INDIVIDUAL PROPERTY RISK REPORT

Address:
22 Sequoia Close,
Elanora QLD,
Australia 4221

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

SUBURB FACTORS:

- The overall score for houses in ELANORA is LOW.

PROPERTY FACTORS:

- The property enjoys a good location.

HOLDING PERIOD:

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

Equity Risk

LOW

CASH FLOW RISK OVERVIEW

The cash flow rating for this property is: LOW

- Above average or new property condition.

Cash Flow Risk

LOW

PROPERTY DETAILS

PROPERTY ADDRESS:
22 Sequoia Close,
Elanora QLD,
Australia 4221

Property Type:	House - land size 750-1250
Existing Property / Off-The-Plan:	Existing Property
Number of Bedrooms, Bathrooms, Parking Spaces:	4, 2, 2
Property Condition:	Modern and Fully Renovated
Property Price:	$975,000
Expected Weekly Rent:	$800
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 ELANORA, 4221

Preferred Property Configuration: For Houses

3-4 BEDROOMS

2 BATHROOMS

1-2 CARPARKS

Strong Historic Capital Growth

Low Short Term Equity Risk

Good Rental Return

Median House Value **$675,975**

Strong Projected Demand

KEY PROPERTY INDICATORS

Data Type	Investment Indicators	Unit
Sales Price & Median Growth	Median sales price last 12 months for Houses	$675,975
	12 month change in median sales price (12 months)	2.3%
	36 month change in median sales price (12 months)	24.4%
	60 month change in median sales price (12 months)	41.3%
12 Month Rental Return	Median advertised rent last 12 months	$610
	Estimated 12 months gross rental return (%)	4.9%
	12 Months Surplus / (Shortfall) Ratio*	1.3%
Projects in the Pipeline	New properties in the pipeline next 24 months	12
	New properties next 24 months as % of current stock	less than 1%
Demand	Vacancy Rate	3.1%

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

Elanora is a family-oriented suburb of the Gold Coast, tucked behind Palm Beach and bounded by Tallebudgera Creek to the northwest, Pacific Motorway to the northeast and east, and Guineas Creek and Simpsons Roads to the southeast.

Median Household Income	Median Age
$73,788	42 YEARS

DISTANCE FROM CITY
94 kilometres

BUS AND TRAIN TO CBD
2 hours

SCHOOLS
3

SHOPPING AREAS
INCLUDING SURROUNDING AREAS
2

LOCATION:
Elanora is located 13 km west-northwest of the coastal border town of Coolangatta and 94 km south-southeast of Brisbane. Its local government area is the City of Gold Coast.

DEMOGRAPHICS:
Elanora is popular among singles and young families due to its proximity to parklands and the coastline. Most of its residents are Australian-born, with the largest proportion of those born overseas being of England and New Zealand origin.

LOCAL FACILITIES:
There are a few restaurants and coffee shops in the suburb and many more in the neighboring suburbs of Burleigh Heads and Palm Beach. Elanora's main shopping precinct is The Pines Shopping Centre with additional shops at Nineteenth Avenue and on Guineas Creek Roadin neighboring suburbs. The lifestyle offered in the suburb is well suited for outdoor enthusiasts in nearby national parks and the beach.

TRANSPORT:
Elanora is mainly serviced by car and buses, and is a short distance to the M1 Motorway. The journey time to central Brisbane using bus and train takes approximately 2 hours and typically operates every 30 minutes.

Under the Queensland Government proposal to extend the Brisbane to Gold Coast railway line, a station at Elanora, near The Pines Shopping Centre has been proposed.

EDUCATION:
Elanora offers three schools at both the primary and secondary level, Elanora Heights Public School, Elanora State High School and Elanora State School. Additional schools can be found in the surrounding suburbs.

MARKET ANALYSIS / OVERVIEW

In recent years, Houses in Elanora produced solid capital growth of 41.3% in the past five years. However, the past 12 months delivered weaker returns. With a median price of $675,975, Houses in Elanora are above the median price of Houses in the greater city area. The equity risk for Houses in Elanora is Low. This means that it is likely that Houses will deliver solid growth, unless there is a major economic downturn. In terms of cash flow, the risk of poor returns in Elanora is low. Also, with 12 Houses planned in the pipeline in Elanora 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.

CURRENT STATE FOR HOUSES IN ELANORA

In recent years, Houses in Elanora produced solid capital growth, with the suburb delivering 41.3% over the past five years and 24.4% over the past three years. However, the past 12 months capital growth delivered only 2.3%.

The median days on the market of 26 is very low which means that there is strong demand for Houses against the current supply on the market.

Historic Capital Growth

STRONG

MARKET OUTLOOK FOR HOUSES IN ELANORA

The future-view equity risk for Houses in Elanora is low. Unless there is a significant slowdown in the property market, it is highly likely that Houses in Elanora will deliver solid capital growth in the medium and long term. With only 12 Houses planned over the next two years (representing less than 1% of existing stock), it is unlikely that the additional supply will impact capital growth and rental returns for Houses in Elanora over the short to medium-term.

Houses in Elanora are likely to deliver solid capital growth in the short-term. Our analysis also indicates that the suburb is likely to deliver solid capital growth in the long-term (10+ years).

Market Outlook Short Term

LOW

Market Outlook Long Term

LOW

MARKET ANALYSIS / OVERVIEW (CONT.)

CASH FLOW FOR HOUSES IN ELANORA

In terms of cash flow, the risk of poor returns for Houses in Elanora is low due to the following factors:
The estimated gross rental return of 4.9% is considered high for Houses. Rental properties suited to families are expected to enjoy strong demand.
With a low vacancy rate of 3.1%, it is likely that there will be strong demand for Houses in Elanora. Houses with popular property configurations (i.e. 3+ bedrooms) are likely to experience additional demand. Also, with 12 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.

LOW

12 Month Growth **2.3 PERCENT**	Vacancy Rate **3.1 PERCENT**
Owner Occupier Ratio **84.6 PERCENT**	Median Time on Market **26 DAYS**

EQUITY RISK FACTORS

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 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 CASH FLOW RISK RATING:

Cash Flow Risk

LOW

Risk Mitigation

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 ELANORA. 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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