

Research insights into residential investment opportunities. October 2021.



Australia's best places to invest.



We've unlocked the top 20 residential investment opportunities for everyday Australians.



About this report.

ME Bank commissioned independent research firm Ethos Urban to design, develop and produce this research project, which provides in-depth and critical insights into ideal residential property investment opportunities for everyday Australians, from 'rentvestors' and 'mum and dad' investors to the savviest of investors.

The report is based on quantitative and qualitative analysis, particularly focused on transport infrastructure projects around the country.

About.

ME Bank is a digital bank, owned by the BOQ group.

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1.0 Executive summary.

In this report, ME uncovers Australia's top 20 best places to invest for residential property investors looking to forge new financial goals following the COVID-19 pandemic.

ME commissioned the new research from Ethos Urban, a national planning and urban economics consultancy, to assemble the coveted list in a bid to help all Australians looking to maximise low interest rates and extra savings acquired during the COVID-19 pandemic.

A range of qualitative and quantitative criteria were also applied to identify suburbs with the best investment prospects. These factors included how new transport infrastructure would re-shape the investment landscape across the range of suburbs, average rental yields, recent population growth, median house prices, average rental prices together with lifestyle appeal measurables such as the availability of coffee shops and cafes.

The national winner is the Queensland suburb of Woolloongabba in Brisbane's thriving inner east.

Based on this criteria, Australia's top 20 best places to invest are:

1. Woolloongabba, QLD
2. Burleigh Heads, QLD
3. Five Dock, NSW
4. North Melbourne, VIC
5. Rozelle, NSW
6. Ellenbrook, WA
7. Parramatta, NSW
8. Crows Nest, NSW
9. Preston, VIC
10. South Melbourne, VIC
11. Yanchep, WA
12. Waterloo, NSW
13. Coffs Harbour, NSW
14. North Sydney, NSW
15. Pyrmont, NSW
16. Claremont, WA
17. Mermaid Beach, QLD
18. Miami, QLD
19. Concord, NSW
20. Fairfield, QLD

A common theme that really stands out in ME's list is the huge impact that new transport infrastructure has on creating investment opportunities in a suburb. Woolloongabba, for example, is already serviced by two train stations and the new Cross City Rail Project will provide a new line running directly under the suburb, increasing connectivity and changing the way people use the area.

ME's list of best places to invest captures all levels of investment, from apartment-focused buying in Five Dock, South Melbourne or Claremont to larger freestanding home opportunities in up and coming suburbs such Yanchep or Preston.

The purpose of the report is to ensure ME continues to help all Australians get ahead and providing access to information like this means those who used the time in the COVID-19 lockdowns to assess their financial goals can actively work towards achieving them.

2.0 How we uncovered the winners.

2.1 Research parameters.

To refine the approach to the task, Ethos Urban and ME Bank adopted the following parameters for a prospective investor.

- The task is based on identifying residential investment locations for everyday Australians, from 'mum and dad' investors, and 'rentvestors', to the savviest of investors.
- The investment is not limited by acquisition price, though regard has been given to a wide range of price points. Similarly, the investment asset subclass is not specifically identified. The investment may be a house, townhouse, unit or apartment.

“The focus was on locations where ... transport infrastructure is expected to be a major driver of land value growth”

- Rather than cast the net across (potentially) tens of thousands of locations, the search was refined to a specific reason that investment in certain locations is likely to represent a sound choice. As such, the focus was on locations where recently completed, soon to be completed, or under construction transport infrastructure is expected to be a major driver of land value growth and, potentially, urban renewal.

3.0 Qualifications.

Research such as this requires a significant number of assumptions to be applied to evaluate suburbs. The outcome of such an exercise depends on the evaluation criteria applied and the weighting afforded the different evaluation criteria.

Although some evaluation criteria are objective (sourced, for example, from ABS data), other criteria, such as the impact of transport infrastructure or the vibrancy and attractiveness of a particular location, requires a more subjective judgement.

Although significant expertise has been applied in undertaking the research, investors should complete their own due diligence in making an investment in the nominated locations.

4.0 Evaluation criteria.

4.1 Preliminary filtering.

The statistical area on which the analysis is applied is a 'suburb' as defined by the Australian Bureau of Statistics. To provide an initial list of suburbs to apply a detailed level of evaluation, a search was undertaken of all major road and rail transport infrastructure projects in Australia.

The application of this filter produced a list of approximately 126 suburbs where a significant impact from new transport infrastructure is anticipated.

Table A. Number of suburbs impacted and transport infrastructure project

| New South Wales | | Western Australia | |
|---------------------------|-----------|---------------------------|--------------------|
| Parramatta Light Rail | 5 | Ellenbrook Rail Extension | 5 |
| Metro City and South West | 14 | Forrestfield-Airport Link | 2 |
| Sydney Metro West | 7 | Claremont Project | 1 |
| Western Airport Line | 2 | Byford Extension | 1 |
| Princes Highway Upgrade | 2 | Lakelands Station | 1 |
| Inland Rail | 1 | Yanchep Rail Extension | 3 |
| Pacific Highway Upgrade | 2 | Thornlie-Cockburn Link | 4 |
| Subtotal | 33 | Subtotal | 21 |
| Victoria | | South Australia | |
| Melbourne Metro 1 | 2 | North-South Corridor | 7 |
| Airport Rail Link | 1 | Dukes Highway | 1 |
| Level Crossing Removals | 12 | Subtotal | 8 |
| Ballarat Upgrade | 2 | Tasmania | |
| Geelong Upgrades | 2 | Southern Transit Lane | 3 |
| Warrnambool Upgrade | 3 | Miscellaneous | 7 |
| Gippsland Upgrade | 2 | Subtotal | 10 |
| Shepparton Upgrade | 2 | ACT | |
| Albury Rail Upgrade | 3 | Light Rail (existing) | 5 |
| North East Link | 1 | Civic to Woden | 5 |
| Mordialloc Bypass | 1 | Subtotal | 10 |
| Subtotal | 31 | Northern Territory | |
| Queensland | | NA | |
| Cross City Rail | 8 | Total | 129 suburbs |
| Burleigh Heads Light Rail | 3 | | |
| Northcoast Line Upgrade | 3 | | |
| Bruce Highway Upgrade | 1 | | |
| TOD | 1 | | |
| Subtotal | 16 | | |

Source: Ethos Urban Research

4.2 Criteria evaluation.

The first-round evaluation criteria provided a series of filters based on datasets measuring 12 criteria, including population growth, asking rent growth, median price growth, number of sales, SEIFA, rental yields, and the anticipated impact of transport infrastructure.

These criteria were applied with various weightings to reflect their influence on perceived value. Based on this, each suburb was ranked from 1 to 126. Their purpose was to establish suburbs likely to appeal to the investor profile established in the research parameters..

It is noted that a significant weighting has been given to the transformative potential of the new transport infrastructure. For example, a location which has not previously been served by rail is afforded a significantly higher rating than a location which is set to have its rail service upgraded.

Table B. Criteria evaluation

| Qualitative Criteria | Rationale | Weighting |
|---|--|-----------|
| Impact of Transport Infrastructure | Potential future demand and capital growth | 30.0% |
| Coffee Shops (the Vibe) | Attractiveness to potential renters | 20.0% |
| Town Centre and Potential for New Development | Attractiveness to potential renters | 5.0% |
| Qualitative Criteria | Rationale | Weighting |
| Population Growth (5-years) (#) | Recent demand | 2.5% |
| Population Growth (5-years) (%) | Recent demand | 2.5% |
| Asking Rents, Houses (3-years) | Current demand | 5.0% |
| Asking Rents, Units (3-years) | Current demand | 2.5% |
| SEIFA, Index of Relative Advantage | Socio-economic character of the suburb | 2.5% |
| Implied Rental Yields, Houses | Investment return/cash flow | 2.5% |
| Implied Rental Yields, Units | Investment return/cash flow | 2.5% |
| Median Prices, Houses (3-years) | Recent demand | 7.5% |
| Median Prices, Units (3-years) | Recent demand | 2.5% |
| Average Annual Sales, Houses (3-years) | Level of activity in the market | 5.0% |
| Average Annual Sales, Units (3-years) | Level of activity in the market | 5.0% |
| Change in Share of White-Collar Workers | Level of gentrification occurring | 2.5% |
| Change in Share of Residents with Bachelor or Higher Qualifications | Level of gentrification occurring | 2.5% |

Source: ABS, Census of Population and Housing 2011 and 2016; ABS, Regional Growth; SQM Research; Pricfinder; Ethos Urban Research

5.0 Research results.

Woolloongabba, QLD was the overall 'winner', followed by Burleigh Heads, QLD, and Five Dock, NSW. The following table details the rankings for each of the criteria and the overall rank. Each of the scores are based on ranks out of a total of 126, multiplied against the criteria's weighting; the average, max, and min rows at the top of the table show the range of scores for all 126 suburbs.

Table C. **Research Results**

| Rank | Suburb name | State | Primary dwelling type | Population growth (5-years) (#) | Population growth (5-years) (%) | Asking rents, houses (3-years) | Asking rents, units (3-years) | Seifa, index of relative advantage | Implied rental yields, houses | Implied rental yields, units | Impact of transport infrastructure | Median prices, houses (3-years) | Median prices, units (3-years) | Average annual sales, houses (3-years) | Average annual sales, units (3-years) | Change in share of white-collar workers | Change in share of residents with bachelor or higher qualifications | Coffee shops (the vibe) | Town centre and potential for new development | Total score |
|------|-----------------|-------|-----------------------|---------------------------------|---------------------------------|--------------------------------|-------------------------------|------------------------------------|-------------------------------|------------------------------|------------------------------------|---------------------------------|--------------------------------|--|---------------------------------------|---|---|-------------------------|---|-------------|
| 1 | Woolloongabba | QLD | Apartment | 2 | 2 | 4 | 2 | 2 | 1 | 2 | 37 | 6 | 1 | 2 | 5 | 0 | 3 | 25 | 6 | 100 |
| 2 | Burleigh Heads | QLD | Apartment | 2 | 1 | 5 | 2 | 2 | 1 | 2 | 31 | 9 | 3 | 4 | 6 | 2 | 2 | 23 | 1 | 94 |
| 3 | Five Dock | NSW | House | 1 | 1 | 6 | 1 | 3 | 0 | 1 | 37 | 4 | 1 | 3 | 4 | 3 | 3 | 23 | 4 | 94 |
| 4 | North Melbourne | VIC | Apartment | 3 | 3 | 1 | 0 | 2 | 0 | 0 | 36 | 1 | 1 | 2 | 6 | 1 | 2 | 25 | 6 | 90 |
| 5 | Rozelle | NSW | Townhouse | 2 | 1 | 2 | 1 | 3 | 0 | 0 | 36 | 4 | 0 | 4 | 4 | 3 | 3 | 23 | 4 | 90 |
| 6 | Ellenbrook | WA | House | 3 | 3 | 5 | 3 | 1 | 3 | 2 | 33 | 3 | 1 | 6 | 2 | 1 | 1 | 20 | 4 | 89 |
| 7 | Parramatta | NSW | Apartment | 3 | 3 | 1 | 1 | 2 | 1 | 1 | 36 | 1 | 1 | 1 | 6 | 3 | 3 | 23 | 4 | 89 |
| 8 | Crows Nest | NSW | Apartment | 1 | 2 | 0 | 1 | 3 | 2 | 1 | 37 | 4 | 1 | 2 | 4 | 1 | 3 | 23 | 6 | 89 |
| 9 | Preston | VIC | House | 3 | 2 | 1 | 1 | 2 | 0 | 1 | 25 | 5 | 3 | 5 | 6 | 3 | 3 | 23 | 6 | 88 |
| 10 | South Melbourne | VIC | Apartment | 3 | 2 | 2 | 1 | 3 | 1 | 1 | 33 | 5 | 1 | 4 | 5 | 1 | 1 | 23 | 1 | 86 |
| 11 | Yanchep | WA | House | 3 | 3 | 6 | 0 | 1 | 3 | 1 | 33 | 4 | 0 | 5 | 1 | 0 | 0 | 20 | 4 | 84 |
| 12 | Waterloo | NSW | Apartment | 3 | 3 | 0 | 0 | 2 | 1 | 0 | 33 | 0 | 1 | 1 | 6 | 1 | 3 | 23 | 6 | 84 |
| 13 | Coffs Harbour | NSW | House | 2 | 1 | 6 | 3 | 0 | 2 | 1 | 20 | 8 | 3 | 6 | 6 | 1 | 1 | 20 | 4 | 83 |
| 14 | North Sydney | NSW | Apartment | 2 | 3 | 2 | 0 | 3 | 1 | 0 | 31 | 4 | 1 | 1 | 5 | 2 | 3 | 25 | 1 | 83 |
| 15 | Pyrmont | NSW | Apartment | 2 | 2 | 0 | 0 | 3 | 1 | 1 | 33 | 5 | 2 | 0 | 5 | 0 | 1 | 25 | 1 | 82 |
| 16 | Claremont | WA | House | 1 | 1 | 6 | 3 | 3 | 1 | 1 | 20 | 5 | 1 | 4 | 5 | 1 | 2 | 23 | 4 | 81 |
| 17 | Mermaid Beach | QLD | Apartment | 2 | 2 | 3 | 3 | 2 | 3 | 2 | 25 | 6 | 3 | 3 | 6 | 2 | 2 | 14 | 4 | 81 |
| 18 | Miami | QLD | Apartment | 2 | 2 | 5 | 2 | 2 | 1 | 2 | 25 | 9 | 2 | 3 | 5 | 2 | 2 | 14 | 4 | 81 |
| 19 | Concord | NSW | House | 2 | 1 | 3 | 0 | 3 | 0 | 0 | 36 | 3 | 3 | 4 | 4 | 2 | 2 | 14 | 4 | 81 |
| 20 | Fairfield | QLD | House | 1 | 3 | 2 | 2 | 3 | 0 | 2 | 25 | 6 | 2 | 2 | 2 | 2 | 3 | 20 | 4 | 78 |

6.0 Themes and point of interest.

A number of interesting themes emerge from the findings:

- Suburbs which are to be serviced by new metro-style train stations rank high in the findings.
- A number of regions feature quite prominently with several suburbs represented in the top 20 list. These include:
 - areas in inner Sydney with expectations of redevelopment (Metro West and Metro South-West)
 - Western Australia's northern and north-eastern growth areas (Yanchep rail extension and Ellenbrook rail extension)
 - beachside suburbs in Gold Coast's south (Burleigh Heads light rail extension)
 - apartment-based markets represent most of the suburbs in the top 20 list, followed by houses (mostly in Western Australia), and only one townhouse-based market: Rozelle, NSW.

“Suburbs in WA had the highest average score for impact on transport infrastructure”

- Suburbs in WA had the highest average score for impact on transport infrastructure, followed closely by New South Wales, then Queensland and Victoria.
- Suburbs in the top 20 with the highest house price growth over the last three years are led by Queensland, with four of the top 5.

7.0 State findings.

Table D. State findings

| State | Entries in top 20 |
|-------------------|-------------------|
| New South Wales | 9 |
| Victoria | 3 |
| Queensland | 5 |
| Western Australia | 3 |

A number of interesting themes emerge. ACT, South Australia, Tasmania and Northern Territory, with no entries in the top 20, are not so well represented.

This doesn't suggest these states are lacking in favourable investment options in which an investor may find an attractive location. Rather, the results can be seen as a function of the statistical approach and methodology applied, as well as the simple fact that the most impactful transport projects presently being undertaken are in New South Wales, Victoria, Queensland and Western Australia.

For example, the focus on transport projects as a means for identifying hotspots has drawn a larger number of suburbs from New South Wales and Victoria compared to other states. In addition, this focus has also meant suburbs in these states would benefit from higher scores in criteria related to transport infrastructure, such as the impact from transport infrastructure, in both the immediate score, and the weighting of the criteria.

Smaller states such as the ACT, South Australia and the Northern Territory, have lower populations, smaller government budgets and perhaps less need of large transport infrastructure projects (particularly rail-based infrastructure), leading to fewer suburbs on this list.

8.0 Research team.

About Ethos Urban: www.ethosurban.com

Ethos Urban is a multidisciplinary firm based in Sydney, Melbourne and Brisbane with services including planning, urban economics, urban design, and social strategy and engagement.

Ethos Urban's economists work with developers, investors, businesses, policymakers, peak bodies, government departments and agencies, and many other entities seeking advice on how economics applies to their real-world issues and opportunities in planning and development. In many instances we are called on to provide expert evidence or specialist economic advice on complex land use, property, and policy matters.

We have experience in demographic analysis, including the presentation of data and research in an informative, yet entertaining manner.

The project team comprised:

Chris McNeill
Director (Economics)
 B Economics

Chris is an urban and regional economist with 25 years of professional experience. He is armed with a deep knowledge of Australia's demographic and economic landscape and has worked across a wide range of economic matters relating to residential planning and development, including demand and supply analysis, highest and best use assessments, conceptual feasibility assessments, and policy analysis. He served as sessional member at Planning Panels between 2005 and 2013, and is an established and respected expert witness in matters relating to urban planning and development.

Chris is a regular conference presenter and is frequently quoted in the media as an expert in demographic trends.

Rajiv Mahendran
Senior Urbanist – Economics
 B Com (Econ)

Rajiv has experience working across all sectors of the property market. His focus on reporting and strategic advice through robust data analysis provides state and local governments and private sector businesses with evidence-based solutions to significant land use and development matters. Recent projects include market assessments for business cases, residential developments, student accommodation, retail and hotels. Raj is particularly skilled in data analysis and research.

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