2023 SPRING EDITION | ISSUE 10

ACCRUE

REAL ESTATE

contents

The Accrue Difference.

CREATING POSITIVE CHANGE, TOGETHER.

drummond street services
wellbeing for life

At Accrue, our mission is to build a community of success while promoting positive change.

We believe this collective approach creates a win for many and a better world for all. That's why we are proud to announce our most recent charity partnership with Drummond Street Services. Drummond Street is one of Victoria's longest serving welfare organisations, and one of the first welfare services in Australia.

Since 1887, Drummond Street has been directly assisting Victorian families and individuals. The organisation also promotes connected and inclusive communities and drives innovation and research into family support interventions.

To assist, Accrue is committed to:

- Providing a financial contribution directly to Drummond Street;
- Establishing a staff volunteer program to provide direct assistance to the charity.

Drummond Street's mission to promote wellbeing for life is an undertaking fully aligned with Accrue's ethos.

YOU CAN VISIT DRUMMOND STREET TO MAKE A CONTRIBUTION OR VOLUNTEER TO SUPPORT THE INITIATIVE BY GOING TO

www.ds.org.au

welcome

A message from our managing director

Australian real estate can surprise even the most experienced pundits

For some, it can be a harsh dose of reality. People who buy the wrong assets in poorly chosen locations may have convinced themselves they'd picked up a steal, only to discover a drastic underperformer sits in their portfolio.

But markets can deliver some folk unexpectedly positive outcomes too – and that's exactly what's happened in the past two months.

There's no argument that interest rate increases throughout 2022 put a general dampener on property price increases as both buyers and sellers became cautious. But what was most alarming to me was the volume of dire predictions among some supposedly educated commentators in the first half of 2023. Many suggested we were in for a real estate value collapse.

However, I've always had faith in the market's resilience, particularly over the long term, and that position has served our members well once again.

You see, market participants are now certain interest rates have plateaued, which has been a confidence shot to the collective arm. Data released by CoreLogic shows that for the three months to the end of August, capital city home values increased 3.1 per cent. That equates to an annualised return of 12.4 per cent! Brisbane alone saw 4.2 per cent growth over those three months, while Adelaide's 3.4 per cent gain was another standout. CoreLogic also revealed that auction clearance rates are tracking above 71 per cent in our capital cities, which is impressive.

Frankly, this data shows that anyone suggesting property is not this country's most robust investment vehicle has rocks in their head.

But here's my big takeaway from this moment in time – waiting to buy will prove very painful to your balance sheet. You see, there's now reliable chatter that banks will begin reducing their interest rates in 2024 given current inflation numbers. When rates do come down, I can tell you what will happen – property prices will skyrocket once again. Frankly, if you wait until late 2023 or early 2024 to invest, it will be too late to enjoy some stellar capital gains. Worse still, some latecomers will find themselves priced out of an array of excellent investment options.

So, my message is clear. The stars are aligning once again for property investment.

Choosing the right assets will be key – something we touch upon in this month's feature article on capital gain versus cashflow – but those who hesitate will lose out. Act now and you are set to enjoy the spoils for years to come.

Whether you're a first timer looking to start your journey or an experienced property investor wanting to take advantage of today's opportunities, it's time to contact Accrue. Book in for a one-on-one personalised strategy session or portfolio review immediately so you don't miss this prime market cycle.

As always, we look forward to being a part of your investment journey.

JASON NEVINS
Managing Director

Cash flow or capital growth - which should you chase?

JASON NEVINS
Managing Director

We've explored the options and have come up with an answer to the age-old property investment question, "Should I buy assets with capital gain potential or high rental return?"

About this time last year, I read a newspaper article quoting an economist who was forecasting sharp falls in home values on the back of rapidly rising interest rates.

The argument was that after a boom in prices in the few years prior, a sudden and unexpected uptick in rates would take the heat out of markets and spark a panic, seeing sellers rush to dodge higher costs and cash-strapped buyers flee.

And yet, predictions of 10 to 15 per cent price declines by the end of 2022 never eventuated.

Come to think of it, nor did the even more terrifying forecasts of property doom and gloom whe coronavirus first reared its ugly head. Remember pundits talking about a crash of a magnitude of 30 per cent or more? It never happened.

Funnily enough, neither did the anticipated housing bust after the Global Financial Crisis. After a dip, prices rose again pretty quickly.

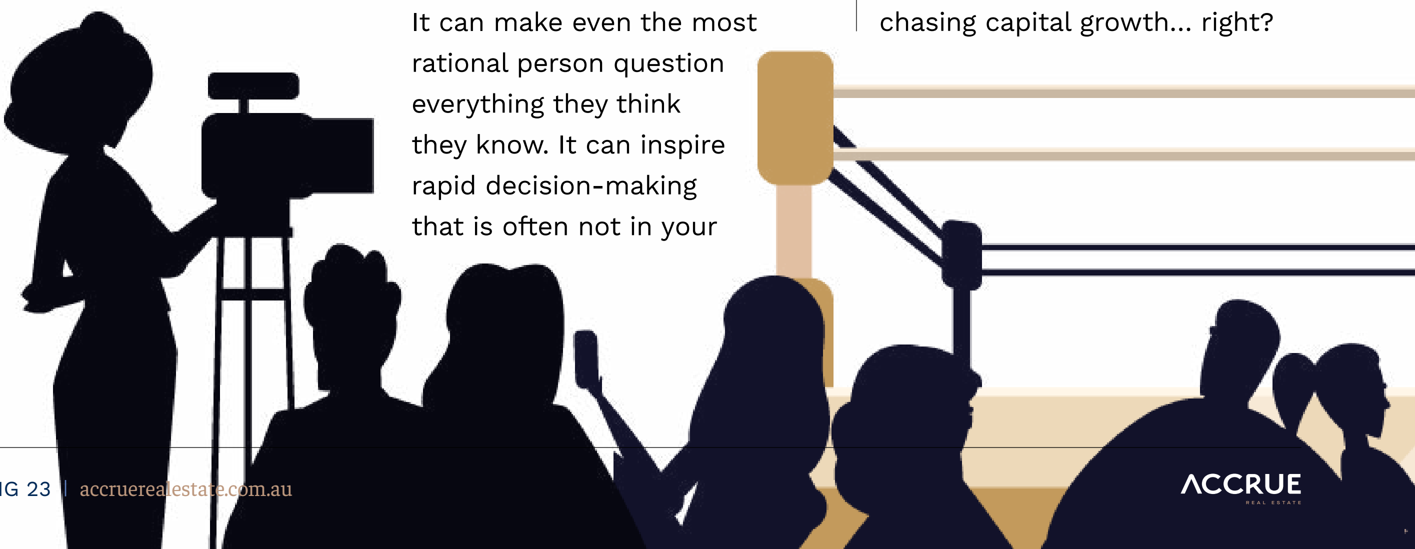
Uncertainty is an odd thing. It can make even the most rational person question everything they think they know. It can inspire rapid decision-making that is often not in your best interest. And it can cost you a lot of money.

The current economic situation we find ourselves in has sparked a certain level of confusion and concern.

Rates are high. Inflation is still hot. The global economy is shaky. Cost-of-living is through the roof. There's a lot going on.

It has a number of existing and potential property investors I work with wondering if they should go all-in on cash flow properties for the sake of certainty.

After all, it's not the time to be chasing capital growth... right?



THE CURRENT CONUNDRUM

The onset of the Covid-19 pandemic in early 2020 sparked enormous upheaval in virtually every aspect of life.

Like many industries, great uncertainty brought housing markets to a standstill. There was an abrupt halt in activity along with a glut of rental properties left vacant from fleeing foreigners, a mass exodus of investors and an evaporation of for-sale listings.

Predictions of a devastating crash, the likes of which we've never seen, came thick and fast from economists, commentators and even the major banks.

And yet, there was only a modest downturn – and it didn't last long.

By the end of 2020, an almost unprecedented new boom in home prices began and persisted for some 18 months. Values in major markets surged, up by more than 30 per cent in Sydney alone. The boom wasn't just in the cities but spread throughout regional areas too.

The start of a tightening cycle by the Reserve Bank of Australia in May last year, which has seen the official cash rate increase by four per cent, slowed the growth.

However, the declines seen across the country have paled in comparison to the extraordinary gains that had been seen in the previous few years. Prices remained well above what they were pre-Covid.

The correction hasn't lasted long. Prices are once again on the up, even though rates remain high.

At the same time, Australia's rental markets are under extreme strain. A dramatic undersupply of available dwellings has clashed with skyrocketing demand, causing a sharp rise in prices across much of the country.

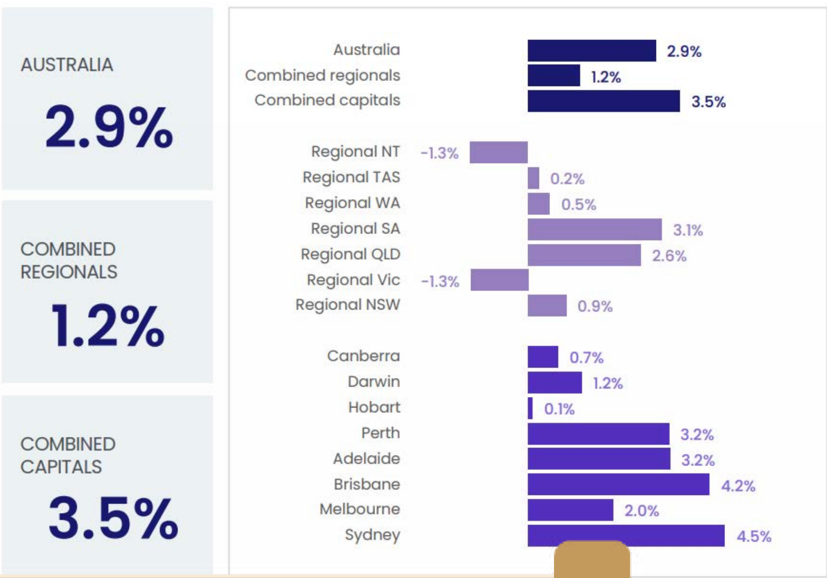
At a national level, the rental vacancy rate – that is, the proportion of all leased homes currently available – is sitting at just 1.43 per cent. To put that in context, economists see a rate of three per cent or lower as being a sign of a market in crisis.

Suburb level analysis by research firm CoreLogic found nine-in-ten house and unit markets saw an increase in rent prices in the 2023-23 financial year.

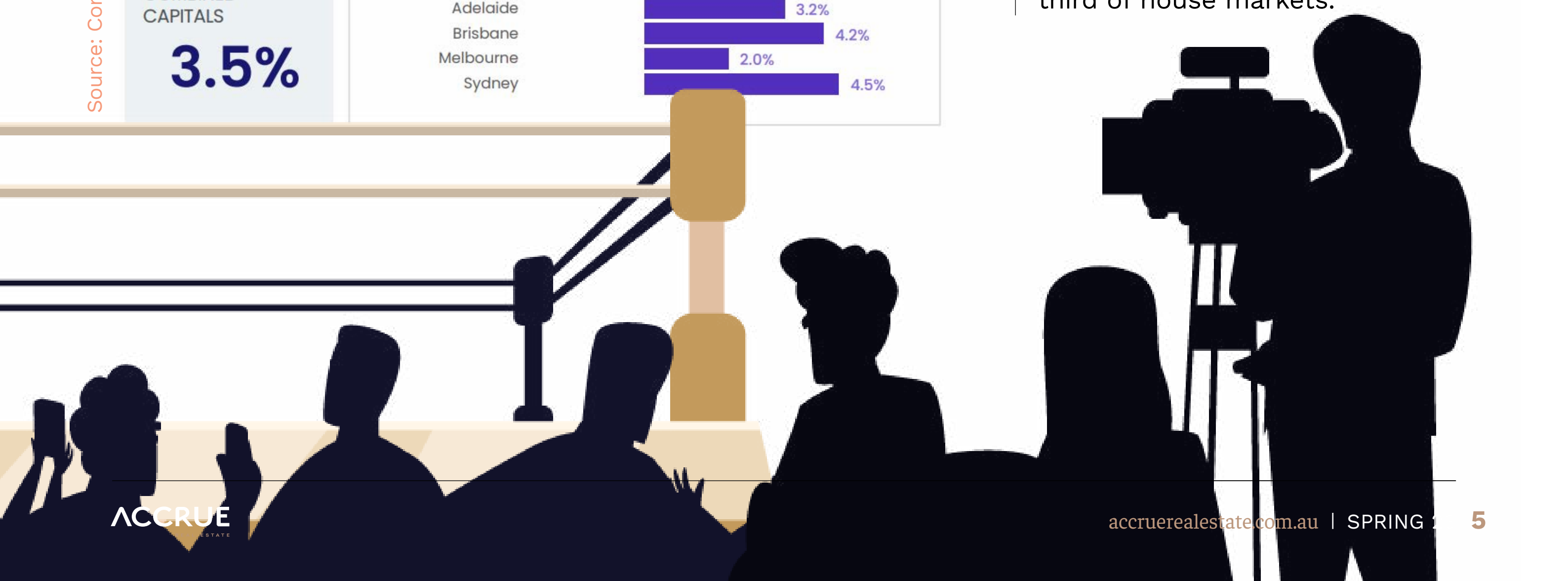
Almost two-thirds of unit suburbs saw an increase of 10 per cent or more, as did one-third of house markets.

CHANGE IN CAPITAL CITY DWELLING VALUES

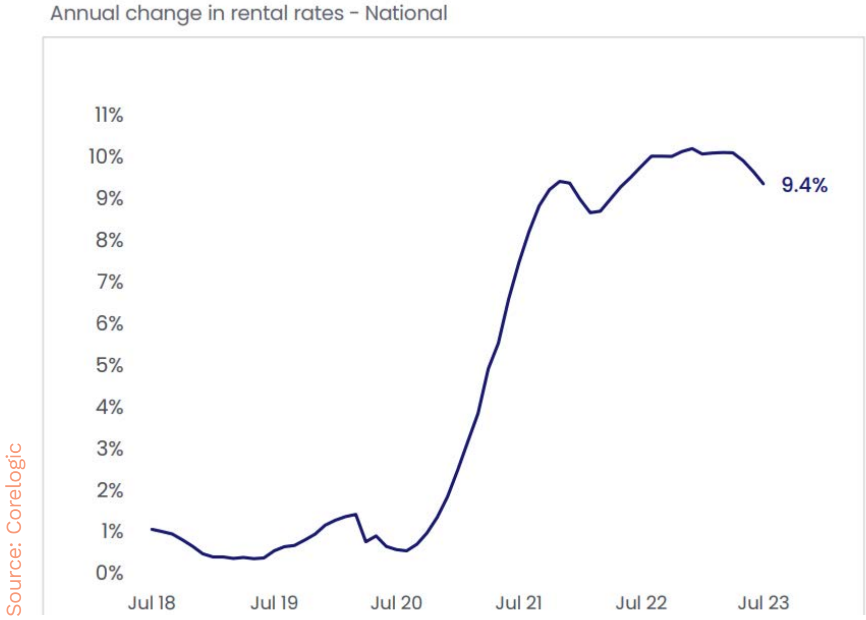
Change in dwelling values, three months to July 2023



Source: Corelogic



ANNUAL CHANGE IN RENTAL RATES



With home prices on the up and rents growing rapidly, the proposition for would-be property investors seems pretty clear.

Why wouldn't you buy right now? It sounds pretty straightforward, right?

But while markets are definitely running hot, so too is inflation, cost-of-living pressures and interest rates, which all combine to make holding a real estate asset a little uncomfortable for some.

Just look at the rates situation.

In April last year, right before the Reserve Bank began its current tightening cycle, a typical investor with an average $500,000 loan size, on a standard interest-only rate of about 2.86 per cent, would've forked out about $1192 per month in repayments.

Since then, the official cash rate has risen by four per cent. Each of those increases have been passed on in full by the big banks, so that monthly mortgage bill is likely sitting at about $2859.

That's an extra $1667 per month, and over the course of a year, $20,000 more.

Like many Australians, investors are grappling with a host of other cost pressures as just about everything has become more expensive. Groceries. Petrol. Travel. Bills.

And so, understandably, many clients I'm talking to lately are tempted to chase purely cash flow positive properties and park any long-term price growth plays.

"Should we invest for cash flow or for capital gains?"

It's not the first time that question has been posed to me, but it's one I'm getting much more frequently lately.

In response, I've got to ask – who do you think you are?

SERIOUSLY, WHO ARE YOU?

At the risk of sounding existential, there's no time like the present to sit down and have a good, long think about who you are.

What stage of life are you in?

Do you have kids? Are there likely to be more on the way?

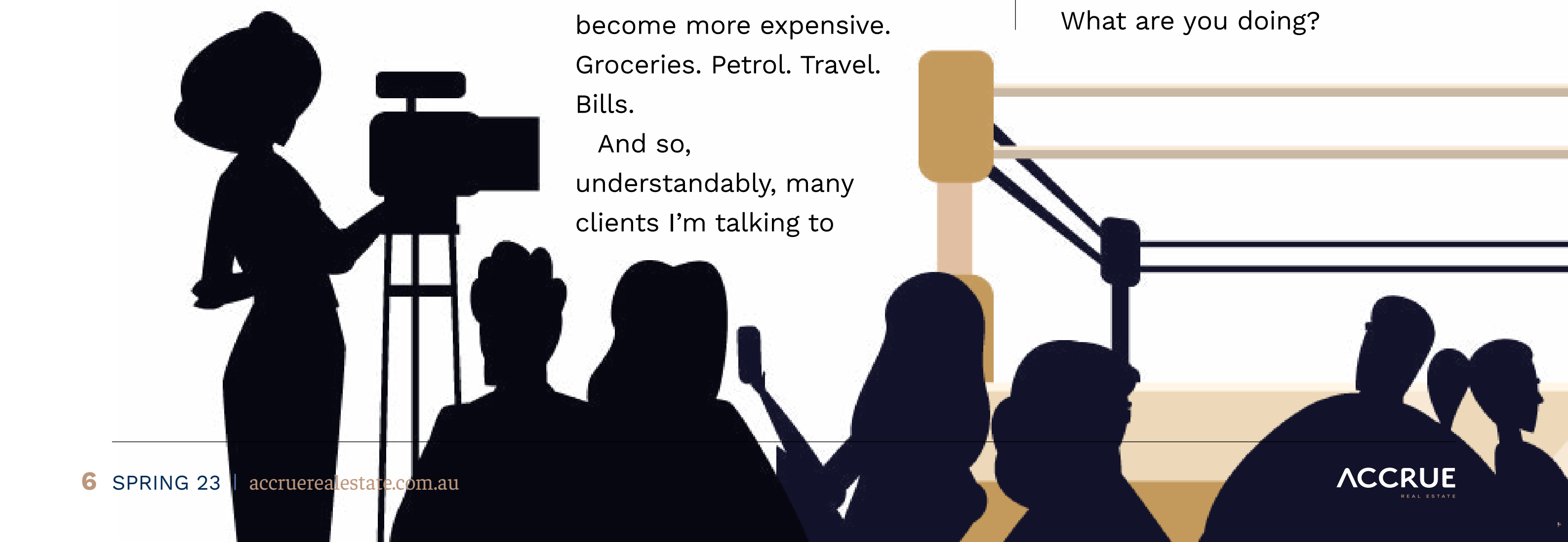
Are there any big expenses on the horizon?

What are you earning right now? Is that income level likely to change? How long are you going to be working?

When do you hope to retire?

And the big one, which should underpin the entirety of your strategy – and the question that should be revisited repeatedly, and not just when the economic going gets tough.

What are you doing?



ACCRUE REAL ESTATE

What's the goal behind your property investment journey? Or rather, what is it you hope to achieve from building a real estate portfolio?

It could be the dream of retiring early to enjoy your golden years. It might be setting up your kids for a comfortable life. It could be something a bit more immediate, like growing your income via bricks and mortar.

There's no right or wrong answer when it comes to these kinds of probing questions, but they're ones you should have a clear answer for.

Whether you prioritise cash flow or capital gains really depends on your personal circumstances now. Given circumstances change, it's crucial you check in with yourself from time-to-time to see if the foundation of your investment strategy is still solid.

WHAT IS CASH FLOW?

Another question that can be tricky to answer is what an individual investor has in mind when it comes to cash flow.

Every property has cash flow attached to it via regular rent payments from tenants. In many cases, due to the high nature of buying in, that asset will be cash flow negative, meaning the expenses of holding it outweigh the income it produces.

> THE BENEFIT OF CASH FLOW NEGATIVE INVESTMENTS IS WELL-KNOWN, WITH SOME PRETTY GENEROUS NEGATIVE GEARING PROVISIONS AVAILABLE AT TAX TIME."

It might be that the asset is cash flow neutral, meaning it just about covers its costs.

The benefit of cash flow negative investments is well-known, with some pretty generous negative gearing provisions available at tax time. In a nutshell, an investor is able to claim deductions and losses on their asset.

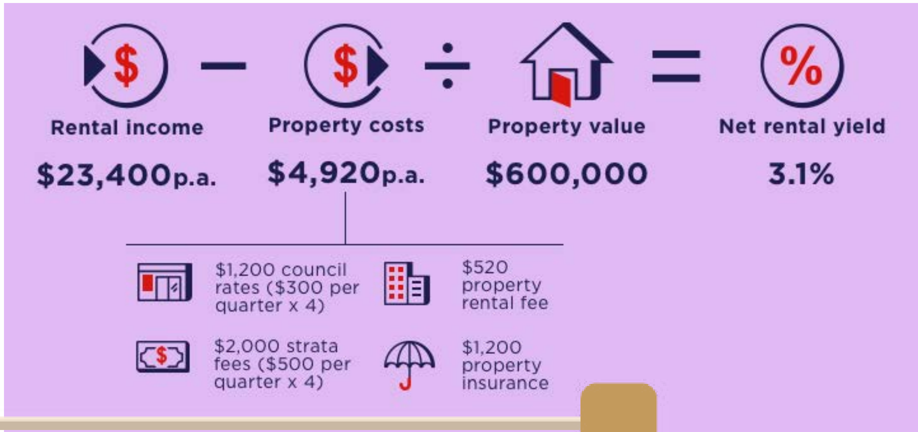
Still, a negatively geared asset doesn't often put bundles of cash into the landlord's pocket – it merely allows them to offset some of the loss they've incurred throughout the year.

The thinking is generally that a long-term investment will grow in value over time, and so hanging onto it – with the help of negative gearing – is worthwhile.

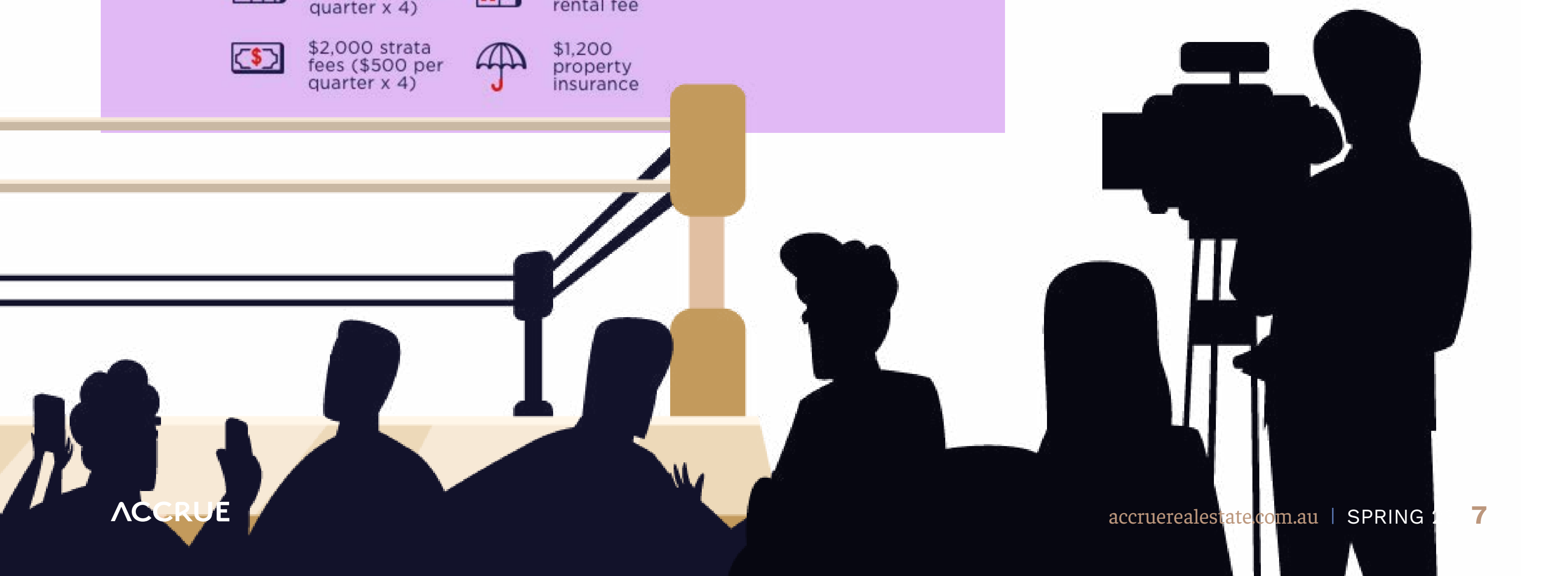
Cash flow positive properties pay for themselves and then some. An investor comes across one by either having bought some time ago and enjoyed a growing rate of rent, or by buying cheap in an area with high rents.

A yield refers to the difference between income and expenses and is typically presented as a percentage. Calculating a gross yield is pretty straightforward – divide the annual rental income

CALCULATING NET YIELD



Source: Corelogic



by the cost of purchasing the property.

For example, a home rented at $500 per week that was purchased for $450,000 will deliver a gross yield of 5.7 per cent. That's pretty healthy.

A gross yield around that figure or higher indicates a strong cash flow proposition.

A net yield takes into account other expenses that an investor is typically liable for – interest, maintenance, body corporate, rates and so on. Calculating this figure is the same as above, except you add up all of the expenses and subtract that from the annual rent.

A number of factors impact cash flow. Location is a big one, with popular or growing suburbs likely to attract higher demand from renters. The type of dwelling is another, given an appealing, properly functioning and well-maintained home is what tenants want.

Naturally, the purchase price is an immediate and major driver of yield – but you can get more rental bang for your buck in the same suburb by choosing the right type of investment.

For example, a spacious apartment in the right city fringe suburb could deliver the exact same yield as a two-bedroom terrace in the same pocket, but cost considerably less to purchase.

Other drivers of cash flow will depend on the area.

For example, an inner-city apartment in an urban setting that's well served by public transport might not need a parking space. A family home in suburbia will and not having one could see a cheaper rent applied.

Newly built homes also tend to deliver strong yields because their running costs are lower. There's likely to be very little maintenance on a brand-new property.

Their modern features and inclusions can also attract a higher rent. And they tend to be built in areas with a whole host of brand spanking new amenities.

And, of course, there's potential to boost the cash flow of an existing dwelling by making improvements to it.

WHO DOES A CASH FLOW STRATEGY BEST SUIT?

Everyone likes cash flow. An asset that delivers a healthy income is nothing to be sniffed at and allows an investor to cover some of their holding costs and reduce their losses.

But prioritising cash flow when choosing investments can be a savvy strategy, depending on the investor in question.

Prospective investors with the end of their working lives several years away, those just about to enter retirement, or those who've already retired might opt for a cash flow positive asset that boosts their income.

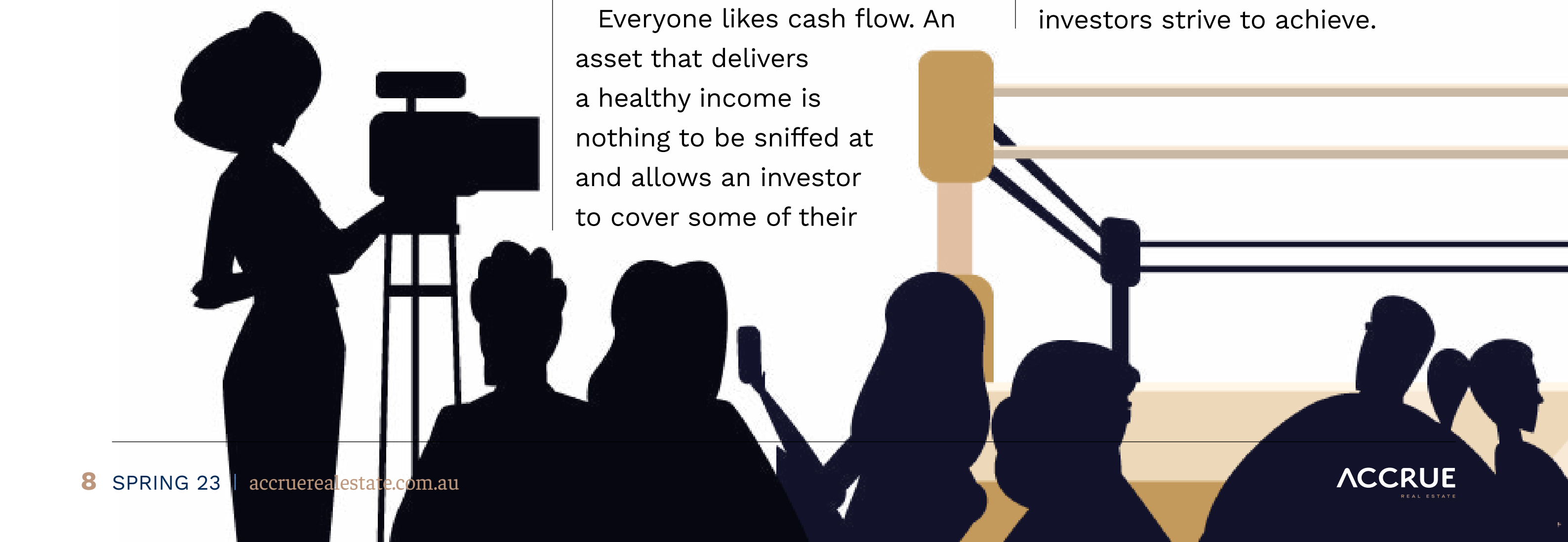
A portfolio highly leveraged on capital growth-dependant investments is riskier for these types of investors.

Conversely, younger investors with plenty of time on their side might prefer to go for properties that have strong long-term growth prospects. They can make use of negative gearing benefits and build a nest egg that's likely to grow.

Down the track, they can choose to sell off and reap the benefits, saving that cash or reinvesting it. Or they can wait and sell when retirement arrives.

WHAT IS CAPITAL GROWTH?

Capital growth refers to the change of a property's value over time, and it's something all investors strive to achieve.



If you bought a three-bedroom house five years ago for $350,000 and it's now worth $600,000, you've got yourself $250,000 worth of capital growth. "Congratulations!"

That scenario has played out countless times recently, purely by virtue of a rising market.

In the mid- and long-term, you can see capital growth by simply doing nothing. The movements of a market can be such that an asset increases in value on its own. A rising tide lifts all boats, as they say. This has certainly been the case in most markets in recent years.

Take just about any decent home in a reasonable suburb in one of Australia's main capital cities and chances are it's worth a lot more now than it was at the start of 2020.

Similarly, major regional centres have seen their home prices shoot up sharply in that time, so a good home in a good area is likely to have appreciated handsomely.

Outside of and in addition to moving markets, some of the factors impacting capital growth potential are location, current and future demand, and supply.

Smart investors who are well-informed, strategic, aware of their personal circumstances and have clearly defined goals are in a position to put their money in locations that are poised for strong performance over time.

With minimal effort, they can wind up making an attractive profit.

Of course, capital growth isn't guaranteed. Some investors might buy a home that doesn't grow in value – and some might even wind up losing money. That's why it's crucial that any decision you make is founded in thorough research and expert advice.

WHO DOES A CAPITAL GROWTH STRATEGY BEST SUIT?

Like cash flow, no investor would sniff at an asset that's increasing in value. That said, depending on where you are in life, it might not be wise to bank on a home's price rising significantly in a short period of time if you're in your later years.

For this reason, younger people tend to go hard on capital growth investments. They figure they've got plenty of time left to let a property move with the market and appreciate naturally.

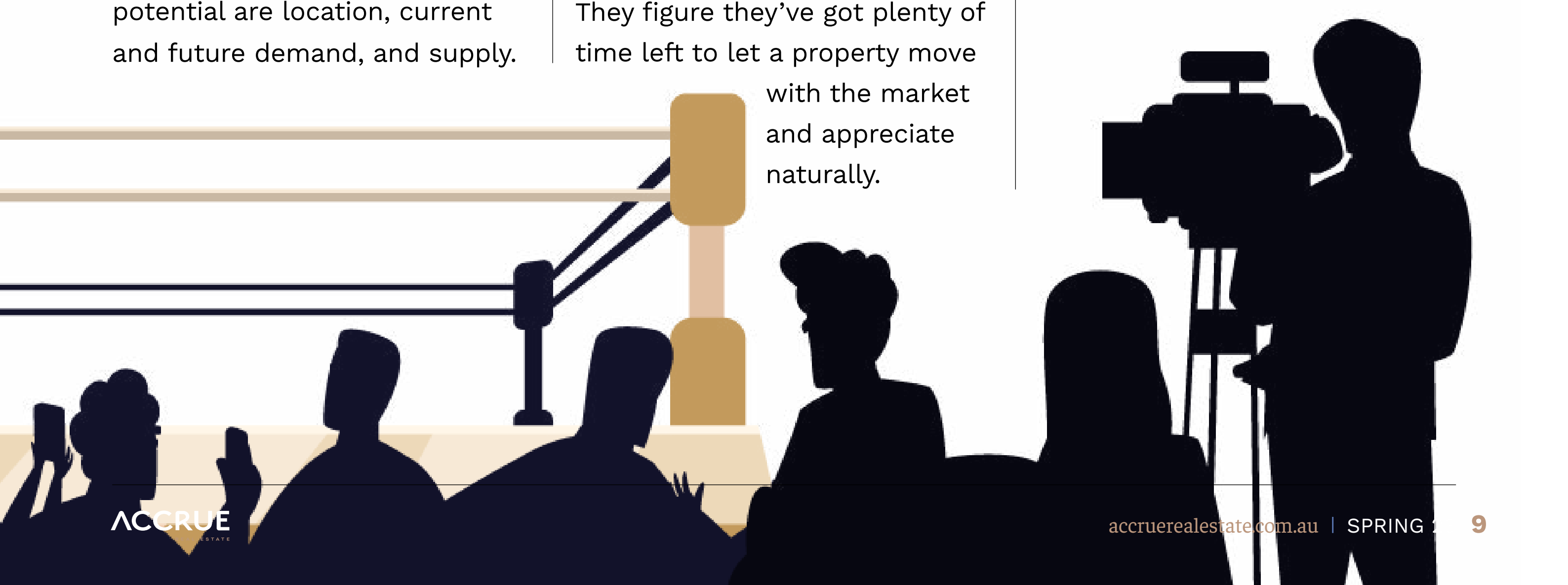
The rising value of an asset also allows them to capitalise on that extra equity to fund further investments.

And in the meantime, they're well-placed to manage the costs associated with holding an asset that might not deliver the strongest cash flow.

By its nature, a capital growth strategy is a long-term one. If you've got time on your side, prioritising an appreciating asset can make sense.

But regardless of where you are in life, a capital growth strategy is also riskier than a cash flow strategy. Investors with a low-risk profile might be more inclined to play it safer.

Yes, property markets increase over time. And yes, in the long-term, prices have continued to grow despite what's happening in the world in the moment. But it's still possible to buy a property that in 10 years' time will be worth the same amount of money, meaning you've wasted your time – and your cash.



A capital growth approach requires strategic decision-making that gives you the best possible chance of walking away with the biggest amount of increased value.

DO THINGS CHANGE?

Life is full of change. One year, you're in a job you know inside and out and expect to be doing for many years to come, and the next you're embarking on a new career adventure guided by ambition.

You might find yourself moving city without planning to. There are beginnings and endings to relationships. Things are rarely constant and predictable.

For this reason, your approach to investing can and will change and it's important to be on top of the circumstances that can inform where your money sits.

Work with reputable, qualified advisers to look at every scenario available to you, so you're making the most informed and strategic choices possible.

Flying blind opens you up to significant risks that could derail your goals in an instant and upend all of your hard work – and money.

"I BELIEVE A GOOD PORTFOLIO SHOULD INCLUDE BOTH CASH FLOW AND CAPITAL GROWTH ASSETS, BUT THAT SAID, THE RATIO OF EACH DOES DEPEND ON YOUR GOALS AND CIRCUMSTANCES."

It's well worth having a team of experts in your corner to help you on your investment journey.

And the good ones will tell you that our initial question – cash flow or capital growth – has a pretty simple answer.

Both.

THE BEAUTY OF BALANCE

The old adage of not putting all your eggs in one basket exists for a good reason. Diversity is key in building a strong investment portfolio.

I believe a good portfolio should include both cash flow and capital growth assets, but that said, the ratio of each does depend on your goals and circumstances.

Having some assets that deliver good cash flow allows an investor to reduce their expenses and other liabilities. It also provides a certain level of surety for a rainy day, should markets take a prolonged turn.

Those assets are also attractive to other investors interested in cash flow, who can provide a pool of buyers should you need to sell off some of your assets.

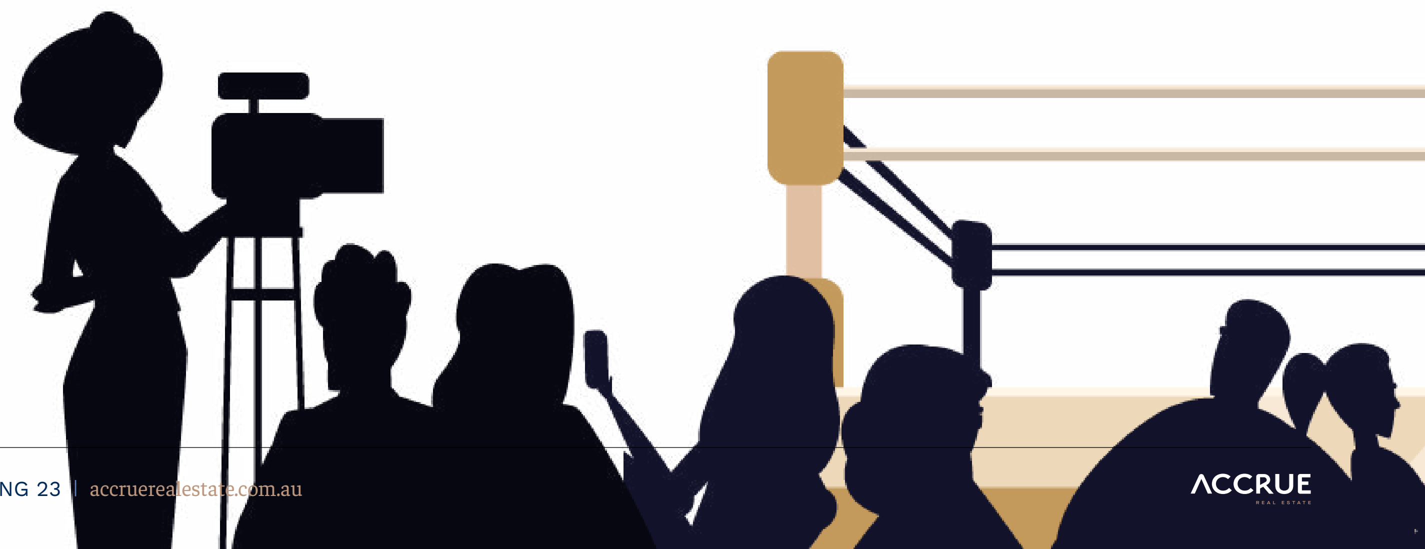
Capital growth investments are drivers of long-term wealth. They provide a way of delivering larger sums of money to an investor when it's time to sell, like to fund retirement or even to upgrade the family home to something dreams are made of.

An asset that's growing in value over time also lets an investor continue growing their portfolio by borrowing against the equity to fund additional purchases.

Both strategies are solid. A mix of both balances your risk and opens you up to the best possible chance of success.

At the end of the day, you're investing in your future wealth and prosperity.

And with the right advice, the most in-depth knowledge, and the most precise strategy, the future sure looks bright.



Australian Property Cycle

We believe that the market is in the eight o'clock range where it's currently experiencing increased rents, growing confidence and price rises.

At Accrue, we recognise the importance of understanding the current stage of the property market cycle to provide our clients with the most relevant and accurate advice. The property cycle, which comprises 12 segments representing different cycle stages, is a valuable tool for assessing market conditions.

Based on our analysis, we believe that the market is in the eight o'clock range where it's currently experiencing increased rents, growing confidence and price rises.

This represents an ideal time for our clients to invest in the property market. Don't do what most people do and wait for the media to hype the market: by this stage, you have lost the advantage of capitalising on the market rebound.

As a trusted partner, Accrue is committed to helping our clients find the perfect investment property to suit their needs and goals. Our team of experts has a deep understanding of the property market and can provide tailored advice and solutions to meet our clients' unique requirements.

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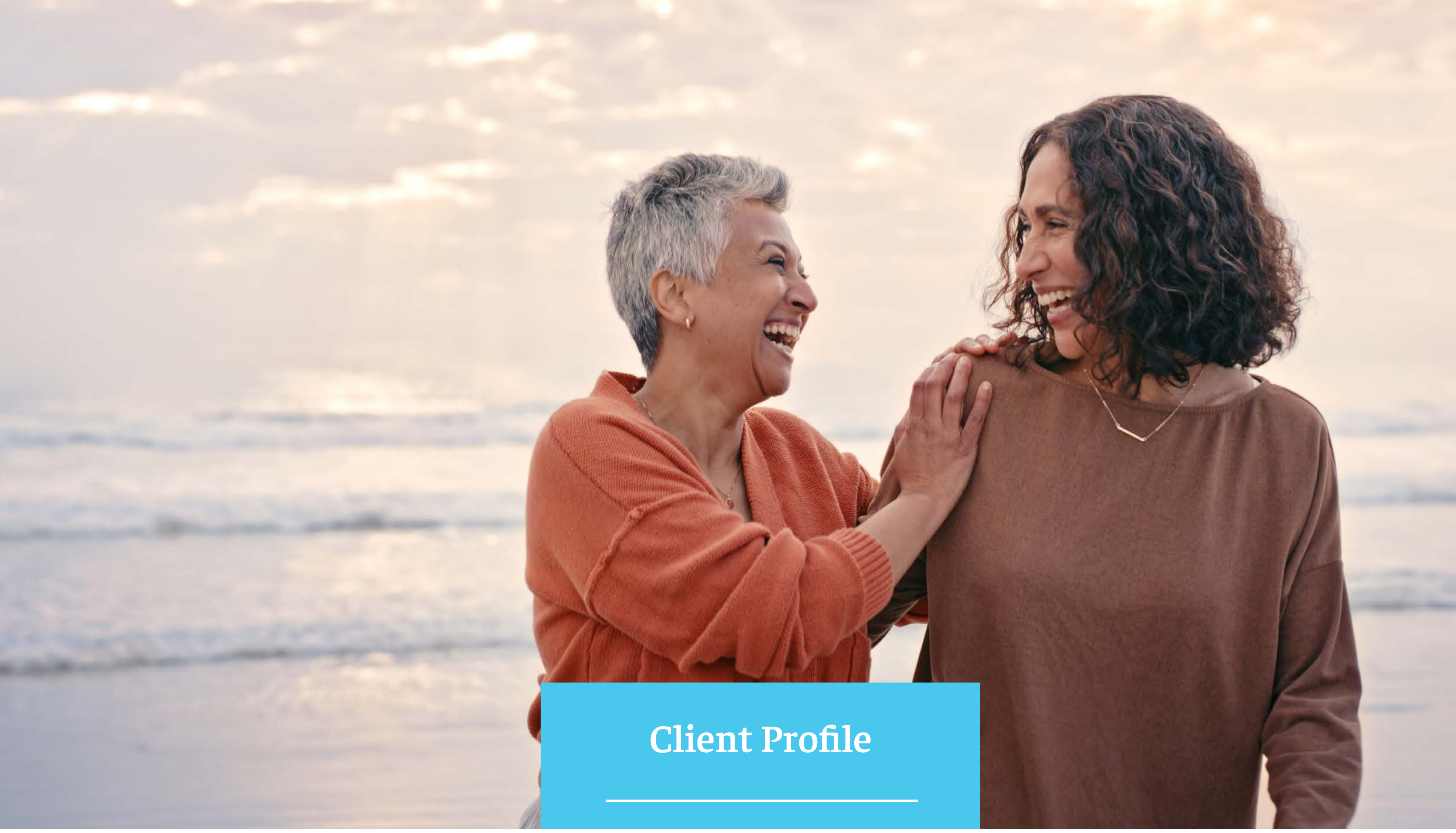
SPRING 2023



Client Profile

From zero plans to $1 million in equity

By trusting in the process and sticking with the plan, this couple has created a financial nest egg for their whole family.

Liz and Leanne were in the same financial space many Australians find themselves – a couple of underperforming assets and no plan.

But a meeting with Mark Gilbert, national sales manager at Accrue, less than five years ago changed their lives forever.

Leanne said at the time they had two properties on the ledger, but no direction.

"We never even saw retirement in the near future. We'd both come out of failed marriages, and I'd lost nearly all my super in my settlement. I was 45 and had $50,000 – that was it. And I didn't know where I was going, or what I was going to do."

Like many Australian households, they were swimming in uncertainty. Fortunately, that's when Mark entered the picture.

"When we first met Mark we didn't have much. Mortgages on two properties, our jobs and two kids who we love so much... outside of that, we had no real plan. He simply asked us, 'So what is it you really want?'"

HE SIMPLY ASKED US, "SO WHAT IS IT YOU REALLY WANT?"

Leanne said it was a refreshing conversation that helped them define their goals. They wanted to pay off her parents' mortgage and ensure their daughters could be supported comfortably.

"We just knew that we had bigger hopes than were possible on our own."

Mark looked at their aspirations and resources so he could provide some ideas on an initial strategy. He then explained how offloading one of the homes and investing in real estate with tax deductible benefits could change their financial structure for the better.

"So, we took Mark's advice. We sold one property to get that off our plate and I paid out mum and dad's house in its entirety, which was $160,000. Then our monthly repayments between the two of us freed up and we had more equity in the home we're actually living in."

With that equity base firmly established and their cashflow now far more manageable, it was time to build a portfolio.

"Mark explained how we can use that equity to get into property investing so we thought about it for a while and went, 'You know what? Take the emotion out of it. We need to do this.'

"Mark came in and he made it easy for us to understand... he gave us so much time to ask questions. We had a lot of trust and faith in him... in the end we just felt safe."

Leanne knew they'd missed great opportunities in the past by not taking action and that spurred her on to make the next move.

She also knew Mark had "walked the walk" on investing. He had set himself up financially and seemed eager to help them do the same.

"It was someone sharing something they believed in, and they were doing it as well. Mark was 36 when we first met him and we thought, 'Here's a guy who is quite a bit younger than us and so much better off than we are financially. We're stupid not to follow in his footsteps and not to try to get some properties and do this."

▶ Choosing great assets

One of the benefits of working with Accrue was the education Liz and Leanne received about selecting the right assets for their needs.

"Accrue has their criteria that they look at – all these boxes they've got to tick – before they'll even recommend a property, and it was explained to us so we totally understood everything.

"They were looking for schools, new infrastructure, shopping centres and whether the property was built already or off-the-plan. In each case they had detailed case studies that just made sense."

Also key to the selection process was ensuring a ready source of tenants would be available to draw on.

"The second property we bought had one bedroom and was between the three Victorian universities. The first thing I said to Mark was, 'I don't want to touch that one because of the uni students as tenants. But he explained that the uni students that will rent will probably be international students who are here to study and not have parties and muck around. That one (property) hasn't been empty in almost five years and it's been a dream."

Leanne said there're other criteria that can help drive capital growth and low vacancy rates too.

"Our third property is in Footscray. There're lots of new cafes at the bottom of all these big high-rise buildings and pools and schools. Our apartment building even has a cafe at the bottom.

"That area is really improving across the board now, so the advice was spot on."

▶ Help with the heavy lifting

For Leanne and Liz, part of the joy of investing via Accrue was that they could proceed with confidence, without having to put in all the hard work themselves. Instead, they could rely on the skills and experience of their Accrue support team.

"The actual process itself has been really easy. We both have full time jobs. We've got kids and we have so many pulls and demands on our time already. The Accrue process completely lifted away the time-consuming hard work so we could actually get ahead. I don't think we would have had the time or energy to do this for ourselves.

"We haven't even seen the Footscray place, or the one in Queensland... I don't need to. It's just a money and business decision for our family now.

"Once the first place was settled and organised, we were ready to do it again. And now that second one is just sitting there, ticking away in the background too. We've only had two tenants in three years."

The team at Accrue also helped Leanne and Liz see the breadth of opportunity across the entire Australian property market.

"Accrue gives you so many well-researched options, and they're properties that are not just in your backyard. Their national network gave us access to properties that are in better growth corridors than you could find in just Victoria right now."

She said with Accrue's tried and tested approach to property selection meant the assets they chose made good sense.

▶ Outstanding result

When they first joined Accrue, the combined value of Liz and Leanne's holdings was $900,000, with a net equity position of $255,000.

Today, their total assets are worth $2.33 million, and they've grown to a net equity position of $985,000 in just four and a half years. That means by investing in well selected assets, Liz and Leanne have been able to increase their personal wealth by $222,000 a year.

THAT MEANS BY INVESTING IN WELL SELECTED ASSETS, LIZ AND LEANNE HAVE BEEN ABLE TO INCREASE THEIR PERSONAL WEALTH BY $222,000 A YEAR.

"If we'd stayed in the same position and just paid our properties off at about $50,000 a year, our total property value might be worth around $1.2 million to $1.4 million compared to $2.33 million now."

She said Mark also explained how the strategy would only end up costing them about $50 a week to maintain at the start.

"Well, back then I was a smoker and a pack of cigarettes cost about that, so I thought, 'That's fine. I can give up a pack of cigarettes a week if it's going get us so much further.'

"Now, no cigarettes and we're a million dollars better off in less than five years!"

▶ Generational investing

Leanne said they're well on their way to a comfortable retirement and, best of all, Accrue is helping their kids get a foot on the property ladder as well.

"The idea of building a legacy and security for our girls was really important to us. We spoke to both of the girls about it all and told them, 'This is what we're planning to do.'"

Leanne said their youngest daughter, Ash, had the funds to buy a home but didn't want to move out just yet.

"So, we said, 'Instead of just having money sitting in the bank, why don't you think about investing?' and then she actually got her first Queensland property.

"We spoke to Mark who said we could bring her in under the Family banner under our membership, and with our membership, we got our first year's landlord insurance and conveyancing paid for, and he extended that to the depreciation schedule as well. People don't even think about those costs for a first-time property investor, and it was already taken care of (for Ash)."

Best of all, according to Leanne, when Ash was becoming overwhelmed by the thought of investing, Mark was there to answer any questions for her.

"Ash is only 29 and I guess getting into an investment property is not something people normally do till a bit later, so we feel really good about helping her to really set herself up."

▶ Upsides for all

Leanne and Liz are already reaping the rewards of investing with Accrue and the benefits are flowing through to their family as well.

"In terms of our lifestyle, we're now able to work one day less a week, which means we can look after our grandbaby while our daughter goes off to work so she also doesn't have to pay childcare fees.

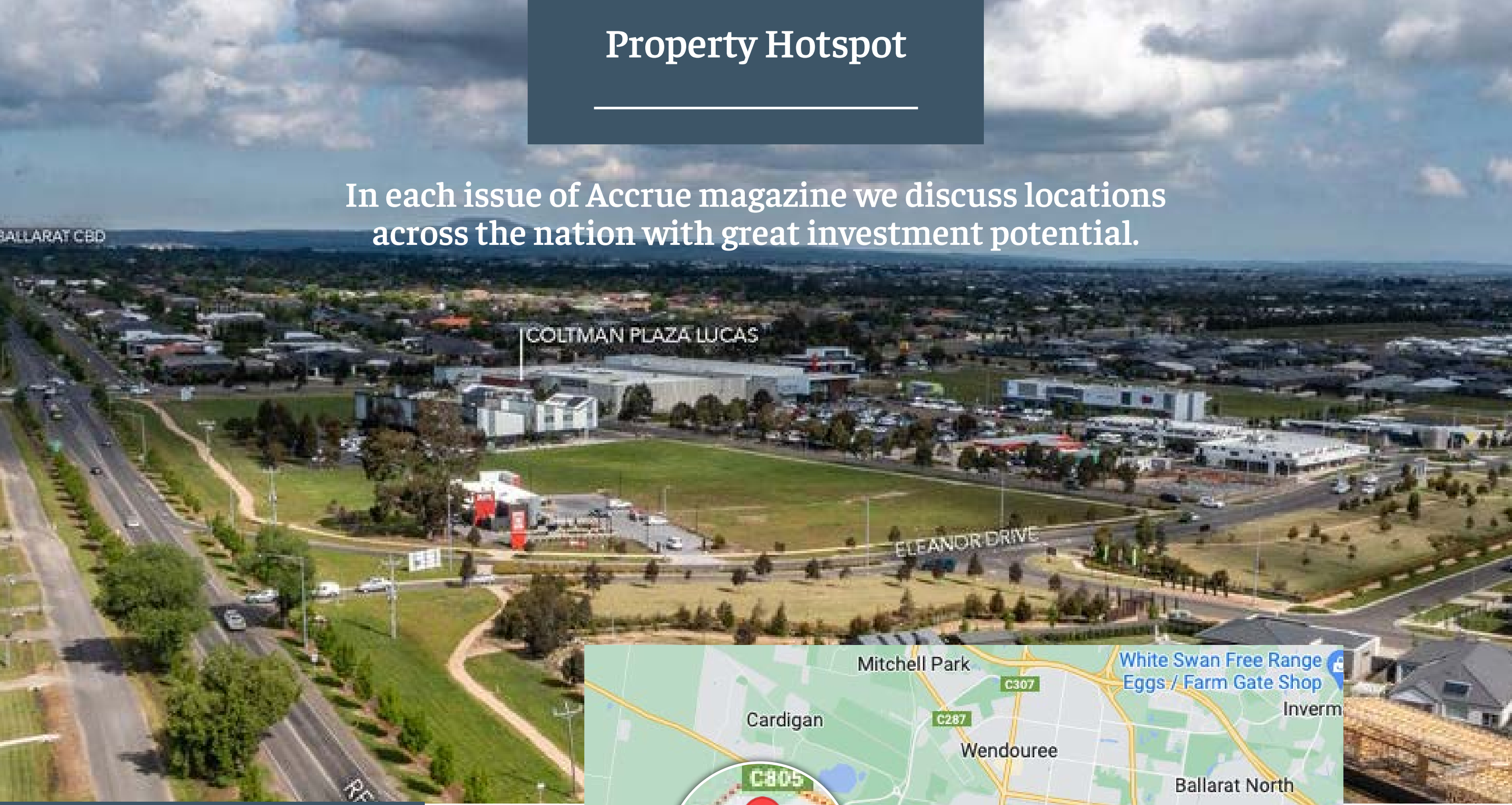
"We've actually been much better off as well. Our mortgage for our home when we started with Accrue was $500 a week. And now we're down to $500 a month. That's pretty cool. We have an overseas holiday every year as well.

"We're actually at the point now where we're considering selling a property so we'll be able to pay out our house completely, so we'll be mortgage-free at mid 50s. That's the dream."

The couple says their most important piece of advice for anyone thinking about investing is simple... don't wait.

"Do it! Yeah, just absolutely get someone behind you that gets the nitty gritty but can hold your hand through the process... and go for it because if you do it right, it's not a burden."

In each issue of Accrue magazine we discuss locations across the nation with great investment potential.



Lucas

Named in honour of legendary local Eleanor Lucas this new suburb is growing into one of the region's most outstanding addresses, and investors who get in early are set to reap long-term rewards.

Lucas is positioned in the heart of the Ballarat West Growth Zone just five kilometres from the city and 100 kilometres west of Melbourne.

Created in 2011, the suburb is the largest master planned community in Ballarat's history. Its 750 hectares will eventually deliver 14,000 homes for 40,000 residents.

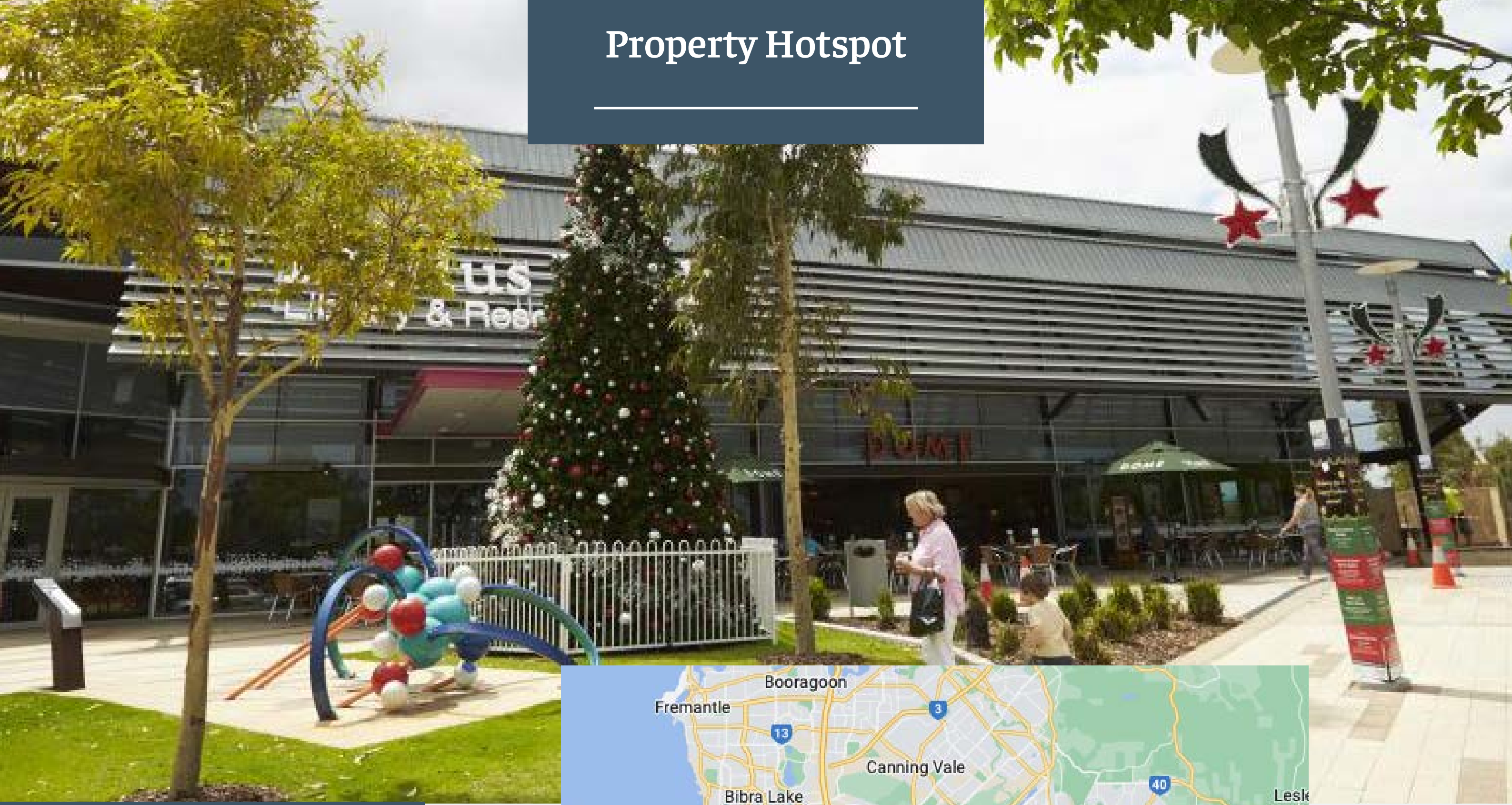
Major infrastructure is now in place meaning new residents are flocking in. The good news is this will lead to excellent capital growth over the coming years. Facilities such as Coltman Plaza are already operating. This outlet includes necessary retail and businesses such as Woolworths, restaurants and specialty outlets, as well as a medical centre.

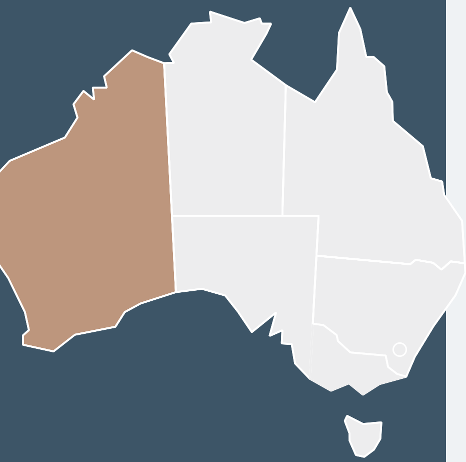
Lucas has excellent appeal for families. There's Lucas Primary School and Siena Catholic Primary School both adjacent to the Lucas Central Park with its adventure playground.

ABS data shows families with children make up more than half of all households. The dominant resident age group is 30 to 40 years old. Given kids under 10 years of age make up almost 20 per cent of the total population, you can see that families are the primary residential type.

Detached housing is the prevailing property making up more than 97 per cent of all real estate. Of those homes, 64 per cent are owner occupied, which bodes well for long-term investors.

The median house price in Lucas is $660,000 and median rent sits at $430 per week reflecting a gross return of 3.4 per cent – an indicator of excellent capital growth potential. New lowset brick-and-tile housing of modern finish and family appeal delivers above-average opportunity for astute investors.





Parmelia

Western Australia has been rising up property analysts' shortlists since the pandemic, with some of its most promising suburbs among the nation's best investment options.

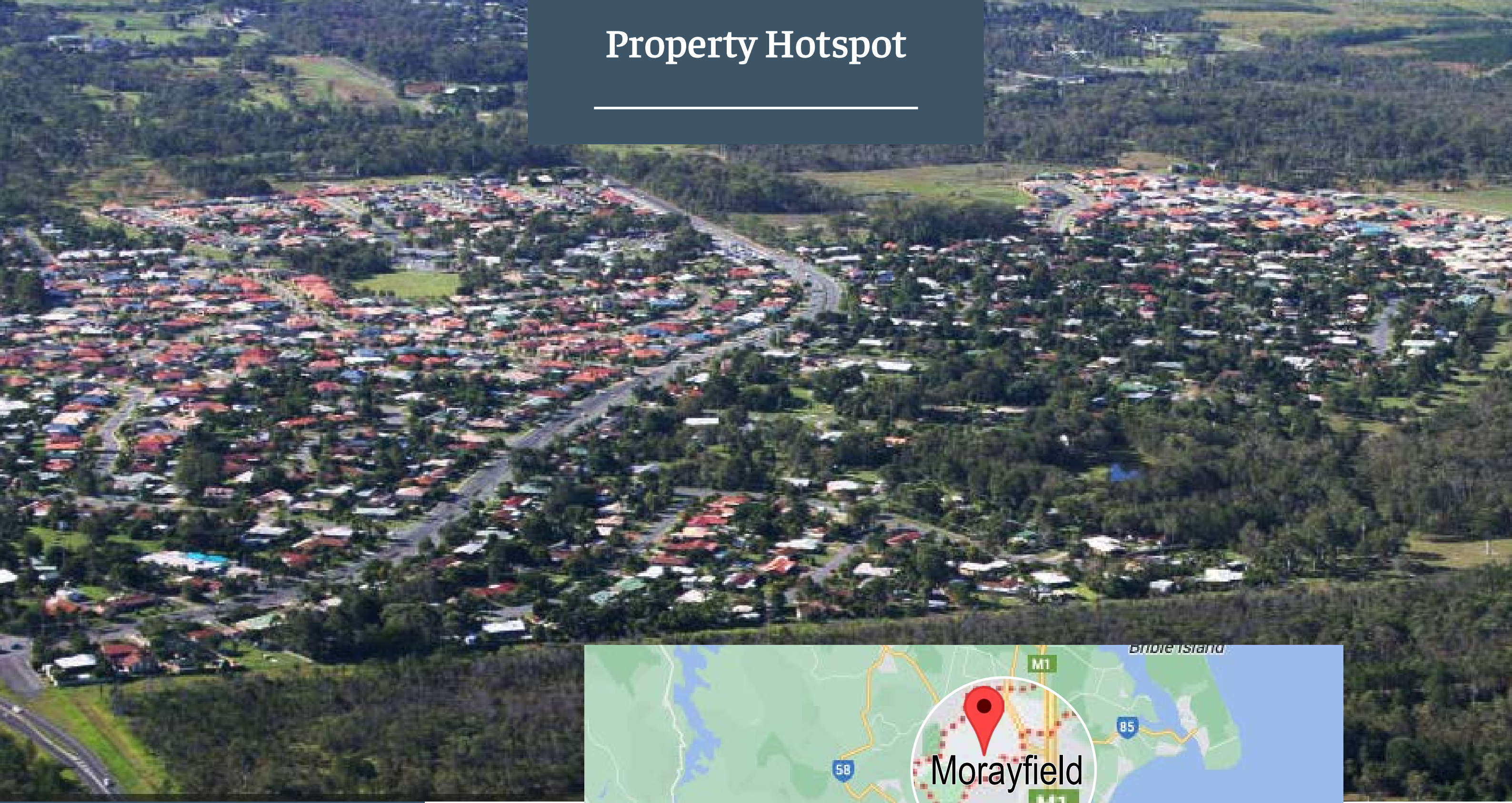
High up in this group is Parmelia, positioned just off the Kwinana Freeway 30 kilometres south of Perth's CBD and adjacent to the City of Kwinana town centre. This location means a plethora of services are on hand for residents.

But the convenience of established facilities isn't the only drawcard. The suburb is central to a major local revitalisation plan reported to be worth around $340 million. Projects include upgrades to the library and public spaces, as well as rejuvenation of retail and hospitality businesses. This sort of capital expenditure is key to ongoing value gains.

But that's not all. Extensions to the Perth rail network will see the line running through Parmelia upgraded, along with renovation of Kwinana station. All of this should see demand for housing ramp up even further.

New housing is being established throughout the suburb, such as in Cassia Estate, south of Challenger Avenue. There's new housing available in the mid-$400,000 but asset selection is critical to ensure the best possible outcome.

The numbers are already promising. Parmelia has one of the fastest selling periods in Perth, with a median of just three days on market according to REIWA analysis. Its median house price of $371,000 coupled with a median rent of $430 per week, equates to an impressive gross yield of six per cent. While prices have risen by 9.6 per cent in the past 12 months, there's still plenty of long-term upside based on what we've seen in our analysis.



Morayfield

Morayfield, 37 kilometres north of Brisbane, is delivering on multiple fronts for investors seeking the right mix of capital gains and cash flow.

The suburb is on Greater Brisbane's northern fringe. It's traversed by the Bruce Highway, thus allowing residents to easily travel north to the beautiful Sunshine Coast, or south to the heart of Brisbane and beyond to the Gold Coast. Trains are another option for commuters with Morayfield Station in the heart of its commercial precinct.

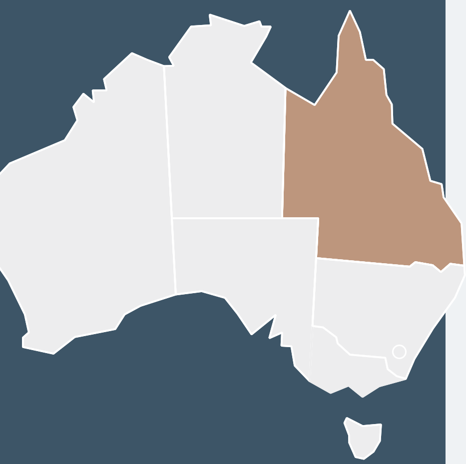
There are comprehensive services and facilities throughout the suburb. Morayfield Shopping Centre is a sub-regional complex housing an array of outlets including a cinema, Big-W, Coles, K-Mart, Woolworths, Target and other specialty outlets. For even more options, travel to the adjacent suburb of Caboolture which is a major government and professional services hub.

A diverse mix of housing types sees Morayfield appeal to a wide range of owners and renters. Everything from acreage and established housing through to townhouses can be secured. This means buyers across most budgets can find a property that will suit their needs and budgets.

Multiple housing estates have ensured utility upgrades have been ongoing, and new homes are helping gentrify what were rural zones as recently as the mid-1980s.

The median house price in Morayfield currently sits at $585,000 and median rent is $510 per week, reflecting a gross yield of 4.5 per cent. The suburb's current vacancy rate is an incredibly low one per cent meaning rental income is only set to increase.

For contemporary home investors, our analysis suggests those who buy now are likely to see impressive gains – particularly as Brisbane closes in on the 2032 Olympic Games.



Jimboomba

Jimboomba has remained surprisingly undiscovered as a Queensland investment hotspot – but our analysis suggests that's all about to change.

Jimboomba is positioned 39 kilometres south of Brisbane's CBD and 15 kilometres north of the rural hub of Beaudesert

It's this marriage of country lifestyle and city accessibility without compromising on amenities that makes it a gem location. The township is also perfectly poised to enjoy all the benefits coming south-east Queensland's way over the next decade as increased infrastructure spending meets global recognition via the 2032 Olympic Games.

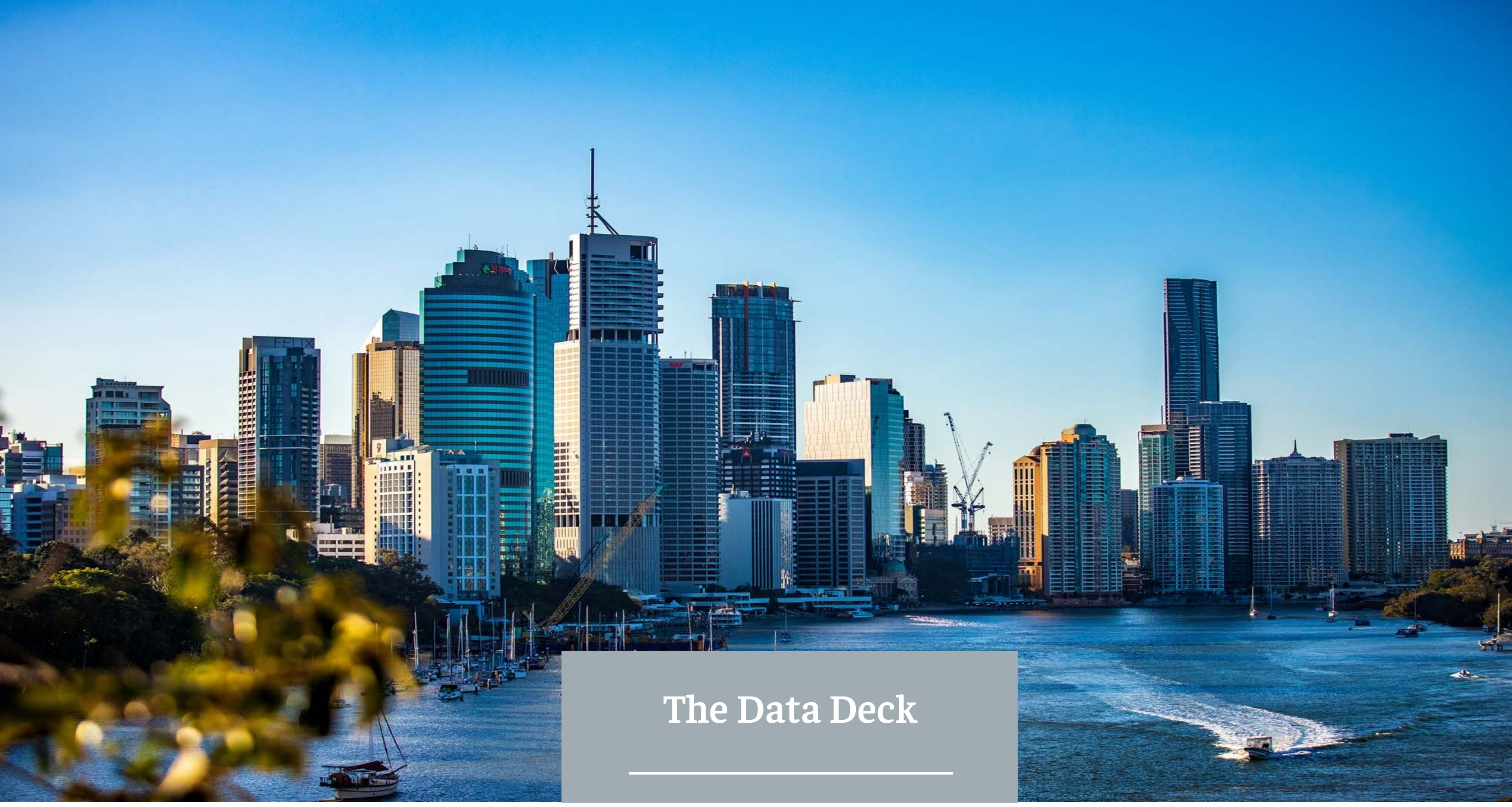
The area has seen its services and amenities grow rapidly in recent years too. Jimboomba Central Shopping Centre was fairly recently expanded and now delivers extensive retail options to the area. If you're looking for something even more comprehensive, then the regional Browns Plains Shopping Centre and surrounding outlets are a 20 kilometre trip up the Mount Lindsay Highway.

Jimboomba is all about families enjoying their easy-going lifestyles. Jimboomba State School and Hills International College are both within the area, while the local sporting club is a community hub on weekends. As you can imagine, there's plenty of places for the kids to explore local bushland or ride horses too.

Families are attracted to the quality of housing too. Contemporary lowset homes are well established, and ABS numbers show the percentage of renters versus homeowners is half of the Queensland average.

Jimboomba's median house price sits at $850,000 while median rent is at $600 per week according to realestate.com.au, but of course superior investment can be secured with the assistance of a qualified advisor.

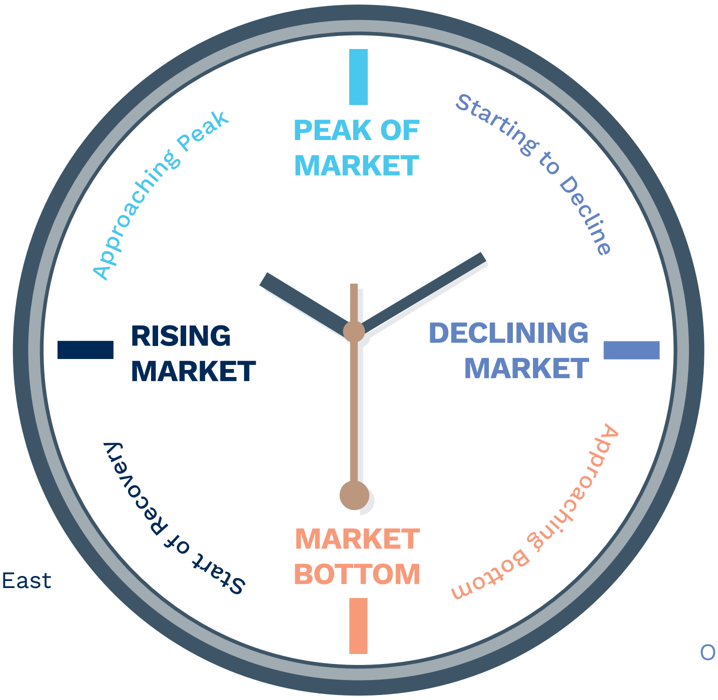
All in all, Jimboomba is an excellent choice to have on your shortlist of hot property investment options.



Australian Property Clock

SPRING 2023

Our research and acquisitions team uses data and analytics to identify the nation's next property hotspots, keeping our clients ahead of the market.



Adelaide - South West
Adelaide - North West
Albury
Cairns
Darwin
Melbourne CBD
Melbourne Southbank
Melbourne - Outer South East
Sydney CBD
& Northern Sydney CBD
Sydney - Outer West
Townsville
Perth CBD
Perth Regional

Sydney - South West
Newcastle
Coffs Harbour

Canberra
Sunshine Coast
Brisbane CBD
Outer West Brisbane
South Brisbane
Gold Coast
Toowoomba
Gladstone
Perth - South West
Gippsland
Shepparton
Outer West Melbourne
Hobart & Launceston
Geelong
Ballarat
Bendigo

Please note: Property Clock positions are based on the subjective opinion of our highly informed Accrue team. They are not based on a defined algorithm or specific data points.

Data Deck

Accrue is presented with over 3,000 property options each year.

Based on a comprehensive analysis of a range of criteria, we narrow this pool down to less than 30 per cent which we consider worthy of presentation to our members.

CORELOGIC HEDONIC HOME VALUE INDEX

CoreLogic's analysis to 31 August confirms the market is in a positive upswing. The quarterly 3.1 per cent gain for combined capitals, led by Brisbane, is the sixth month in a row of positive results. Momentum is building as interest rates pause. The only capital city to see a soft monthly or quarterly outcome was Hobart which is coming off a run of capital growth.

Source: CoreLogic

Index results as at 31 August, 2023	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
Sydney	1.1%	3.8%	1.2%	4.5%	$1,098,821
Melbourne	0.5%	1.6%	-2.3%	0.9%	$768,216
Brisbane	1.5%	4.2%	-3.0%	1.4%	$747,626
Adelaide	1.1%	3.4%	2.2%	6.2%	$682,642
Perth	0.9%	2.9%	4.5%	9.5%	$607,083
Hobart	-0.1%	-0.5%	-10.0%	-6.0%	$657,487
Darwin	0.8%	1.6%	-1.3%	4.3%	$496,136
Canberra	0.3%	0.5%	-5.9%	-2.2%	$830,875
Combined capitals	**1.0%**	**3.1%**	**-0.1%**	**3.6%**	**$804,152**
Combined regional	**0.1%**	**0.8%**	**-4.0%**	**0.3%**	**$588,841**
National	**0.8%**	**2.5%**	**-1.1%**	**2.8%**	**$732,886**

VALUE CHANGE BY HOUSING TYPE – CAPITAL CITIES

A further breakdown of values by CoreLogic for the 12-months ending August shows mixed results across the capitals in the units versus houses competition. While unit prices are generally growing faster across most centres, houses in Sydney are seeing superior gains which can be a lead indicator for other markets across the nation.

		Home value index change in value (year-on-year)	Median value (property)	Median rental value (per week)
Houses	Sydney	1.3%	$1,359,936	$740
	Melbourne	-2.9%	$925,374	$530
	Brisbane	-4.2%	$832,247	$590
	Perth	4.7%	$634,169	$595
	Adelaide	1.8%	$733,501	$550
	Hobart	-9.9%	$700,629	$530
	ACT	-6.9%	$953,166	$670
	Darwin	-0.8%	$585,014	$650
Units	Sydney	1.1%	$822,145	$650
	Melbourne	-0.7%	$603,642	$520
	Brisbane	3.8%	$526,159	$545
	Perth	3.1%	$431,474	$540
	Adelaide	5.6%	$460,903	$460
	Hobart	-10.2%	$522,461	$460
	ACT	-2.5%	$601,910	$550
	Darwin	-2.3%	$379,918	$520

		Home value index change in value (year-on-year)	Median value (property)	Median rental value (per week)
Houses	Rest of NSW	-7.6%	$726,103	$550
	Rest of Vic	-7.8%	$592,816	$450
	Rest of Qld	-1.4%	$579,449	$575
	Rest of WA	3.5%	$449,510	$550
	Rest of SA	9.4%	$393,352	$390
	Rest of Tas	-5.0%	$527,288	$440
	Rest of NT	-2.1%	$466,697	$520
Units	Rest of NSW	-3.5%	$571,165	$450
	Rest of Vic	-3.5%	$401,421	$370
	Rest of Qld	0.2%	$574,188	$500
	Rest of WA	10.4%	$304,480	$500
	Rest of SA	10.5%	$298,798	$283
	Rest of Tas	-6.4%	$382,568	$380
	Rest of NT	-8.6%	$296,802	$400

Source: Housingdata.gov.au

VALUE CHANGE BY HOUSING TYPE – REST OF STATE

State-wide figures were even more disparate. New South Wales and Victoria have seen stronger price growth while in Queensland, Western Australia and South Australia, units have experienced stronger gains. Based on previous data sets, this suggests the capital growth race is swinging back in favour of detached housing.

SHARE MARKET VOLATILITY

This chart tracks the ASX 200 price movements over the past 12 months. The index had an impressive overall increase of 6.65 per cent during that period, but there's no denying the volatility has been dramatic. For example, those who purchased the index on 3 February 2023 would have seen their investments fall 8.7 per cent by 1 March. We also note that many of the gains occurred in the first half of the year.

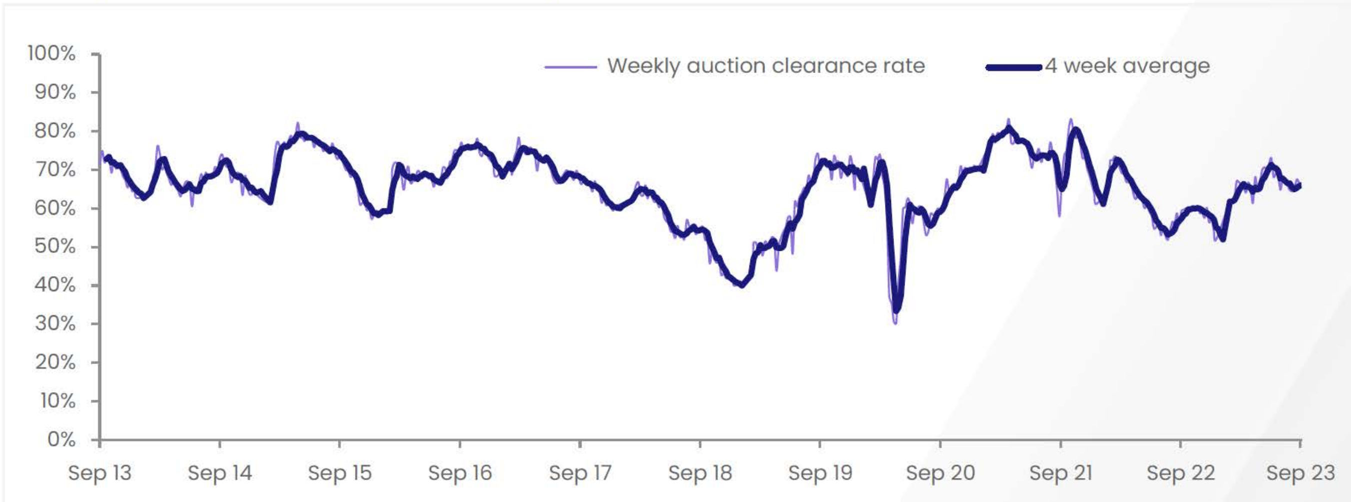
Source: Google Finance

AUCTION CLEARANCE RATES

Data to 10 September reveals that 2286 capital-city auctions were held for the week ending 10 September 2023. That's a 19 per cent increase on the 1918 auctions held in the same week in 2022. While weekly auction clearance rates have fluctuated throughout the year, the trend has been generally positive throughout 2023. The weekly clearance rate in the big auction markets of Sydney, Melbourne and Adelaide are all tracking well above 60 per cent.

Weekly clearance rate, combined capital cities

Source: Corelogic



Capital city auction statistics (Final)- w/e 3 September 2023

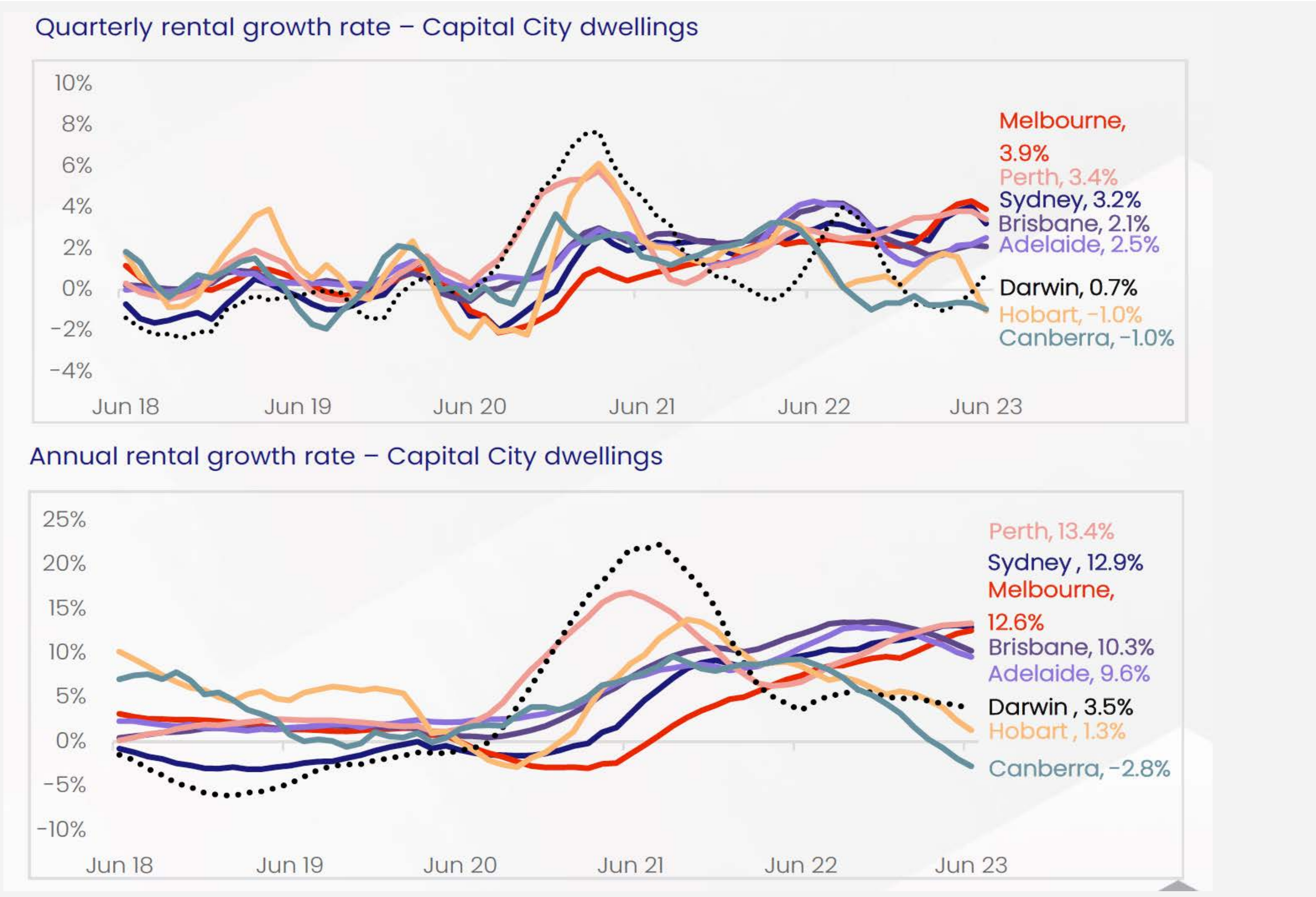
City	Clearance rate	Total auctions	CoreLogic auction results	Cleared auctions	Uncleared auctions
Sydney	68.2%	913	913	623	290
Melbourne	63.8%	1,009	1,009	644	365
Brisbane	60.3%	156	156	94	62
Adelaide	75.7%	103	103	78	25
Perth	n.a.	8	8	4	4
Tasmania	n.a.	2	2	1	1
Canberra	54.7%	95	95	52	43
Weighted Average	**65.4%**	**2,286**	**2,286**	**1,496**	**790**

Note: A minimum sample size of 10 results is required to report a clearance rate

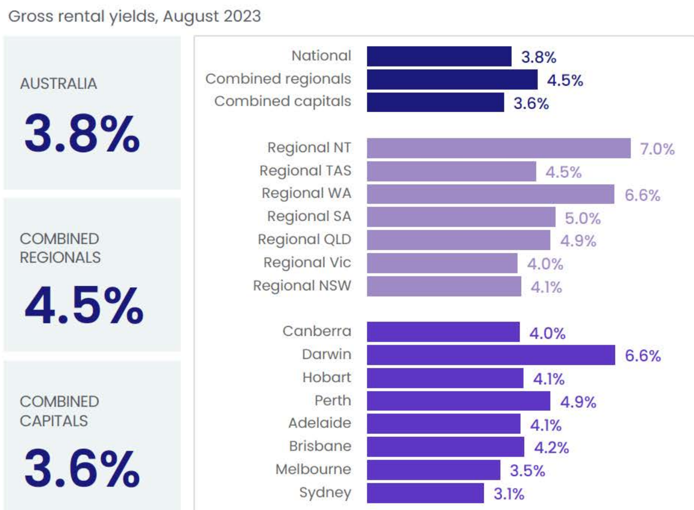
RENTAL MARKET PERFORMANCE

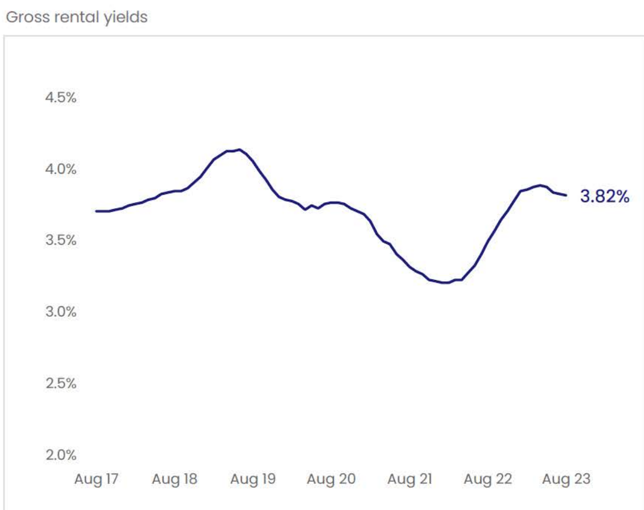
CoreLogic's numbers confirm that the tighter rental market is translating into ever increasing returns for landlords. The data house's rental data for Quarter 2, 2023 showed rents across all major capital cities have trended upwards with Melbourne, Perth and Sydney all seeing above three per cent growth for the three months to June. Annual gains were more than ten per cent for all major capitals, with Perth experiencing a staggering 13.4 per cent uptick in rents for the year.

Source: CoreLogic



There was a minor reduction in the national gross rent yield to 3.82 per cent to August 2023, but this is a function of house price growth accelerating faster than rental growth. As rent growth continues to slow and capital growth gains momentum, yields are expected to tighten further.





ACCRUE

VACANCY RATES

Low vacancy rates indicate a market where demand for rentals exceeds the available supply of rental housing. SQM Research data shows the national residential property rental vacancy rate sits at just 1.3 per cent, continuing the theme of tenant demand vastly outstripping rental supply.

Vacancy Rates - July 2023

City	Jul 2022 Vacancies	Jul 2022 Vacancy Rate	Jun 2023 Vacancies	Jun 2023 Vacancy Rate	Jul 2023 Vacancies	Jul 2023 Vacancy Rate
Sydney	11,943	1.7%	12,143	1.7%	11,616	1.6%
Melbourne	10,413	2.0%	6,811	1.3%	6,834	1.3%
Brisbane	2,474	0.7%	3,407	1.0%	3,354	1.0%
Perth	1,335	0.7%	1,138	0.6%	1,062	0.5%
Adelaide	764	0.5%	1,011	0.6%	1,016	0.6%
Canberra	675	1.1%	1,282	2.1%	1,250	2.1%
Darwin	214	0.8%	236	0.9%	254	1.0%
Hobart	193	0.7%	525	1.9%	498	1.8%
National	**36,741**	**1.2%**	**39,716**	**1.3%**	**38,864**	**1.3%**

Source: SQM Research

PROPERTY LISTINGS

SQM Research data reveals total monthly residential property listings rose two per cent in August. That said, listing numbers on an annual comparison have reduced by 0.8 per cent. This aligns with the anecdotal evidence we've observed which suggests vendors are becoming more comfortable about selling as interest rates stabilise.

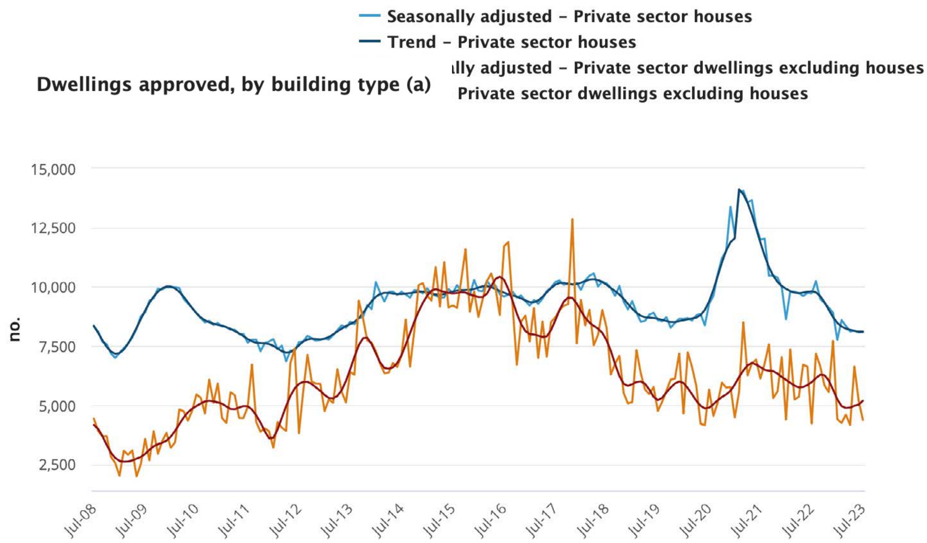
Total Property Listings

City	August 2023 Total	July 2023 Total	August 2022 Total	Monthly change %	Yearly change %
Sydney	28,122	26,489	30,077	6.2%	-6.5%
Melbourne	33,980	32,095	35,744	5.9%	-4.9%
Brisbane	17,650	17,692	20,108	-0.2%	-12.2%
Perth	16,680	16,754	21,053	-0.4%	-20.8%
Adelaide	9,000	9,012	9,519	-0.1%	-5.5%
Canberra	3,219	2,910	2,834	10.6%	13.6%
Darwin	1,685	1,654	1,669	1.9%	1.0%
Hobart	2,411	2,409	1,726	0.1%	39.7%
National	**224,530**	**220,081**	**228,945**	**2.0%**	**-1.9%**

Source: SQM Research

BUILDING APPROVALS

Building approvals help inform experts on the supply versus demand balance. The ABS reports that national dwelling approvals fell 8.1 per cent in July, with a seasonally adjusted annual fall in total dwelling approvals of 10.6 per cent. These results indicate the supply/demand imbalance remains firmly in favour of investors and owners.



Source: ABS

INTEREST RATES

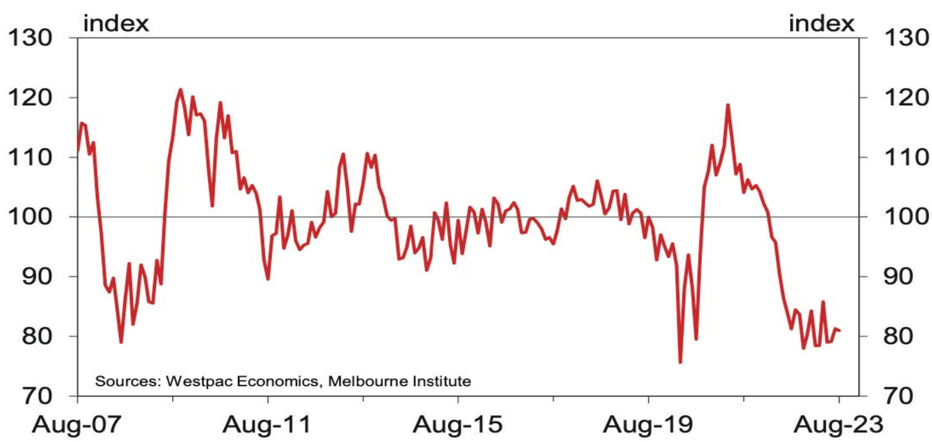
This long-term chart shows cash rate movements since 1990. While the cash rate has risen over the past 17 months to reach 4.1 per cent, it has remained unchanged since June this year suggesting we may be at the end of the rate hike cycle. In addition, the cash rate remains historically low compared to the past three decades when it went as high as 17.5 per cent.

Graph of the Cash Rate Target

Source: RBA

CONSUMER SENTIMENT

Consumer sentiment delivers a temperature check on the perceived economic strength of the nation. Positive confidence bodes well for property markets. The Westpac-Melbourne Institute Consumer Sentiment index fell 0.4 per cent in August, suggesting the pause in inflation hasn't yet filtered through to household confidence. Interestingly, Westpac's analysis also concluded that, "Housing sentiment mixed: deeply negative on purchase, bullish on prices," suggesting opportunities are available for those with the right long-term mindset.



Source: Westpac Economics

POPULATION MOVEMENT

Total population change and net interstate migration figures are lead indicators of house price movements. Rising overseas migration to Australia will bolster housing demand. Jurisdictions with increasing populations often enjoy more buoyant property prices. Net interstate migration is an even more telling statistic. This helps identify where people are moving from and where they're going to.

According to ABS information, the clear beneficiaries of population growth continue to be Queensland and Western Australia with residents moving from New South Wales and Victoria to these two states. That said, all states and territories saw a total rise in population which reflects an increase in post-pandemic immigration numbers and natural population growth. The net immigration result to 31 December 2022 was 386,895 which is well above the pre-pandemic average of approximately 235,000.

	Population at 31 December 2022 ('000)	Change over previous year ('000)	Change over previous year (%)
New South Wales	8238.8	138.0	1.7
Victoria	6704.3	137.7	2.1
Queensland	5378.3	116.6	2.2
South Australia	1834.3	28.5	1.6
Western Australia	2825.2	62.7	2.3
Tasmania	571.6	2.9	0.5
Northern Territory	250.1	2.0	0.8
Australian Capital Territory	460.9	8.3	1.8
Australia (a)	26268.4	496.8	1.9

Source: www.abs.gov.au

	NSW	Vic.	Qld	SA	WA	Tas.	NT	ACT
Interstate arrivals	89,511	73,870	113,087	26,016	37,076	13,453	14,626	20,439
Interstate departures	121,071	83,825	78,542	25,346	26,483	14,394	16,750	21,667
Net interstate migration	-31,560	-9,955	34,545	670	10,593	-941	-2,124	-1,228

	NSW	Vic.	Qld	SA	WA	Tas.	NT	ACT
Overseas arrivals	217,604	181,984	100,860	33,620	61,788	6,077	5,662	11,902
Overseas departures	83,002	61,524	42,782	9,763	23,878	2,629	3,793	5,231
Net overseas migration	134,602	120,460	58,078	23,857	37,910	3,448	1,869	6,671

Drummond Street Services

Live Wires
Drummond St Services

The popular after-school life skills program for primary-aged children on the Collingwood Housing Estate

Community

Live Wires

The popular after-school life skills program for primary aged children on the Collingwood Housing Estate

Live Wires continued its dedicated work with over 50 children from Collingwood public housing estate. Our after-school sessions saw an average attendance of 44 children, while the holiday program activities attracted up to 60 participants. In January, our 6th graders transitioned to the Drummond Street Services' youth program, providing them with opportunities to engage with teenagers. We also welcomed a new group of Preps who are currently learning essential skills such as queuing, turn-taking, and teamwork. Feedback from participants indicates that those who have been part of Live Wires develop improved life skills, including better impulse and emotion management, as well as enhanced ability to work in groups by the time they complete our program. We strongly believe that teaching these vital communication and self-regulation skills during the primary school years plays a crucial role in preventing vulnerable children from getting involved in criminal activities, facing educational disruptions, and experiencing mental health challenges during adolescence.

In 2023, one of the significant accomplishments for Live Wires was the provision of a swimming lessons program at the local pool, where parents were also included. Witnessing the children's excitement, they eagerly skipped and ran the 2 kilometres to the Collingwood Leisure Centre. The program aimed to develop a trusting bond between parents and children as they learned to swim together. Additionally, we utilised this opportunity to educate all 30 participants, spanning different age groups, about the importance of preventing drownings. Sadly, drownings are relatively common in culturally and linguistically diverse (CALD) families that have limited exposure to water and face barriers in accessing water safety education due to cultural, social, and financial constraints. We are grateful to Life Saving Victoria for their kind support in offering free 8-week cycles of swimming lessons. Moreover, ACCRUE funded staff attendance on the weekends, which greatly contributed to the success of the program.

Live Wires Update

ACCRUE's commitment to Live Wires allows us to run 2 after school sessions every week during school terms, plus the holiday program, in which we offer, in the kid's words:

- First time I ever went to the beach, it was really far away there was so much sand we had to walk over it and it was hot. Then we got to the waves it was exciting and I jumped up over the waves and I felt scared, but I was with my best friend.
- We went to a place called Fun Fields and it's like Disneyland and there's every ride in the world and it's the best day of fun you can ever do but you will get wet if you go there.
- We went to a big park called Botanic Gardens and we made our own picnic food and we put out a rug and I made it flat. We had a big feast and special treats and we played chasey and then we did music and fun and then Alli fell asleep and we didn't wake her up.
- There is a place in the city I didn't even know existed and it is called Riverslide and it is a skate board place and we got to use skateboards and some people went on big ramps and I just pushed mine around not too fast and we had a cool skating teacher called Mo and it was the coolest.
- We went to Fitzroy Pool, and they told us there's the big kids pool and the small kids pool and the small kids ran and jumped in the deep one anyway but then some of us couldn't swim so we had to get helped out, but it was very funny and we had chips.

Above, we shared the highlights from the Live Wires Holiday Programs. t

Our heartfelt appreciation goes out to everyone at ACCRUE who are making a significant difference!

Drummond street services acknowledges the traditional owners of the land and pays respect to their Elders both past and present.

Accrue Real Estate

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