

Regional centres to boom now the bust has settled

HOTSPOTTING

Long-term gains are to be found far from the madding crowd

TERRY RYDER



SOME are calling it "payback year", others "the year of the investor". I see it as "the year of the regional centre".

It's clear 2010 will be a different year to the previous one, with those who worked hard for not much reward in 2009 expecting

better returns. These are the people looking for payback.

One near-certainty is that investors will replace first-home buyers as the most influential force in real estate. I predicted in mid-2009 that the first-home buyer wave would subside before the end of the First Home Owner Grant boost in December, as the bottom-end boom was never about government incentives but about low interest rates and reduced prices (which created improved affordability).

There were only so many first-time buyers out there and the well started to run dry before the grant phase-out, the upturn in interest rates and the resumption of solid price growth.

Now we're moving into a phase where upgrade buyers and investors are the key drivers of market activity. This is beginning to show up in data from lenders.

Investors did a strange thing in 2009: they stayed out of the market when prices were low and interest rates down, awaiting that mythical "bottom of the market" that everyone craves but no one has ever successfully identified — until six months after the fact.

The big mistake many investors made was listening to the constant static from economists who think they know real estate. They waited to hear a bell ringing to declare "the bottom" before re-entering the market.

Whether you define the bottom by sales volumes or price levels, the data that marks the spot always trails the actual events by four or six months. By the time investors got the message that prices were surging again, and were never going to fall 10, 20 or 40 per cent, the bottom had long passed.

So now we see evidence of investors piling back into the mar-

ket, doing what they always do: following the pack until they create a stampede.

Where will they be buying? If surveys of investors' intentions are any guide, they'll be buying in all the wrong places.

The average punter listens to popular myth and vested interests, and therefore believes inner-city suburbs and sea-change locations provide the best growth. They will studiously avoid the locations that really do provide the best long-term capital gains, the cheaper suburbs and key regional centres.

This year is going to put considerable focus on locations outside the capital cities, as spending on resources projects, transport infrastructure and water projects creates economic activity in locations such as Newcastle, Gladstone and Geraldton.

It's going to be a good year to have a business providing services



Economic activity will thrive in places such as Gladstone

to resources developments in Western Australia, Queensland, South Australia and NSW. It'll be a healthy year if you're situated to benefit from energy generation projects of a climate-friendly nature in Victoria. In Canberra and Darwin they're going to be

busy building new suburbs in response to housing shortages. In short, there will be massive economic activity focused outside the state capitals, with lots of money flowing through regional cities. The state capitals will benefit, because that's where the big deci-

sions are made, but regional centres will prosper like never before.

Development of resources projects and related infrastructure will mean West Australian regional towns such as Bunbury, Geraldton, Albany and Karratha will be buzzing with activity.

Townsville will continue to evolve as one of the key regional cities in Australia and Gladstone will gear up for the next phase of its development as Queensland's hard-hat capital. Toowoomba, now that its water security issues have been sorted out, will start to benefit from all the industry happening in the Surat Basin.

Coal may be a four-letter word in the climate-change debate, but Hunter Valley towns such as Muswellbrook will thrive as mines are expanded, new ones developed and billions are poured into transport infrastructure. Further north, Narrabri and Gunnedah will prosper

as coal-seam gas interests are developed. The No 1 beneficiary, however, will be Newcastle.

This general theme will see economic benefits flowing through Ceduna and Port Lincoln in South Australia. In Victoria, energy projects including gas-fired power stations and wind farms will fuel the economies of Warrnambool and Portland, while Latrobe Valley towns such as Traralgon and Morwell will percolate on the back of power-generation activity.

Most of these regional centres have histories of solid, steady property markets. In 2010 and beyond there will be impetus to convert some of these markets from "stayers" to "boom towns".

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