

# Property *hotspots* and how to spot them





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Broadly speaking, a property hotspot is an area where there is potential to make money because the price of property is set to grow quicker than the rest of the market. Whether the predicted growth is over the short or long term, a property hotspot is an attractive proposition for any savvy property developer.

Getting in early is the key. As a rule, property hotspots don't stay hot forever, which is why it's important to identify them before they start taking off. As soon as word gets out and everyone wants a slice of the action, then you'll be paying more - which isn't good news for your profit margin. After all, as a property developer, the name of the game is to minimise your costs and maximise your profits.



Check out our 9 top tips for identifying a property hotspot



## ① Things people need

What's on the horizon in terms of new infrastructure is one of the first things to investigate if you're looking at a potential property hotspot. What's planned in terms of rezoning, train stations, hospitals, schools, universities, shopping centres and medical centres, for example, as these can all create demand for property. Proposed or existing infrastructure is important for any property development, as your potential buyers, or tenants, will value having essential amenities close by.

## ② How will I know a property hotspot when I see one?

Unfortunately, spotting a property hotspot isn't an exact science. There is no magic formula. You may regularly hear commentary in the media, or around the barbecue, about the latest money-making suburb, but there's no sure-fire recipe for success. Picking a hotspot is about weighing up all the evidence; it's about coming to an informed opinion about the potential for 'stimulated growth'. In other words, what you're looking for is potential for price growth created by underlying factors such as new infrastructure, population growth or changes in culture and lifestyle. The changes increase appeal, and the increased appeal generates greater demand, which in turn pushes property prices up.

It's important not to rely on just one piece of evidence when looking for a property hotspot. Look at the whole picture, paying particular attention to the facts and figures. The more positive the evidence, the greater the chances are that you have a property hotspot in your sights.

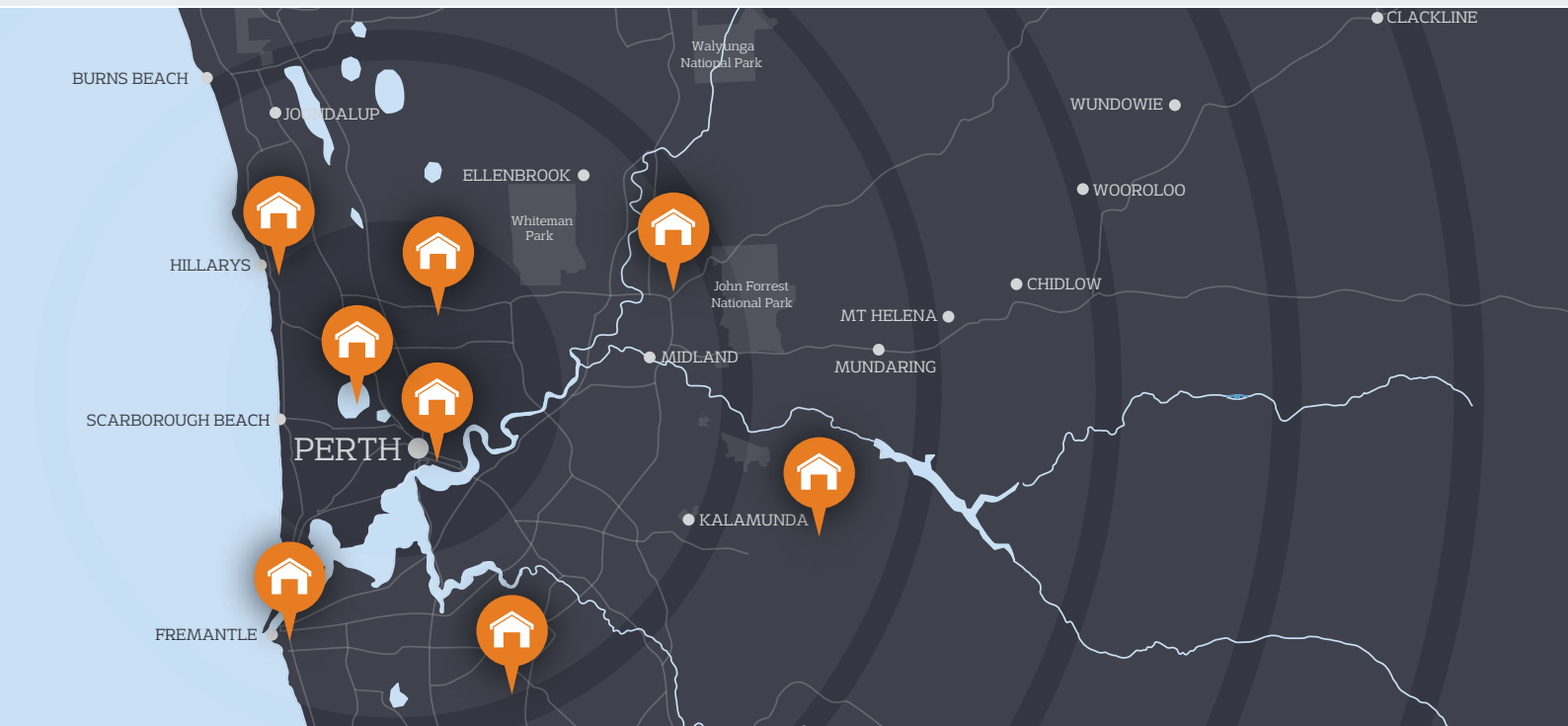
## ③ Do new estates count?

New estates certainly count if there is evidence they have been well planned, have the backing of a reputable developer, and offer residents a secure, attractive and friendly environment in which to live. Also ask yourself if the estate is in a strong location with easy access to amenities and infrastructure, and look for evidence such as good road links, cycle pathways, access to public transport, and plenty of parkland and public open space.



## ④ Things people enjoy

A sense of community is another important factor, and this can either be well established or evolving as more people move in and the neighbourhood starts taking shape. Mature trees, attractive landscaping, street appeal and good-looking homes will all add to the desirability of an area. Cafes, shops, cinemas, sports facilities, bars and restaurants all contribute to the look and feel of an area. These are the culture and lifestyle factors that help give an area its vibrancy and energy. Whether it's an established cappuccino strip, or a funky new café in a neighbourhood shopping centre, people like to have a least one meeting place close to home.



## ⑤ But surely it's just a case of 'location, location, location'?

No. Smart property developers pick their areas wisely, knowing that it's much more than simply 'location, location, location'. They're not necessarily on the hunt for the 'good' or 'popular' locations. They're in search of locations that are set to become 'better' or 'more popular', with the promise of growing demand and stimulated growth. It may certainly help if the suburb is close to the coast, for example, or it's in a 'tree change' location or it has enviable views, but it's often more to do what's about to happen that creates the impetus for growth and increased demand.

## ⑥ What about the ugly ducklings?

These are the suburbs that are on the up, often through urban renewal and government policy. They're the areas that may currently be a little jaded, but for various reasons are set to get a new lease on life and start out-performing the rest of the market. As the area becomes gentrified, trendy or upcoming, it will appeal to more people. This in turn will increase demand and push up the value of your investment.

## ⑦ Is there a knock-on effect?

If an area has been gaining kudos as a property hotspot, but it's looking as if the price has reached its peak, it's worth looking at the area's immediate neighbours. Also known as the ripple, or halo effect, areas that sit next to hotspots could be about to reap the benefits and are worth keeping an eye on.



## ⑧ Do your homework

Research is vital if you want to be as confident as you can be that you've identified a property hotspot. Bear in mind that it's important to look specifically at the facts and not rely on rumours, maybes and hearsay. Check the status of new infrastructure projects, for example, finding out where they are in terms of planning and funding. Early information and 'tip offs' can certainly give you a heads up as to what might be about to happen and you can put the area on your watch list. In the meantime, it's worth taking time to pour over the statistics, and check and double-check plans and announcements. You might also want to look at sales figures and rental yields, which can all help paint the picture.

## ⑨ The price is right

A property hotspot will typically offer good value based on the evidence that you have gathered. Remember that you're looking for a low price point that can be pushed higher as the area benefits from changes and a new impetus.

Bear in mind that the price you have to pay to get into the area also needs to fit your development budget. Ideally the ultimate value of your development will also have wide appeal so that you're not limiting your market.

## What next?

Developments by Dale Alcock has already identified a number of property hotspots for you. We are constantly on the look-out for the best lifestyle and development opportunities in Perth. In fact, we have already pinpointed areas throughout the Perth metropolitan area, spanning from north to south, as well as in the south-west of WA that we deem to have excellent development potential.

**Call us today and speak to one of our Development Consultants about what opportunities currently exist.**

*This information is of a general nature only and does not constitute professional advice.  
We strongly recommend that you seek your own professional advice in relation to your particular circumstances.*



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