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Median Price

- The median house price is the midway point of all the houses/units sold at market price (or sold amount) over a set period (monthly, yearly, quarterly, etc.). That is, if there were 101 houses sold during the month, the median house price would be the house price in the middle i.e., that has 50 house prices above it and 50 house prices below it.
- The reason the median price is used rather than the mean is mainly because it is a more accurate indicator of the market, as it reflects the sample size being used.
- **CAUTION -** One of the problems with using the median, however, is that it reflects if there has been a large amount of more expensive or less expensive homes sold in any given period. In these circumstances, you can often notice large differences in the median price of a certain area from month to month.
- For this reason, it is often better to view median prices over periods of time and monitor the trends, rather than looking at one month's figures in isolation.
- **Important**
  - There are more people who can buy $350,000 house than there are people who can buy a $950,000
  - Target suburbs with lower than average median prices within metropolitan cities I.e. Look for cheap suburbs next to expensive suburbs.

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Rental Yield

- Measures the cash an investment property produces per annum as a percentage to property's value.
- Gross Yield, for example:
  - Property Value = $700,000
  - Weekly Rent = $480
  - Gross Yield = {(Total Income Rent per annum $480 x 52) / (Property Value $700,000)} x 100 = 3.56%
- *Net Yield = {[(Total Income Rent per annum) - (All Property expenses including outgoings, property management fees, council rates, insurances etc] / (Property Value)} x 100*
- Net Yield calculation excludes mortgage interest and tax

Rental Yield

Inner city - within 10k of the CBD

Suburb	Gross Rental Yield	Suburb	Gross Rental Yield
MELBOURNE	5.8%	BRUNSWICK EAST	4.0%
CARLTON	5.1%	ST KILDA WEST	4.0%
SOUTHBANK	4.9%	SOUTH KINGSVILLE	3.9%
SOUTH MELBOURNE	4.9%	BALACLAVA	3.9%
WEST FOOTSCRAY	4.8%	BELLFIELD	3.9%

Outer suburbs, further than 20k of the CBD

Suburb	Gross Rental Yield	Suburb	Gross Rental Yield
MELTON	6.3%	MELTON SOUTH	5.6%
MELTON SOUTH	5.9%	MILLGROVE	5.5%
CRANBOURNE NORTH	5.9%	MELTON	5.3%
ROXBURGH PARK	5.7%	CARRUM DOWNS	5.3%
CRANBOURNE	5.7%	FRANKSTON NORTH	5.3%

Rental Yield

- **What does the Rental Yield Tell Us?**
  - A higher rental demands means that there is more demand from renters to live in that suburb in relation to the supply of rental properties available in that area.
  - This could mean that eventually that suburb could experience a higher capital growth due to market correction.
  - Demand is exceeding supply.
  - Enjoy good rental while waiting for capital growth.
  - Planning to develop and hold? This could be a good place to search for a potential development site, as you will be manufacturing your own capital growth & the area already enjoys good rental yield. Chances are that if you develop in this area, you will end up with a cash-flow positive investment properties.

Rental Yield

- **IMPORTANT**: if a suburb becomes desirable, renters are the first to flock there.
  - And if a suburb is desirable, capital growth is just round the corner. High yield precedes capital growth (excluding mining towns).
  - This stats alone is not a true measure and your decision should not pivot on any one factor or any one stat. When selecting a suburb, you must look at various other factors and look at the suburb in totality.
  - Historical data shows that generally if a suburb shows >5% rental yield, it will soon experience capital growth.
- **CAUTION**: If it is cheaper to own Vs to rent - this is ring alarm bells. Happens all the time in mining towns. This basically means that there is a large majority of renter who are there for a limited time. Ask yourself, what will happen if they leave?

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Vendor Discount (VD)

- **Vendor Discounting = Asking Price - Sale Price**
  - If VD > say 7%, buyers have an upper hand. Sellers are discounting from their original ask price.
- **What does VD Tell Us?**
  - A higher VD, means a decrease in demand or over supplied market.
  - Capital growth is too far away. As the over supply has to be consumed first.
  - The lower the VD, the higher the demand. A lower VD means, that vendors are not ready to budge from their asking price. This means that it is a sellers market.
  - Possible cause, under supply of property in the suburb.
- **CAUTION**
  - It does not mean that there are opportunities in the area.
  - The suburb could be over hyped.
  - A positive sign, but be cautious.

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Days on the Market (DOM)

- **Days on the Market (DOM)**
  - DOM is simply a count of the number of days a property is on the market before it sells.
  - A property is considered 'on the market' as soon as the real estate agent lists the property for sale.

- **What does DOM Tell Us?**
  - Lower DOM = Higher Demand, as properties are being snapped up in that area.
  - A weaker demand could mean longer DOM.
  - If an area had long DOM and is now showing shorter DOMs. This represents an increase in demand.
  - <50 DOM = Higher Demand, market is hot.
  - >90 DOM = Lower Demand, market is cold.

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Auction Clearance Rate (ACR)

- **Auction Clearance Rate (ACR)** is the percentage of auctioned properties that are sold in an auction.
  - The Real Estate Institute of Victoria (REIV) says it calculates clearance rates by "adding up the properties sold before the auction, sales under the hammer, sales after the auction but on the same day and sales the day after the auction and dividing them by the number of auctions reported."

- **What does ACR Tell Us?**
  - ACR of 75% generally means higher demand.
  - A low ACR on the other hand could mean lower demand, and a general lack of interest by buyers.
  - The higher the ACR is, the higher the demand is Vs the supply.
  - Avoid getting in to the market at the peak of buying frenzy. So keep an eye on the increase in the ACR of your shortlisted suburbs.

- **CAUTION:**
  - Property guru Terry Ryder rightly recently pointed out "Auctions account for a tiny share of residential property sales and are mostly at the upper end. They say nothing about the mainstream market, where the bulk of sales occur."

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Stock on Market (SOM)

- **The stock on market (SOM) -** (without the %) is the number of properties for sale in a specific market.
  - SOM% however, is expressed as a percentage of the number of properties for sale **Vs** the total number of properties in the location.
- **What does SOM Tell Us?**
  - A lower SOM% means a low supply of property or the more demand for it, or both.
  - A high SOM means, properties are up for sale, but not enough buyers to buy them I.e. The market is over supplied.
  - Look for SOM% between 1-3%, greater than 3% = too much supply & less than 1% = you better have a closer look at this suburb.

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Online Search Interest (OSI)

- **Online Search Interest (OSI)** is a comparison between the searches performed online by people looking for property in a specific market versus the properties for sale in the same market.
  - The number of people searching represents the demand.
  - The number of properties for sale represents the supply.
  - OSI gives us a mini-Demand to Supply ratio.

Online Search Interest (OSI)

Supply and demand in Glen Waverley

The level of competition in a suburb can affect prices and availability.

Online Search Interest (OSI)

- From this calculation you can see that if demand is strong and supply is low the OSI will be a larger figure than if the demand is weak and the supply is high.
- For OSI to exist, there has to be properties for sale in a market. A market like this should be interpreted as a good market, not a bad one. It's just that the supply is so low that a figure can't be determined. However, if there are no properties for sale, how do you invest in such a good market? Conversely, if the number of searches is zero, this is a bad market. Even if there is only one property for sale, the OSI will be zero – the lowest it can be.
- So the higher the OSI, the more demand for property compared to supply for would-be buyers searching online.

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Vacancy Rates

- **Vacancy Rate** is a measure of how many rental properties in a location are currently without a tenant.
  - Two figures are needed to determine the vacancy rate:
  - The number of rental properties
  - The number of these that are vacant
  - If there are 200 rental properties in a suburb and four of them are vacant, then the vacancy rate is 2%. That is, 200 ÷ 4 = 0.02 x 100 = 2%
- **What does the Vacancy Rate Tell Us?**
  - Generally a 3% vacancy rate is considered normal.
  - Greater than 4% - it's time to walk away from this suburb.
  - The lower this figure, the lower the supply of rentable accommodation or the higher the demand for it, or both.
  - 2% is good, but anything less than 1% means, that there will be hike in rental prices very soon.

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Proportion of Renters

- **Proportion of Renters**
  - A a general rule of thumb 30% of property owners are investors. So if renters <= 30% - it's generally good.
  - Therefore, suburbs with a lower proportion of renters will generally be more attractive than suburbs with a higher proportion of renters.
  - The lower the proportion of renters, the lower the vacancy rate is likely to be.
  - Therefore the lower this figure, the less supply of rentable accommodation there is.
  - Owner Occupiers - Between 60-70% Owner Occupiers
  - Too much renters - too many investors - investor driven market.