revealed a 0.9% pa higher growth rate for suburbs with a train station during the past five years, and a 0.6% higher growth rate over the 10 years to September 2010.
- Railway station suburbs have recorded a 12 month growth of 8.8% in median price over the September 2010 half-year period, to \$609,000.
- Stronger growth for suburbs without a train station at 9.2% was recorded over the 12 months to September 2010, which has resulted in a median price of \$565,000.
- Suburbs on the Cleveland Line recorded the strongest growth in median price over the past 12 months at 11%, and also the strongest 10-year growth rate at 13.5% pa. This was followed by the Ferny Grove Line with 10.9% median price growth. The western black hole precinct achieved a marginally higher growth rate than both train lines, recording 11.1%.
- Suburbs with a train station within 10km of the Brisbane CBD have recorded a 22.7% drop in sales volumes over the September 2010 six-month period, surprisingly higher than the 18.9% drop in sales recorded in black hole suburbs.



Analysis

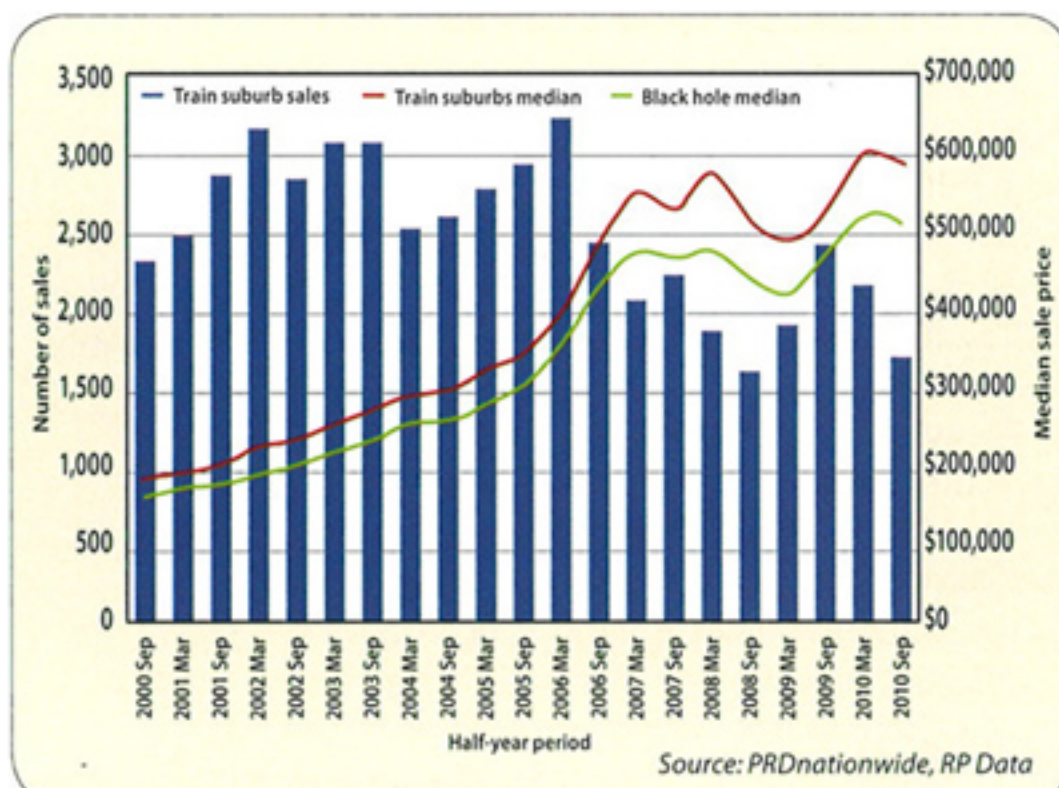
Although suburbs with train stations have proven to be greater investments over the long term, the recent transition into a buyer's market over the September 2010 half-year has revealed little difference between black holes and station suburbs. This new trend can be attributed to the generally higher prices associated with buying a house in a suburb with a train station, which has resulted from stronger long-term demand. As a result, within the current market more price sensitive buyers are seeking affordability over the conveniences associated with residing near a train station.

PERTH

Key findings

According to the research team at PRDnationwide:

- Perth suburbs with a train station saw median house prices grow by an average of 12.4% over the 12 months to September 2010, outperforming suburbs without a train station which achieved 9.1% growth.
- Over the five years to September 2010 black hole suburbs have almost equalled railway suburbs, growing by 10.8% compared to 11.3% per annum. This shows that long term there is only a slight advantage to price growth in property located near a railway station. However, this trend is changing, with the price gap between railway suburbs and black hole suburbs increasing. In 2005 the price difference was \$40,000. In 2009 it was \$57,500, but in 2010 it jumped to \$80,000.
- Both railway suburbs and black hole suburbs have experienced a 22% slowdown in activity during the recent half-year period ending September 2011.
- The Clarkson rail line has recorded the highest increase in median price over the 12-month period ending September 2010, rising by 17.2% to \$615,122.
- The most affordable precinct within this region was the east black hole suburbs, with \$442,000 median price. This was followed closely by the north black hole suburbs recording a median of \$445,000.
- The highest median price was on the Fremantle rail line with \$1,220,000 recorded over the same period. This was followed by the west black hole suburbs at \$875,000.



- Activity in Fremantle decreased the most, by 37.4% to record 211 settled sales.

Analysis

- The GFC hit the Fremantle rail line suburbs the most, setting off a rapid decline in the median house price. However, this has quickly adjusted back to the price levels achieved prior to the crisis.
- When observing the Armadale rail line suburbs house sales cycle, it appears that growth in median price is still strong. It may not be long before these suburbs catch up to the other rail regions in becoming less affordable.