INDIVIDUAL PROPERTY RISK REPORT

Address:
5 jade close Delacombe VIC 3356

As of 30-Sep-2019

GREVILLE PABST

RISKWISE
PROPERTY RESEARCH
Australia's most innovative property research house

IN THIS REPORT YOU WILL FIND

YOUR PROPERTY RISK SUMMARY

Thank you for purchasing an Individual Property Risk Report from RiskWise. A summary of this report can be found below. If you have any questions about the report, please contact us via our website.

EQUITY RISK OVERVIEW

The overall risk rating for this property based on its location, features and planned holding period is: LOW

LOCATION - SUBURB FACTORS:

- The overall score for houses in Delacombe is LOW.

FEATURES - PROPERTY FACTORS:

- Supply may be greater than long-term demand.
- The property enjoys a good location.

HOLDING PERIOD:

- Your Investment term in Years is 11+.
- A holding period of 11 years decreases the risk associated with this investment.

Equity Risk
Your Investment Term

LOW

SHORT-TERM EQUITY RISK

The market outlook for short term is: LOW-MEDIUM

Short-Term Equity Risk

LOW-MEDIUM

YOUR PROPERTY RISK SUMMARY (CONT.)

LONG-TERM EQUITY RISK

The market outlook for long term is: LOW

Long-Term Equity Risk

LOW

CASH FLOW RISK OVERVIEW

The cash flow rating for this property is: LOW

- The number of new residential buildings may increase vacancy rate.
- Low vacancy rate – the demand is greater than supply.

Cash Flow Risk

LOW

PROPERTY DETAILS ENTERED BY YOU

PROPERTY ADDRESS:
5 jade close Delacombe VIC 3356

Property Type:	House - land size 750-1250
Existing Property / Off-The-Plan:	Existing Property
Number of Bedrooms, Bathrooms, Parking Spaces:	3, 2, 2
Property Condition:	Very well maintained, nothing to spend
Property Price:	$400,000
Expected Weekly Rent:	$400
Expected Quarterly Strata:	$0
Investment Term in Years:	11 Years
In the Property Bought off the Plan:	No
Close Proximity to Pub / Bar:	No
On a Railway:	No
On a Major Road:	No
Next Door to School:	No
Ocean / Special View:	No
Walking Distance to the Train Line:	No
Is the property located in a Top Public School Catchment:	Yes

SUBURB METRICS DELACOMBE, 3356

Preferred Property Configuration: For Houses

4 BEDROOMS | 2 BATHROOMS | 1-2 CARPARKS

Good Historic Capital Growth

Moderate Short-Term Equity Risk

High Rental Return

Median House Value **$395,181**

Strong Projected Demand

KEY PROPERTY INDICATORS

Data Type	Investment Indicators	Unit
Sales Price & Median Growth	Median sales price last 12 months for Houses	$395,181
	3-month change in median sales price (12 months)	0.9%
	12-month change in median sales price (12 months)	7.2%
	36-month change in median sales price (12 months)	25.4%
	60-month change in median sales price (12 months)	27.0%
12-Month Rental Return	Median advertised rent last 12 months	$350
	Estimated 12-month gross rental return (%)	5.0%
	12-Month Surplus / (Shortfall) Ratio*	1.4%
Projects in the Pipeline	New properties in the pipeline next 24 months	653
	New properties next 24 months as % of current stock	25.2%
Demand	Vacancy Rate	2.4%

Source: CoreLogic, RiskWise Property Research, ABS

* The % surplus or shortfall of the actual rental return versus the required rental return to service an 80% LVR mortgage. Based on discounted standard variable interest rate. For more details refer to the Data Dictionary.

SUBURB PROFILE

Southwest of Ballarat, the once largely rural suburb of Delacombe now forms a large part of the Ballarat West Growth Area and has been earmarked for increased residential and industrial development. It is predicted have more than 12,000 residents by 2030. It should be noted that the suburb is built on a floodplain and its tributaries are stormwater drains.

Median Household Income	Median Age
$64,688	34 YEARS

DISTANCE FROM CITY

120 kilometres

BUS AND TRAIN TO CBD

2.5 hours

SHOPPING AREAS

1

LOCATION

Delacombe is about 120km northwest of Melbourne's CBD, but only 6km from Ballarat. It is governed at the local level by the City of Ballarat.

DEMOGRAPHICS

With a population of more than 6000, the suburb is popular with families. More than 82% of its residents were born in Australia with the next most common countries of birth being England and New Zealand.

LOCAL FACILITIES

The Delacombe Town Centre has a major supermarket and Kmart, and numerous specialty retail outlets. There are numerous parks and recreation areas in the suburb including the Delacombe Sports Centre.

More shopping, sports areas and parks can be found a short drive away in Ballarat including the Lake Wendouree Reserve which is bordered by the Ballarat Botanical Gardens.

TRANSPORT

Delacombe is only a 10-minute drive to Ballarat, with the bus taking about 20 minutes and operating every half hour. To drive to the Melbourne CBD, it takes more than 1.5 hours. By bus and train, it takes about two-hours-and-fifteen minutes with services typically operating every hour. With limited public transport options, cars are the most common vehicle to move around the area.

SUBURB PROFILE (CONT.)

SCHOOLS

2

EDUCATION

There are only two schools in Delacombe, namely Delacombe Primary School and private primary Lumen Christi School. However, there are numerous schools in the surrounding area, including Ballarat, notably the Ballarat Steiner School, Loreto College, St Alipius' Parish School, Ballarat Christian College and St Francis Xavier School.

MARKET ANALYSIS / OVERVIEW

Houses in Delacombe produced reasonable capital growth of 27% in the past five years. With a median price of $395,181, Houses in Delacombe are significantly below the median price of Houses in the greater city area. The short-term equity risk for Houses in Delacombe is Low-Medium. This means that there is a moderate level of risk for poor capital growth in the short term. The long-term equity risk for Houses in Delacombe is Low. This means that it is likely that Houses will deliver solid growth over the next eight to 10 years, unless there is a significant and unexpected slowdown in the property market. In terms of cash flow, the risk of poor returns in Delacombe is low-medium. In addition, with 653 Houses in the pipeline in Delacombe over the next 24 months, the risk of oversupply is medium. The impact of the variable cost components on your investment financials can be calculated using our Cash Flow Calculator.

CURRENT STATE FOR HOUSES IN DELACOMBE

Houses in Delacombe produced reasonable capital growth of 27% over the past five years. Over the past three years and 12 months respectively, they delivered 25.4% and 7.2%.

The median days on the market of 28 is very low which means that there is strong demand for Houses against the current supply.

5-Year Capital Growth

GOOD

MARKET OUTLOOK FOR HOUSES IN DELACOMBE

The future-view equity risk for Houses in Delacombe is low. Unless there is a significant slowdown in the property market, it is highly likely they will deliver solid capital growth in the medium and long term.

Market Outlook Short Term

LOW-MEDIUM

MARKET ANALYSIS / OVERVIEW (CONT.)

MARKET OUTLOOK FOR HOUSES IN DELACOMBE (CONT.)

With 653 Houses planned over the next two years (representing 25.2% of existing stock) in Delacombe, it is likely that the additional supply will negatively impact capital growth and rental returns over the short-to-medium term.

Houses in Delacombe are likely to deliver moderate capital growth in the short term, however, our analysis indicates that this level of growth is likely to increase over the long term (10+ years).

Market Outlook Long Term

LOW

CASH FLOW FOR HOUSES IN DELACOMBE

In terms of cash flow, the risk of poor returns for Houses in Delacombe is low-medium due to the following factors:

The estimated gross rental return of 5% is considered exceptional for Houses. Rental properties suitable for families are expected to enjoy strong demand.

With a low vacancy rate of 2.4%, it is likely that there will be strong demand for Houses in Delacombe. Those with popular property configurations (i.e. 3+ bedrooms) are likely to experience additional demand. Also, with 653 projects in the pipeline over the next 24 months, this supply increase is likely to have a moderate negative impact on the rental market. The impact of the variable cost components on your investment financials can be calculated using our Cash Flow Calculator.

Cash Flow

LOW-MEDIUM

12-Month Growth **7.2 PERCENT**	Vacancy Rate **2.4 PERCENT**
Owner-Occupier Ratio **74 PERCENT**	Median Time on Market **28 DAYS**

EQUITY RISK FACTORS

Risk Factors

The key equity risk factors associated with this property in Delacombe are:

SUPPLY MAY BE GREATER THAN LONG-TERM DEMAND:

The supply of Houses in Delacombe, typically meets the demand in a strong market. However, the long-term demand for Houses in this area may be lower under normal market conditions, reducing the number of future buyers. This could impact capital growth, leading to a lower future sales price than the average for this area. This presents an equity risk for this property.

Risk Mitigations

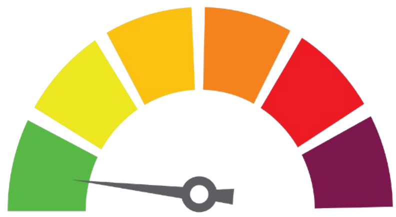
The above risks are mitigated by the following positive attributes which make this property more attractive to home buyers and investors:

THE PROPERTY ENJOYS A GOOD LOCATION:

The property enjoys a good location with the benefits of 'good proximity to a train line' / 'in the catchment of a good public school' / 'an ocean' / 'special view'. This reduces the risk of low demand, as the property will appeal to a greater number of investors and buyers.

A holding period of 11 years decreases the risk associated with this investment.

YOUR PROPERTY CASH FLOW RISK RATING:



Cash Flow Risk

LOW

Risk Factors

THE NUMBER OF NEW RESIDENTIAL BUILDINGS MAY INCREASE VACANCY RATE:

There are several new residential building developments in Delacombe which are due to be completed in the near future. This will increase property stock on the market and the risk of higher vacancy rates, as more landlords compete for a smaller number of tenants. This may result in a longer vacancy period and / or a discounted rent.

Risk Mitigation

LOW VACANCY RATE - THE DEMAND IS GREATER THAN SUPPLY:

The current vacancy rate in Delacombe is considered relatively low. A large number of tenants are competing for a smaller number of rental properties, resulting in a shorter vacancy period and / or higher weekly rent.

RISK DEFINITIONS

The advanced algorithm that generates this report measures two types of risks:

- **Property Equity Risk:** the risk of purchasing a property that will decrease in value or will deliver a lower return compared to the long-term capital growth projections; and

- **Cash Flow Risk:** the risk of receiving less cash than expected, or higher than expected costs associated with letting the property. This could result in insufficient net rental income to meet the financial obligations associated with the property.

In addition, the algorithm provides a risk-return analysis that shows the current risk against the actual return in the last 12 months. It also assesses the range of expected return from this property in the next few years.

PROPERTY EQUITY RISK DESCRIPTION

Risk Rating	Equity Risk Description
Low	1. There is only a low risk that this property will not return an increase, on average, of at least 3% a year. 2. There is high demand for this property in any market condition. It is likely to be easy to sell and achieve the property market value, even in a weaker market, providing a good return against a low risk.
Low-Medium	1. There is a risk that the value of this property will not return an increase, on average, of 3% a year. 2. It is unlikely that the property price will be reduced against its current price. Any price reduction might only take place over the short term and will probably not be more than 3% below the original purchase price. 3. Overall, there is relatively high demand for this property. However, in a weaker market, the property may take longer to sell and a small discount, around 5%, from the asking price, might be required.
Medium	1. It is possible the value of this property will not increase by an average of 3% a year, creating risk of a poor return with very low or potentially negative capital growth. This would be particularly the case in a weaker market. 2. It is possible, that the price of the property will reduce by up to 5%, particularly if sold in a weaker market. 3. Demand for this property could be relatively low and unless the market is 'strong', it is possible that this property will take longer to sell and may require a price discount of 5-10%.
Medium-High	1. It is possible there will be no or negative capital growth on this property, creating risk of poor or negative return. 2. There is a risk that this property's value will decrease by 5-10% against the current price. 3. There could be low demand for this property and it is possible that it will be difficult to sell at the market value, even after a prolonged period of time.
High	1. It is possible that the value of the property will decrease by 10% or more, creating significant risk of major capital loss and materially lower equity. 2. It is possible that there will be little demand for this property and it will be very difficult to sell it without absorbing a loss.
Extreme	1. Unless there is sudden and unexpected outstanding demand for similar properties in the area, it is unlikely that there will be any capital growth in the foreseeable future. The property price is likely to remain unchanged or decrease by up to 20%. This creates risk of negative capital growth on this property. 2. It is likely that it will be very difficult to sell this property due to the following: ◦ There will be a very limited number of serious buyers; ◦ Buyers will be struggling to get the needed loan from a lender. 3. A significant discount (of 10-20% or more) from the 'market value' might be required during the negotiation.

RISK DEFINITIONS

CASH FLOW RISK DESCRIPTION

Risk Rating	Cash Flow Risk Description
Low	1. It is likely that the rental return (after deducting the strata and land tax) will be around 4% of the value of the property. 2. It is very unlikely that the landlord will be required on a regular basis to cover a significant shortfall (i.e. of 40% or more) between the rental income and the ongoing costs associated with this property.
Low-Medium	1. It is likely that the rental return (after deducting the strata and the land tax) will be around 3.5% of the value of the property. 2. It is unlikely that the landlord will be required on a regular basis to cover a significant shortfall (i.e. of 40% or more) between the rental income and the ongoing costs associated with this property. 3. While there is good demand for this property, the demand can change, and the property could be vacant for 2-4 weeks a year on average. 4. It is possible that a discount of 4%-8% from the fair weekly market value will be required to let out this property, during weaker demand period.
Medium	1. It is possible that the rental return (after deducting the strata and the land tax) will not exceed 3% of the value of the property. This means that the landlord may be required to cover the shortfall between rental income and ongoing costs on a regular basis. 2. It is possible that the property will be vacant for a period of 3-6 weeks a year, on average. 3. It is possible that: ◦ A discount of 5%-10% from the fair weekly market value and / or; ◦ Some minor work (e.g. carpets) might be required to let out this property.
Medium-High	1. It is possible that the rental return (after deducting the strata) will not exceed 2.5% of the value of the property. 2. It is very likely that the landlord will be required on a regular basis to cover a significant shortfall (i.e. of 40% or more) between the rental income and the ongoing costs associated with this property. 3. It is possible that the property will be vacant for a period of 5-8 weeks a year, on average. 4. It is possible that: ◦ A discount of 10%-15% from the fair weekly market value and / or; ◦ Some work (e.g. carpets) and new appliances might be required to let out this property.
High	1. It is possible that the rental return (after deducting the strata) will not exceed 2% of the value of the property. 2. It is likely that the landlord will be required on a regular basis to cover a significant shortfall (i.e. of 40% or more) between the rental income and the ongoing costs associated with this property. 3. There is relatively low demand for this property, and it is very possible that the property will be vacant for a period of 6-10 weeks a year, or even longer. 4. It is very possible that: ◦ A discount of 15%-25% from the fair weekly market value and / or; ◦ A 'grace' period of 2 weeks; and / or renovations, new appliances, a modern air-conditioning system might be required to let out this property.
Extreme	1. It is possible that the rental return (after deducting the strata) will be around 1.5% of the value of the property. 2. It is very likely that the landlord will be required on a regular basis to cover a significant shortfall (i.e. of 40% or more) between the rental income and the ongoing costs associated with this property. 3. It is very possible that the property will be vacant for a period of 8-16 weeks a year, or even longer. 4. It is possible that: ◦ A discount of 25%-35% from the fair weekly market value and / or; ◦ A 'grace' period of 4 weeks and / or; ◦ Renovations, new appliances, a modern air-conditioning system might be required to let out this property.

OTHER DEFINITIONS

Field Name	Definition
Median sales price last 12 months	The median sale price of all transactions recorded during the last 12-month period
12-month change in median sales price (12 months)	The percentage change in the median sale prices in the same period compared to 12 months ago.
36-month change in median sales price (12 months)	The percentage change in the median sale prices in the same period compared to three years ago.
60-month change in median sales price (12 months)	The percentage change in the median sale prices in the same period compared to five years ago.
Median asking rent last 12 months	The median value of advertised weekly rents captured during the last 12 months.
Estimated 12-month gross rental return (%)	The median ratio between the weekly advertised rent multiplied by 52 weeks and the median sale price of each property that was sold in the last 12-month period.
12-Month Surplus / (Shortfall) Ratio*	Rental surplus / shortfall Ratio: The % surplus or shortfall achieved over the last 12 months, between actual rental return and the required rental return to service an 80% LVR mortgage, based on a discounted standard variable interest rate. Surplus – the actual rental return was more than the required rental return, enabling the rent to service the mentioned mortgage. Shortfall – the actual rental return was less than the required rental return, meaning the rent would not fully service the mentioned mortgage. The discounted standard variable rate in December 2016 was 4.5% RBA. The required rental return to service an 80% LVR mortgage is 3.6%.
Units in the pipeline next 24 months	Number of units with expected end dates in the subsequent 24 months based on projects with an approved development application.
Units in the pipeline next 24 months as % of units	Number of units with expected end dates in the subsequent 24 months based on projects with an approved development application as a ratio to existing residential units
Average vacancy rate of rental properties last 12 months	Percentage of days the average listed property is vacant over the last 12 months.
3-month change in median sales price (12 months)	The percentage change in the median price in the same period compared to the last three months prior.

OTHER DEFINITIONS

Field Name	Definition
Potential lending restrictions risk	The risk that the RBA and / or the regulator, and / or a lender and / or any party who has the power to restrict lending for residential property purposes, may implement measures to restrict such lending. Lending restrictions include, but not limited to: • A limited Loan to Value (LVR) ratio (e.g. 70% or 80%) in specific areas • A limited ratio of property investors in specific areas
Settlement risk	The risk that the value of an off-the-plan property, as assessed by a valuer prior to the settlement, may decrease between the original contract date and settlement. The higher the likelihood and the impact (i.e. the price reduction), the higher the risk.
Short-term equity risk	The risk that the price of a property may reduce or the property may deliver poor capital growth in the next 2-3 years. The higher the likelihood and the impact (i.e. the price reduction), the higher the risk.
Medium-term equity risk	The risk that the price of a property may reduce or the property may deliver poor capital growth in the next 5-7 years. The higher the likelihood and the impact (i.e. the price reduction), the higher the risk.

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    - for reviewing data and / or information regarding the property market obtained from an independent source of information for quality purposes.
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