Individual Property Report

Address: Cambooya Toowoomba,
QLD 4358,
Australia

RISKWISE
PROPERTY REVIEW

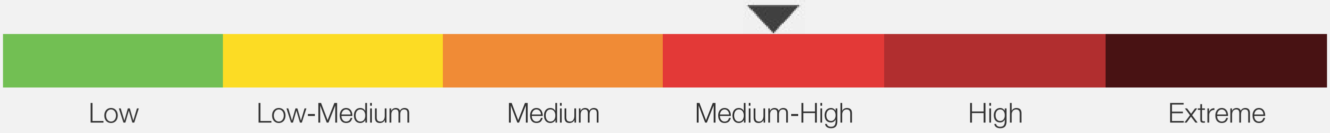
Contents

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 equity risk rating for this property is:



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

Suburb Factors:

- The overall score for houses in CAMBOOYA is MEDIUM.

Property Factors:

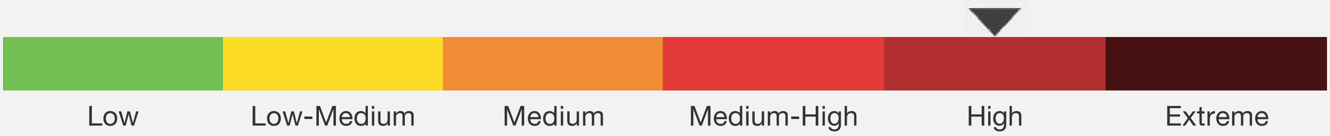
- High risk of noise disturbance.
- Off-the-plan value may be higher than the settlement valuation.
- The property enjoys a good location.

Holding Period:

- A holding period of 11 years does not increase the risk associated with this investment.

Cash Flow Risk Overview

The cash flow risk rating for this property is:



- High vacancy rate - the supply is greater than demand.
- Off-the-plan property rental return may not meet expectations.
- High risk of noise disturbance.
- High quarterly strata payments.
- Higher weekly rent levels reduce rental demand for this property.
- The number of new residential buildings may increase vacancy rate.
- Positive property features that increase tenant demand and mitigate risk.
- Above average or new property condition.

Property Details

Property Address: Cambooya Toowoomba,
QLD 4358,
Australia

Property Type:	House - land size 400-750
Existing Property / Off-The-Plan:	Off The Plan
Number of Bedrooms, Bathrooms, Parking Spaces:	4, 3, 2
Property Condition:	Modern and Fully Renovated
Property Price:	$410,000
Expected Weekly Rent:	$475
Expected Quarterly Strata:	$500
Investment Term in Years:	11 Years
In the Property Bought off the Plan?:	Yes, rental gurantee 2 (years)
Close Proximity to Pub/Bar?:	No
On a Railway?:	Yes
On a Major Road:	No
Next Door to School?:	No
Ocean / Special View:	No
Walking Distance from the Train Line?:	Yes
In the Property Located in a Top Public School Catchment?:	No

Suburb Metrics

Preferred Property Configuration: For Houses

Bedrooms	Bathrooms	Car Parks
3-4	2	1-2

Reasonable Historic Capital Growth	Extreme Short Term Equity Risk	High Rental Return	Median House Value $311,895	Very Poor Projected Demand

Key Property Indicators

Data Type	Investment Indicators	Units
Sales Price & Median Growth	Median sales price last 12 months for Houses	$311,895
	12 month change in median sales price (12 months)	-2.0%
	36 month change in median sales price (12 months)	12.5%
	60 month change in median sales price (12 months)	24.9%
12 Month Rental Return	Median advertised rent last 12 months	$285
	Estimated 12 months gross rental return (%)	5.7%
	12 Months Surplus / (Shortfall) Ratio*	2.1%
Projects in the Pipeline	New properties in the pipeline next 24 months	144
	New properties next 24 months as % of current stock	6.8%
Demand	Vacancy Rate	6.5%

Source: CoreLogic, RiskWise Property Review, 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.

Market Overview

In recent years, Houses in Cambooya produced reasonable capital growth of 24.9% in the past five years. With a median price of $311,895, Houses in Cambooya are significantly below the median price of Houses in the greater city area. The equity risk for Houses in Cambooya is Medium. This means that it is possible that Houses in Cambooya will deliver poor capital growth in the next few years. In terms of cash flow, the risk of poor returns in Cambooya is low-medium. Also, with 144 Houses planned in the pipeline in Cambooya over the next 24 months, the risk of oversupply is low. The impact of the variable cost components on your investment financials can be calculated using our Cash Flow Calculator.

12 Month Growth

-2

Percent

Vacancy Rate

6.5

Percent

Owner-Occupier Ratio

79.6

Percent

Median Time on Market

107

Days

Current State

In recent years, Houses in Cambooya produced reasonable capital growth, with the suburb delivering 24.9% over the past five years. Over the past three years and twelve months respectively, Cambooya delivered 12.5% and -2%. The median days on the market of 107 is very high which means that there is low demand for Houses against the current supply on the market.

Market Outlook

The future-view equity risk for Cambooya is medium. It is possible that Houses in Cambooya will deliver low capital growth in the short term. This would be particularly the case in a weaker market. Also, it is unlikely, but possible, that the price of the property will be reduced by 5% in the next two years, particularly if sold in a weaker market. The relative affordability of units to houses in Cambooya make units a preferable dwelling option in the area. With the median price of units less than 50% of the median price of houses, it is likely that home buyers and investors will have a preference towards buying units in the area. With only 144 Houses planned over the next two years (representing 6.8% of existing stock), it is unlikely that the additional supply will impact capital growth and rental returns for Houses in Cambooya over the short to medium-term.

An off-the-plan Houses in Cambooya carries low-medium settlement risk. Settlement risk is the risk that the value of the property prior to the settlement will be lower than the 'formal' property value in the contract. According to recent research, the valuation of around 50% of units is some areas is lower than the contract value. This results in a shortfall between the valuation and the property price, which needs to be covered by the buyer.

Houses in Cambooya are likely to deliver very poor or negative capital growth unless there are major economic changes in the short-term. This is also very likely to have an impact over the medium term. Our analysis suggests that that this level of growth is likely to slightly improve and deliver modest growth in the long term (10+ years).

Cash Flow

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

The estimated gross rental return of 5.7% is considered high for Houses.

Rental properties suited to families are expected to enjoy strong demand.

With a very high vacancy rate of 6.5%, it is likely that there will be very low demand for Houses in Cambooya. Houses with popular property configurations (i.e. 3+ bedrooms) may experience greater demand than other Houses. Also, with 144 projects in the pipeline over the next 24 months, this supply increase is unlikely to have any notable impact on the rental market.

The impact of the variable cost components on your investment financials can be calculated using our Cash Flow Calculator.

Equity Risk Factors

Risk Factors

- High risk of noise disturbance:
  This property is 'on a main road' / 'next to a school' / 'on a railway'. Properties in potentially noisy locations are not a popular choice with many investors and home buyers, who often seek properties in quieter areas in Cambooya.
- Off-the-plan value may be higher than the settlement valuation:
  The value of an off-the-plan property in Cambooya may decrease between the original contract date and settlement. This will result in a capital loss, as the equity in the home could be reduced. The risk is further increased if a pre-settlement valuation for a mortgage loan is less than the original value, as there could be a shortfall in funds to complete the sale.

Risk Mitigation

- The property enjoys a good location:
  The property enjoys a good location with the benefits of 'good proximity to a train line' / 'in a 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.

Your Property's Cash Flow Risk Rating

Overall Cash Flow Risk associated with your property

Low | Low-Medium | Medium | Medium-High | High | Extreme

Risk Factors

High vacancy rate - the supply is greater than demand:
The current vacancy rate in CAMBOOYA is considered relatively high. A large number of landlords are competing for a smaller number of tenants, which could result in longer vacancy periods and / or rental discounting.

Off-the-plan property rental return may not meet expectations:
Actual rental returns in CAMBOOYA may be lower than expected. There are various factors that can impact this. The most common is the release of new residential developments which creates an increased supply in a short period. This often results in many leases becoming available at the same time, impacting rental return.

High risk of noise disturbance:
This property is {'on a main road' / 'next to a school' / 'on a railway'}. Properties that are in potentially noisy locations are not a popular choice with many tenants, who often seek properties in quieter areas in CAMBOOYA.

High quarterly strata payments:
The quarterly strata payments of 500 and/or annual land tax are considered high. There is an increased risk that the landlord might be required to cover a shortfall between the rental income and ongoing property costs, creating a possible loss.

Higher weekly rent levels reduce rental demand for this property:
The weekly rent for this property is $475 which is significantly higher than the median weekly rent of a similar property in CAMBOOYA. This increases the risk of lower demand, as the property will appeal to a smaller number of tenants, resulting in longer vacancy periods and / or rental discounting.

The number of new residential buildings may increase vacancy rate:
There are several new residential building developments in CAMBOOYA 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

Positive property features that increase tenant demand and mitigate risk
The property enjoys a good location with the benefits of {'good proximity to a train line' / 'in a catchment of a good public school' /' an ocean / special view'}. This reduces the risk of long vacancy periods and rental discounting, as the property will appeal to a greater number of potential

tenants.

Above average or new property condition:
This property’s condition is Modern and Fully Renovated. There is high demand for properties in such condition in CAMBOOYA. This will increase the likelihood that a larger number of tenants will be interested in this property, resulting in shorter vacancy periods, possible higher rental income and more positive cashflow.

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. Unless there is a significant slowdown in the property market, there is only a low risk that this property will not return an increase, on average, by at least 3% a year in the next two years. 2. There is a 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, so 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, by 3% a year in the next two years. 2. It is unlikely that the property price will be reduced in the next two years. Any price reduction over this period will probably not be more than 5% below the original purchase price. 3. Overall, there is a relatively high demand for this property. However, in weaker market, the property may take longer to sell, and small discount, around 5%, might be required.
Medium	1. It is possible that this property value will not increase by an average of 3% a year in the next two years, creating a risk of a poor return. This would be particularly the case in a weaker market. 2. It is unlikely, but possible, that the price of the property will be reduced by 5%-10% in the next two years, 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 capital growth on this property in the next two years, creating a risk of a poor return. 2. There is a risk that this property's value will be decreased by 10% or more in the next two years. 3. There could be a low demand for this property and it is possible that it will be difficult to sell at the market value, even after some time on the market.
High	1. It is possible that the value of the property will be decreased by 10% or more in the next two years, creating a significant risk of a poor return. 2. It is possible that there will be 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 a 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 be significantly decreased. This creates a significant risk of zero or negative return 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 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 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 two-four 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 periods.
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 three-six 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 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 five-eight 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, 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 six to ten 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 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 eight to sixteen 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 months 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 Months 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 hands 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.

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 to 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 OTP property, as assessed by a valuator 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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