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The True Cost and Performance of Individual Residential Property Investment and the Implication on Real Estate Agency Practice.

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Abstract

Investment in residential property in Australia is not dominated by the major investment institutions in to the same degree as the commercial, industrial and retail property markets. As at December 2001, the Property Council of Australia Investment Performance Index contained residential property with a total value of $235 million, which represents only 0.3% of the total PCA Performance Index value. The majority of investment in the Australian residential property market is by small investment companies and individual investors.

The limited exposure of residential property in the institutional investment portfolios has also limited the research that has been undertaken in relation to residential property performance. However the importance of individual investment in residential property is continuing to gain importance as both individuals are now taking control of their own superannuation portfolios and the various State Governments of Australia are decreasing their involvement in the construction of public housing by subsidizing low-income families into the private residential property market.

This paper will:

- Provide a comparison of the cost to initially purchase residential property in the various capital city residential property markets in Australia, and

- Analyse the true cost and investment performance of residential property in the main residential property markets in Australia based on a standard investment

portfolio in each of the State capital cities and relate these results to real estate marketing and agency practice.

Introduction

Levels of home ownership in Australia have been decreasing over the past 10 years. The most recent Australian Bureau of Statistics (ABS) census results confirm that although the number of residential properties in Australia has increased from 5,483,876 in 1991, to 6,541,373 in 2001, the current level of home ownership has fallen from a total of 67.0% in the 1991 census to 66.2% in the 2001 census (ABS, 2002).

The reduction in home ownership percentages also corresponds to an increase in the number of households in Australia who are occupying rented accommodation. Both he public and private sector supply this rented accommodation, with the residential public housing stock for most Australian State capital cities declining. The decline in the number of public housing projects available for low-income earners has been offset by an increase in the number of private residential dwellings that are rented by the public housing authorities. In such cases, the public housing authority meets the difference in rent paid by the tenant between a public housing property and the private residential property. It is not unusual for the private housing property owner to be unaware that the tenant for their property is actually receiving rental assistance from a State Government department (Australian Housing Research Council, 1987).

Increasing demand for residential rental property has also seen an increase in the marketing of residential houses and units as investments, with the added benefit of negative gearing.

Real estate agents are currently promoting the sale of residential property to investors on the basis of the taxation benefits of negative gearing and the long-term capital gain that can be obtained by investing in residential property, particularly in the more dynamic capital cities of each State. According to ABS (2002) over 35% of all residential properties being sold to existing homeowners, this represents a large portion of any real estate agents annual sales and the benefits of negative gearing plays an increasing role in the promotion of residential property to residential investment purchasers (Eves and Wills, 1998).

However, the purchase of any residential property for investment purposes also involves significant costs both in relation to the initial purchase and in the long-term charges imposed by State governments (Wills and Davis, 1998).

This paper will address the true cost of investing in residential property and compare the capital and income returns for each of the state capital cities in Australia. This comparison will be based on the actual cost of purchase and the net rents that can be achieved after all agents' fees and State purchase and land tax charges.

Investment in Residential Property

Although there has always been a strong residential property investment market in Australia, there have been recent periods when such levels of investment have been variable. The current increasing trends in residential property sales for investment purposes followed a decline in residential property investment in Australia from 1980 to 1985. According to the Australian Bureau of Statistics (ABS) (1995) the reasons for this decline in the investment in residential property were:

- Low levels of investor confidence in the various capital cities of Australia due to the poor capital returns experienced in the early 1980's,
- Competition for small individual investors from alternate packaged investment opportunities, such as cash management trusts and property trusts,
- The discussion and subsequent introduction of a capital gains tax in 1985 and
- The removal of negative gearing concessions in 1985.

All these factors resulted in a shortage of private rental accommodation and a subsequent increase in demand for public housing (ABS, 1995).

The subsequent significant increase in the level of investment in residential property since the late 1980's has been attributed to the following factors:

The 1987 stock market crash led investors to seek more traditional forms of investment;

The changes to negative gearing were reversed, which again meant that expenses incurred in the ownership of investment residential property could be offset against other income to reduce tax liabilities and

The availability of new financing options and a reduction in the interest rates for borrowing in the early 1990's encouraged more people to participate in this section of the residential property market.

Table 1: Residential Dwelling Constructions: 1992-2001

	1992	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Public sector dwellings completed (000's)	9.7	11.1	9.9	7.8	6.8	6.0	4.4	5.4	4.8	3.8
Private sector dwellings completed (000's)	123	145	157	164	129	113	127	137	151	130

Source: Australian Bureau of Statistics, 2002

Tables 1 shows that although the demand in residential property investment increased over the period 1987 to 2001, this increase in residential property used for rental purposes has been predominately driven by the private sector rather than the public sector. Over the period 1992 to 2001 a total of 69,700 public residential rental properties was constructed by the various State Public housing Authorities, while during the same period there were 1,376,000 residential rental properties constructed by the private sector (ABS, 2002).

Table 2: Comparison of Residential Tenancies: 1992-2000.

	1992	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Public sector renter (%)	5.6	5.8	6.2	4.9	5.9	5.4	5.6	5.1	5.6
Private sector renter (%)	18.9	18.9	19.0	17.8	20.0	21.0	20.5	20.3	20.1
Total renters (%)	24.5	24.7	25.2	22.7	25.9	26.4	26.1	25.4	25.7

Source: Australian Bureau of Statistics, 2002

Over the period 1992-2000, the percentage of the Australian population in rented accommodation has increased from 24.5% to 25.7%, with the greatest increase in population in rented accommodation being in the private sector provided accommodation (refer to Table 2).

These figures confirm that although the percentage of people in public rental market has been very similar over the period 1991 to 2000, the public sector has not been increasing the number of public housing properties being constructed, with the private residential property investment sector providing a greater percentage of housing accommodation for public tenants. In these cases the public sector pays the market rental by way of a subsidy to the public tenant.

The continuing trend for both a decrease in home ownership in Australia, combined with an increasing trend for the private sector to supply rental accommodation for public sector tenants has resulted in a greater emphasis in the residential property market for real estate agents to list, promote and sell residential property to investors.

Residential Real Estate Marketing

Marketing residential property by both real estate agents, development companies and individuals will vary depending on the purpose of the residential sale (Wills, 1998). With an increasing percentage of residential property sales in Australia being for purposes other than owner occupation, it has been necessary for the real estate industry to adapt to the various investment requirements of the residential property market sector. The educational and on-job training for residential real estate agents is placing a greater focus on the investment aspects of residential property rather than the previous focus on owner occupation real estate sales (Eves and Wills, 1996).

An ABS (1995) survey of rental investors established the predominant reasons for investing in residential property. These results are shown in Table 3

Table 3: Residential Property: Investor Motives

Reason	Percentage
Secure long-term investment	52.1
Income from rent	15.7
Taxation benefits from negative gearing	14.3
Possible future (return) home	16.2
Potential for capital gain	9.7
Investing for retirement	11.9
Other	16.0
Total	100.0

Source: ABS, 1996

Table 3 shows that approximately 70% of residential investment properties sold in Australia are for purely investment reasons, with very few owners of rented residential property purchasing for future use.

According to ABS (1995) 78% of residential investors own a single residential investment property, 13 % of residential property owners have two residential investment properties and only 4% of investors in the residential property market have more than five residential investment properties.

The large percentage of single property owners in this investment property sector has resulted in the need for real estate agents to develop appropriate selling skills and for the property industry to develop the necessary investment databases and indices to support the continued investment into this property sector.

Long-term capital gain from residential property has been evidenced in all major cities in Australia (Market facts, 2002; Residex, 2002; REI, 2002: Property Council of Australia, 2002 and Valuer General, 2002) and this is the main focus of the majority of investors in the residential property market. However, the taxation benefits of offsetting property expenses against another income source has salary or other investments has resulted in the increase of negative gearing as a reason for residential property investment, particularly for those investors aged between 18 and 44 years of age (ABS, 1995). To cater for this demand, both real estate agencies and financial institutions have proportioned a greater percentage of their time to marketing and promoting property to this investment market sector, with several agencies actually specializing to this investment property sector (Suncorp, 2002; Hely, 2001; EHOMEBuySell, 2001; Keenan, 2001).

Most Australian residential property investors (97%) purchase investment residential in their own state, with 80% of these investors actually purchasing property in the capital city of that state. In total 29% of residential property investors actually purchase their investment property in their own postcode (ABS, 1995).

These statistics suggest that the residential property investor or real estate agent/advisor does not necessarily review all residential property sectors when considering investing in residential property.

This paper will review the short term and long term capital gain for the single residential and the residential unit market in all capital cities of Australia. Together with the current income rental returns for each of these individual residential property sectors, a current and long-term average annual total return will be calculated. Unlike previous and existing residential property investment studies and indices, this research will include the actual costs of property purchase in the calculation of capital returns and the on-going government charges in relation to assessing the average annual income return for residential property in the various Australian States. The results will show which Australian residential property markets have shown the best capital and income returns over the 12 month period October 2001 to September 2002, as well as the average annual total returns over the period 1991 to 2001 for both single residential property and residential units, based on an investment portfolio of $1,000,000.

Research Methodology

The research is based on the average annual return that can be generated from a residential investment portfolio of $1 million, if this sum was invested in either single residential properties or residential unit property in the following cities of Australia:

- Sydney
- Melbourne
- Brisbane
- Perth
- Adelaide
- Darwin
- Hobart
- Canberra

Data from Market Facts (2002) has been used to determine the median price for each residential property type in each of the capital cities as well as the average annual capital gain from the 4th quarter 2001 to the 3rd quarter 2002 and the long term average annual capital gain for the 2nd quarter period 1991 to the 2nd quarter 2002.

Table 4 shows the median prices and number of properties that could be purchased for the investment amount of $1 million for each of the property types in the capital cities.

To determine a more accurate level of capital gain an allowance for stamp duty on purchase has been calculated and added to the initial investment of $1 million. This data was collected from the various State Government Departments of Finance and Revenue and allows the various State duty costs to be compared and included in the investment calculations. It was found that legal fees were very similar in all States and therefore this

expense was not included in the analysis. Table 4 also shows the cost of stamp duty for each capital city to purchase houses or units to the value of $1,000,000.

Table 4: Summary of Residential Property Investment Acquisitions

City	Median House Price ($)	Property Number	Median Unit Price ($)	Property Number	Total Cost Houses ($)	Total cost units ($)
Sydney	**372000**	**2.7**	**312000**	**3.2**	**1,030,684**	**1,029,634**
Melbourne	**316500**	**3.2**	**245300**	**4.1**	**1,045,133**	**1,041,151**
Brisbane	**220000**	**4.5**	**163300**	**6.1**	**1,028,409**	**1,026,978**
Adelaide	**168500**	**5.9**	**128000**	**7.8**	**1,000,000**	**1,000,000**
Perth	**180100**	**5.6**	**133500**	**7.5**	**1,029,733**	**1,025,527**
Canberra	**225000**	**4.4**	**185000**	**5.4**	**1,027,706**	**1,024,771**
Darwin	**195000**	**5.1**	**150000**	**6.7**	**1,033,170**	**1,023,318**
Hobart	**136000**	**7.4**	**87000**	**11.5**	**1,025,198**	**1,030,636**

In order to provide a more realistic comparison of income return from the investment in residential property in the capital cities of Australia, the net income was based on a rent after agents commission and the land tax that would be payable on the overall value of the residential property portfolio. It was found that agent's commission was very similar in all states, with no single city being less expensive than another or where real estate agents were prepared to offer any substantial reduction in commission less than counter parts in other capital cities. ABS data was also used to determine the various vacancy factors for houses and units in each of the capital cities. These rates were also adopted in assessing the annual rental income for the various property types. A summary of the income, land tax and vacancy factors for each of the capital cities is shown in Table 5.

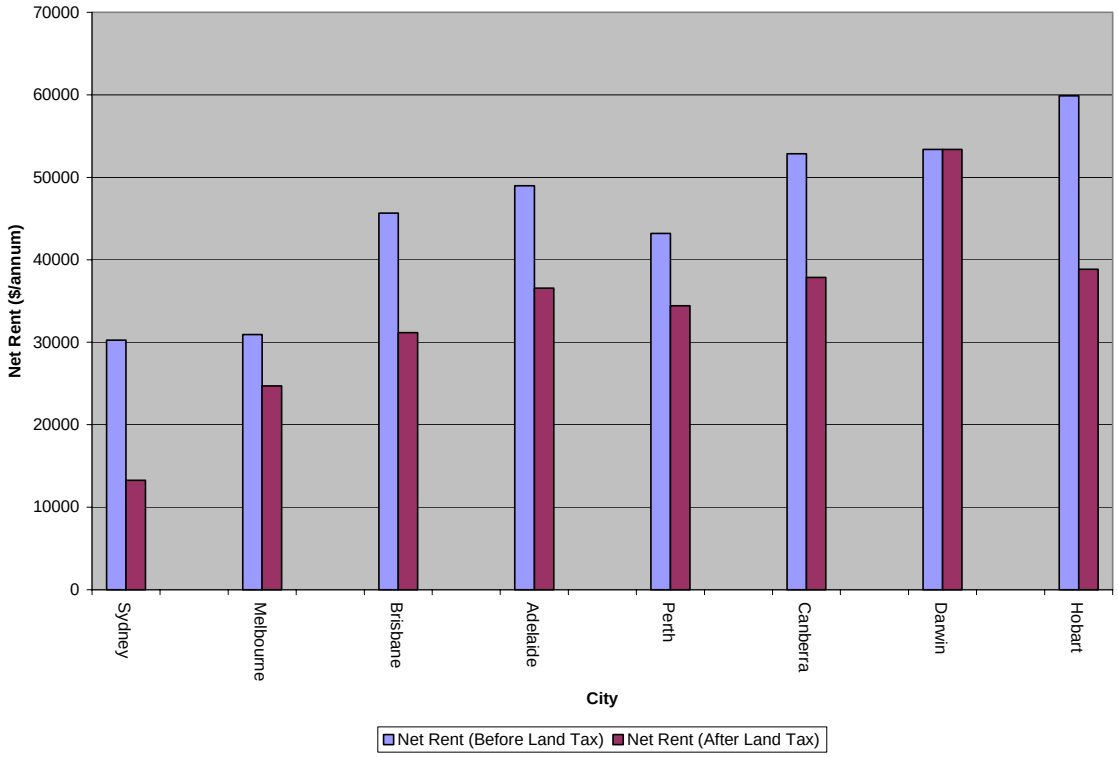
Table 5: Summary of Residential Investment Property Rental Values

City	Median House Rent ($/week)	Median Unit Rent ($/week)	Annual Land Tax ($)	Vacancy Factor (%)	Annual Net Rent Houses	Annual Net Rent Units
Sydney	240	270	17000	3.8	13261	23590
Melbourne	210	200	6230	4.3	24719	31800
Brisbane	210	190	14510	2.0	31155	41152
Adelaide	175	140	12425	3.3	36558	39161
Perth	167	139	8782	4.4	34421	39730
Canberra	250	210	15000	2.5	37867	39010
Darwin	240	170	0	10.6	53376	49150
Hobart	170	135	20992	1.9	38873	53323

Results

Basing the study on a set investment amount rather than a single investment property comparison has highlighted the difference in value and the potential diversification benefits that could be available for residential investors by investing in capital cities other than their place of residence. Both Tables 5 and 6 show that the higher median house prices for Sydney and Melbourne limit the number of properties that can be purchased for the study amount of $1 million. In contrast the relatively low value residential property markets in Darwin, Adelaide, Perth and Hobart allow the investor to purchase in excess of five (5) houses for the study portfolio limit. Table 5 also shows the changing residential property market in Sydney, where the value of the median unit is now 84% of the value of the median hose price. In all other capital cities the median unit price is approximately 75% of the median house price.

Figure 1: Capital City Annual Rental Comparison: Houses: 2001/2002

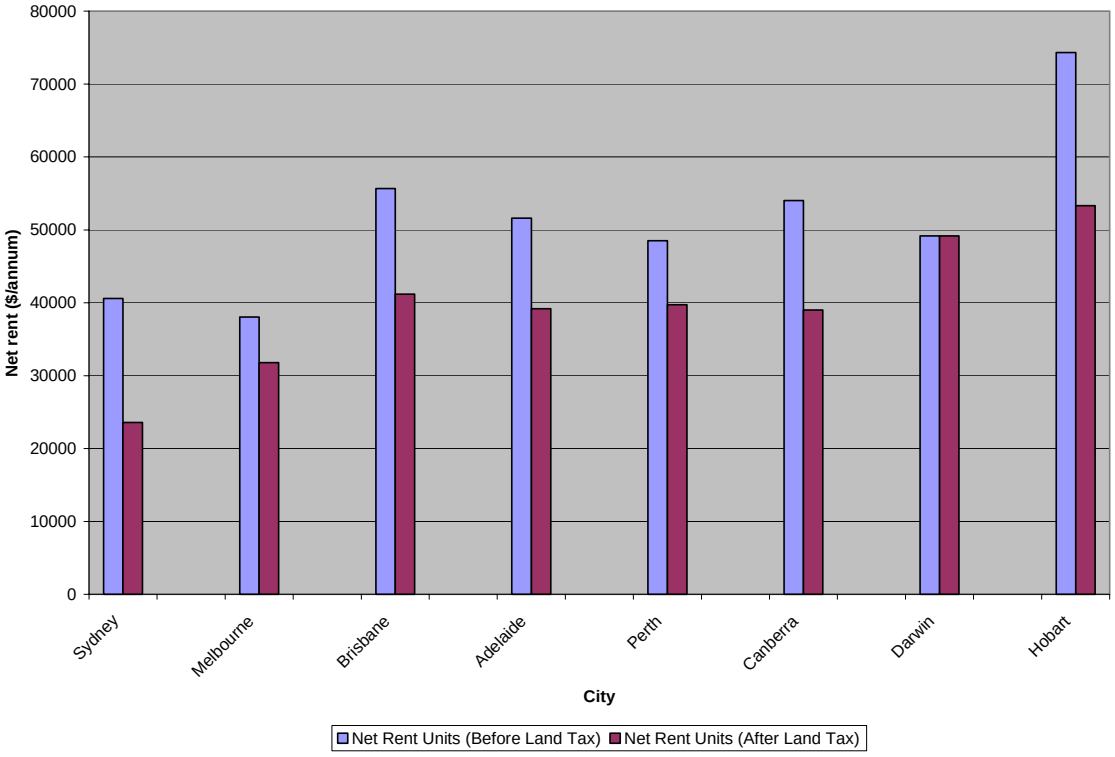


This suggests that the Sydney residential market is now being dominated by the construction of multi-density residential units rather than single residential houses, particularly in higher value areas. Table 6 confirms this trend, with the median rental for units in the Sydney market now being $270 per week, which is $30 per week higher than the median house rental value. In all other capital cities the cost of renting the median priced house is still greater than the cost to rent a unit. In all other capital cities of

Australia the median rental value per week for the median priced house is still greater than the weekly rental value for the median priced unit in the same location.

Table 5 also shows that the imposition of Government Stamp Duty on the purchase of residential property varies considerably across the eight (8) States and Territories of Australia. From this table, it can be seen that the highest stamp duty paid is in Melbourne, where the State Government charge is $41,151; with the Stamp duty charge on the purchase of residential investment property is in the range of $29,634 for Sydney down to $23,318 for Darwin. It is also interesting to note that the Stamp duty charge for purchasing $1 million of residential property in Adelaide is not applicable as all individual median house or unit prices are below the Government duty threshold.

Figure 2 Capital City Annual Rental Comparison: Units: 2001/2002

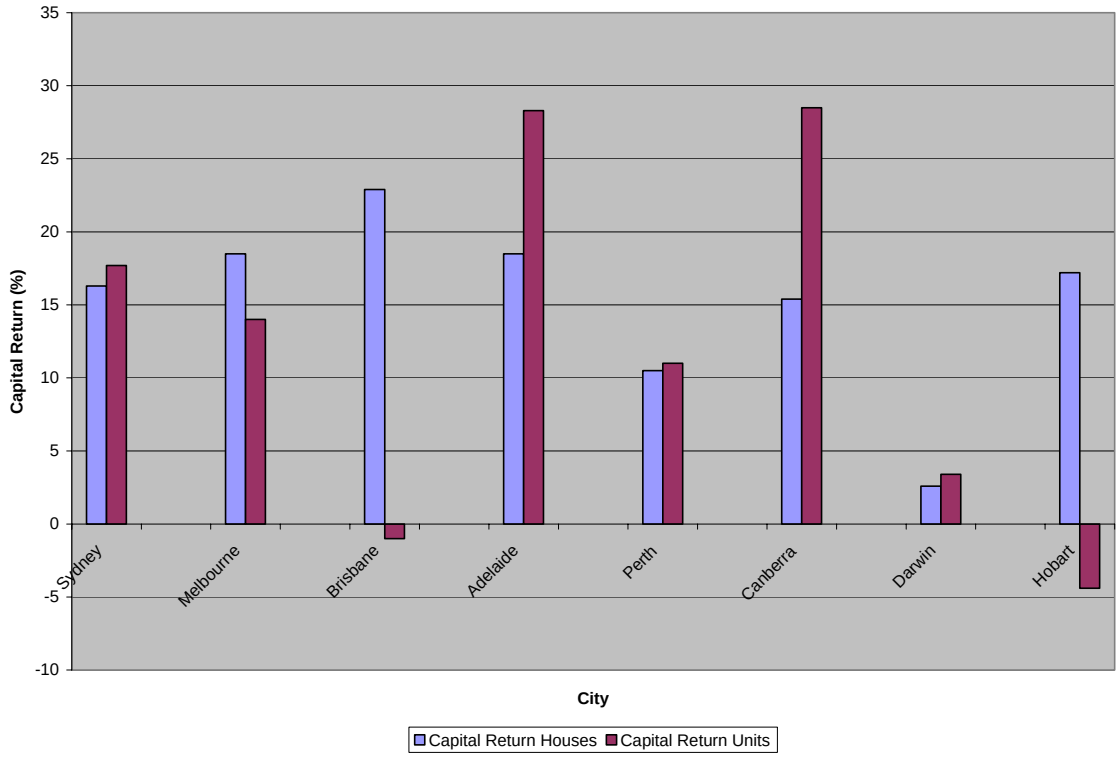


Although housing and unit rentals are higher in Sydney and Melbourne, the higher land tax rates in these cities significantly reduce the net income that can be generated by a residential investment portfolio of $1 million. Table 6 and Figures 1 and 2 show the impact of both land tax and vacancy rates on the annual net residential property income for investment residential property throughout Australia. Although Sydney and Melbourne are perceived as the better investment markets due to higher rent potential for individual properties, both Canberra and Darwin have very higher rents per week ($250 and $240 per week respectively, which is greater than both the weekly rent for the median priced house in Melbourne or Sydney. The residential investment rental income for property in both Canberra and Darwin is also much higher than the main capital cities

of Sydney, Melbourne and Brisbane, as the investor can purchase more properties given any set level of investment.

Figures 1 and 2 represent the total net annual rental income that can be generated from a $1 million residential property investment in houses or units in the capital cities of Australia. The annual net rental income in these figures shows the income levels after consideration of vacancy factors and is also shown before and after an allowance for land tax in each State.

Figure 3: Capital Return: Capital City Residential Houses & Units: 2001/2002



From these graphs, it can be seen that before the allowance for land tax charges, the highest net annual rental income is from housing investment in Hobart ($59,865), with the lowest net annual investment rental income from investing $1 million in houses being Sydney at only $30,261. This is due to the high house prices in this city and the very low weekly rentals. Both Canberra and Darwin show very high average annual rental returns for the study investment level, before land tax at $52,867 and $53,376 respectively.

However, these results change significantly once the various State Government Land Tax charges are deducted from the rental values. Darwin shows the highest rental per annum due to the fact that no land tax charges are levied in the Northern Territory, so the rental per annum remains at $53,776. The very high land tax charges in NSW reduce the annual rental figure from $30,261 to $13,261. Other significant reductions in rental income after land tax occur in Melbourne ($14,510 difference) and Canberra ($15,000 difference).

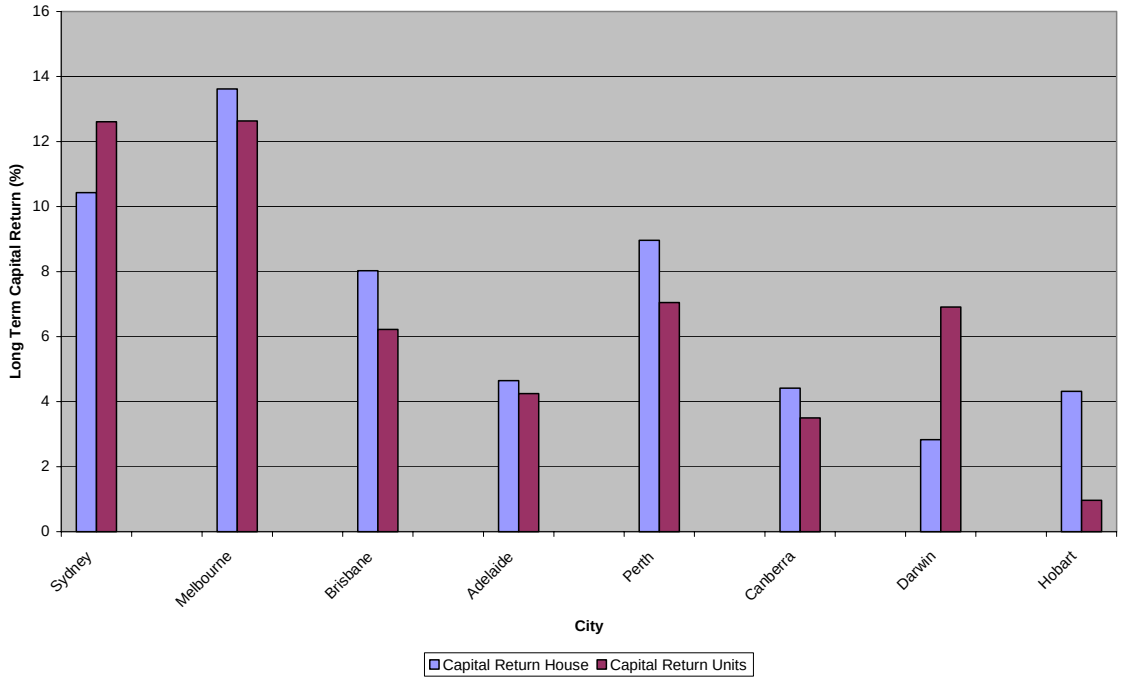
Rental income generated from the investment in residential units is greater than the income that can be generated from investing a similar amount into residential houses. Figure 2 shows that the maximum rental income that can be generated from investing $1 million in any Australian capital city residential market is rather

Capital Returns

Figure 3 represents the capital gain for each of the residential property types for each of the Australian capital cities. This capital return is based on the change in price for houses and units for the period July 2001 to June 2002, based on the price as at June 2001. Figure 4 represents the average annual capital return for the 5 year period from July 1997 to June 2002. These figures enable a comparison of the capital return for each city on both a short term and a longer-term basis.

In the 12 month period from July 2001 to June 2002, the median price of houses in all capital cities increased in price, with Brisbane recording the highest increase in the price of median houses (22.9%) and the lowest percentage increases in the price of a median house being Darwin at 2.6% and Perth 10.5%. The average capital return for the median price of houses in the other capital cities ranged from 15.4% to 18.5%.

Figure 4: Capital Return: Capital City Residential Houses & Units: 1997-2002



Although all capital cities recorded an increase in the median house price, this was not the case in relation to the median unit price. The median price of units fell in both Brisbane and Hobart (1.0% and 4.4% respectively). However from Figure 3, it can also be seen that the median price of units was variable across all other capital cities. Both Adelaide and Canberra saw the median price of units increase by 28.3% and 28.5% respectively. Sydney recorded the next highest increase in the price of the median unit (17.7%), with the range for all other cities being from 3.4% to 14.0%.
Figure 3 also shows that the increase in median prices for houses was greater than the increase in the median unit price in Melbourne, Brisbane and Hobart. In all other capital cities the increase in price for units was greater than the increase in the price of median house for the 12-month period to June 2002. The greatest variation in the comparison of change in house and unit prices was Brisbane, where the median price of houses increased by 22.9% but the median price of units fell by 1.0%. This would suggest either a very high increase in the number of units offered for sale or a weakening demand for unit accommodation for Brisbane.

Figure 4 shows the average annual increase in the capital value of the median hose and median unit in each of the cities in the study. Unlike the results for the 12-month period to June 2002, the longer-term price increases are more consistent between units and houses.

During the five-year period, Melbourne has shown the highest average annual increase in the price of both median houses and units at 13.6% and 12.6% respectively. Price increases in Sydney were also higher at 10.4% for houses and 12.6% for units, with Sydney and Darwin also being the only cities where the average annual increase median price of units has been greater than the increase in the median price of houses, over the five year period. In all other cities house have shown a greater capital growth than units.

The average annual increase in the median price for house and units over the period 1997 to 2002 was very similar in Brisbane (8.0% and 6.2% respectively), Adelaide (4.7% and 3.7% respectively), Perth (9.0% and 7.1% respectively) and Canberra (4.4% and 3.5% respectively). The difference between in the 5-year increase in median house and units was most notable in Darwin, where the average annual median price of units increases by 7.0% but the average annual increase in price for houses was only 2.8%.

Income returns

In table 5 the annual rental amounts (less land tax and vacancies) were shown as a total $ figure. In Figure 5, the rent is for both the median house and median unit in each Australian capital city is shown as a percentage of the total acquisition costs for the $1 million residential investment portfolio.

From Figure 5, it can be seen that the highest income return for houses was Darwin at 5.17%, with the highest income return for units being Hobart at 5.17%.

Figure 5: Income Return: Capital City Residential Houses & Units: 2001/2002

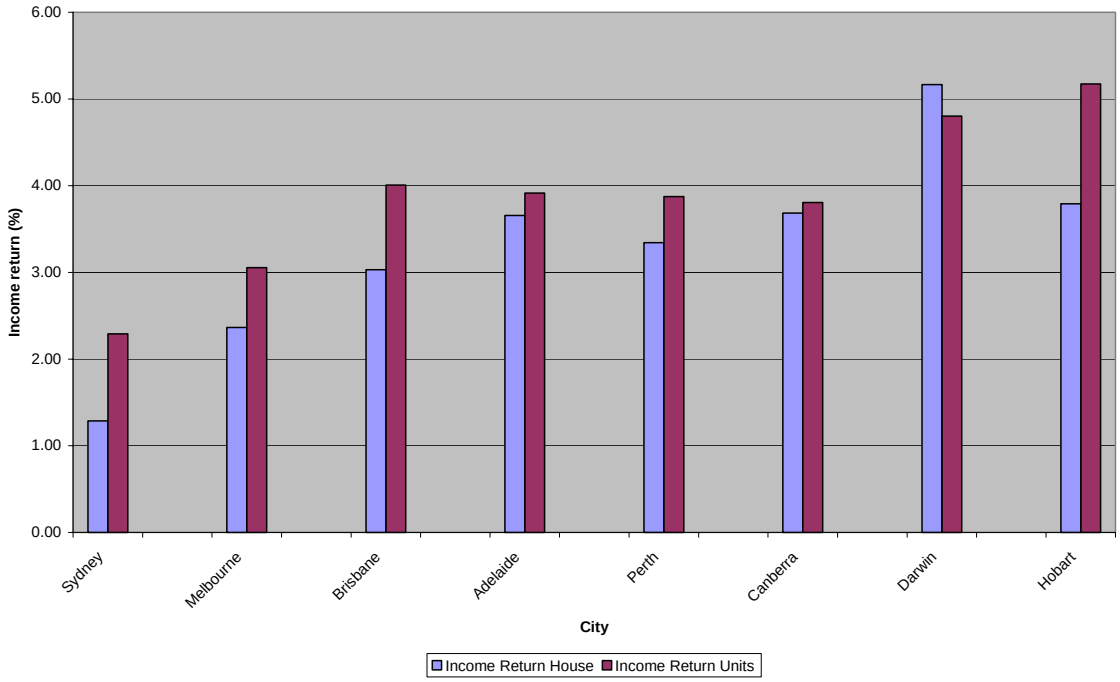
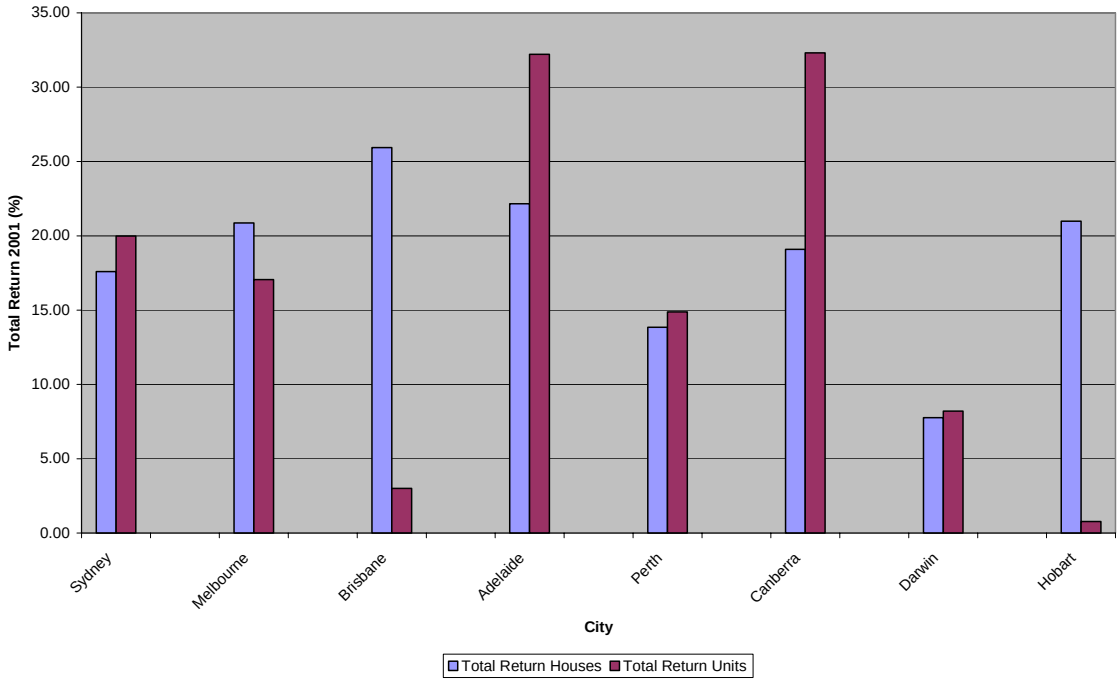


Figure 6: Total Return: Capital City Residential Houses & Units: 2001/2002



The higher acquisition costs and relatively lower rents for Sydney and Melbourne has resulted in these two cities recording the lowest income returns for houses (1.29% and 2.37% respectively) and units (2.29% and 3.05% respectively).

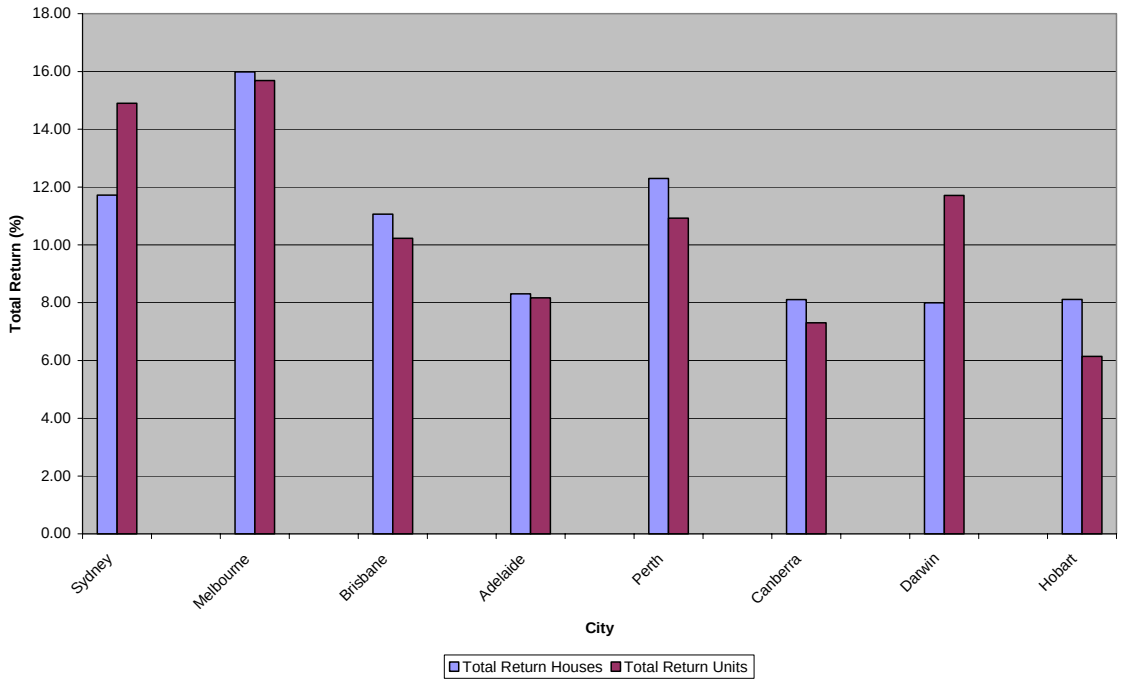
Brisbane, Adelaide, Perth and Canberra all showed similar income returns for units (range 3.81% to 4.01%).

Total Returns

For comparative purposes the total returns have been based on both the 12-month period July 2001 to June 2002 and the five-year period from 1997 to 2002.

Over the 12 month period July 2001 to June 2002, the highest total return for median houses in all Australian capital cities was Brisbane at 25.9% with Melbourne, Hobart and Adelaide also showing total returns for the 12 months for houses in excess of 20%. Darwin shows the lowest total return for median houses for the 12-month period at 7.8%.

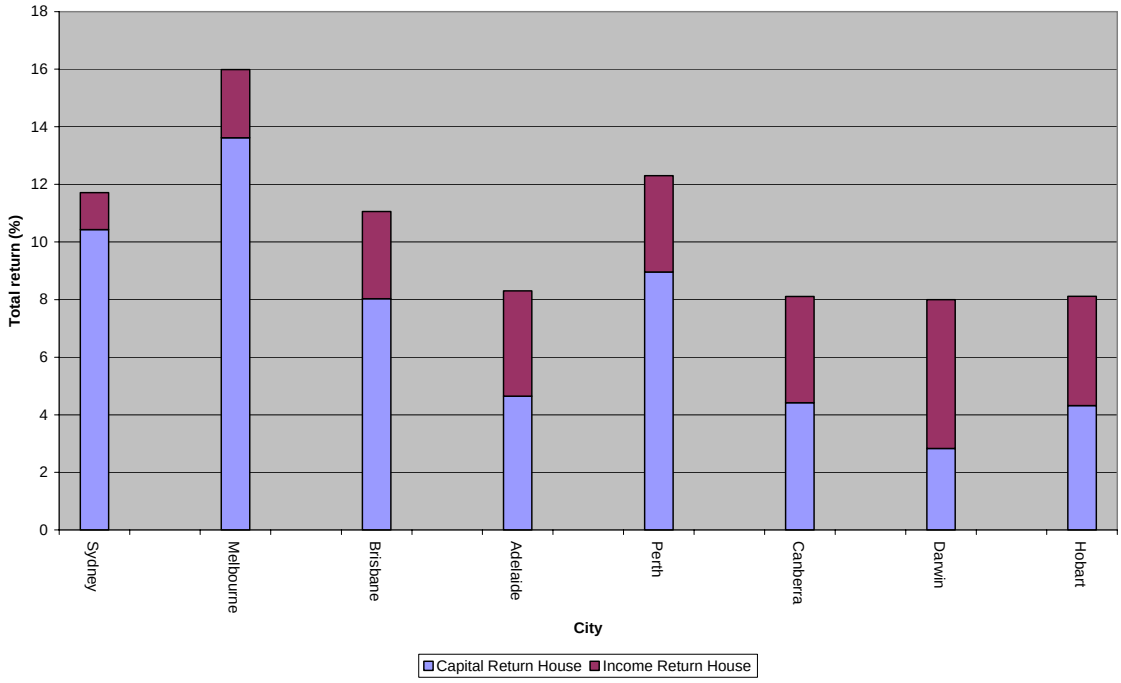
Figure 7: Total Return: Capital City Residential Houses & Units: 1997-2002



Although median price houses in Brisbane returned the highest total returns for the 12-month period of the study, this was not reciprocated in the Brisbane Unit market. Figure 6 shows that the total return for median priced Brisbane units was only 3.01% due to the low income returns and the negative capital returns for the 12-month period from July 2001 to June 2002. Similar results in relation to units were recorded in the Hobart unit market, with a total return for the 12-month period of only 0.8%.

During the 12-month period of the study, Adelaide and Canberra had the highest total returns for units at 32.2% and 32.3% respectively. Although the total return for houses in Melbourne was higher than Sydney (20.9% and 21.6% respectively, the total return for units in Sydney was greater than that shown for units in Melbourne (20% and 17% respectively. In both these cities the total return was dominated by higher capital growth rather than income returns.

Figure 8: Total Return: Capital City Residential Houses: 1997-2000: Return Comparison



Sydney, Adelaide and Canberra were the only cities where the total return from units for the 12 month study period were greater than the total return form median priced house. In all other capital cities the reverse applied.

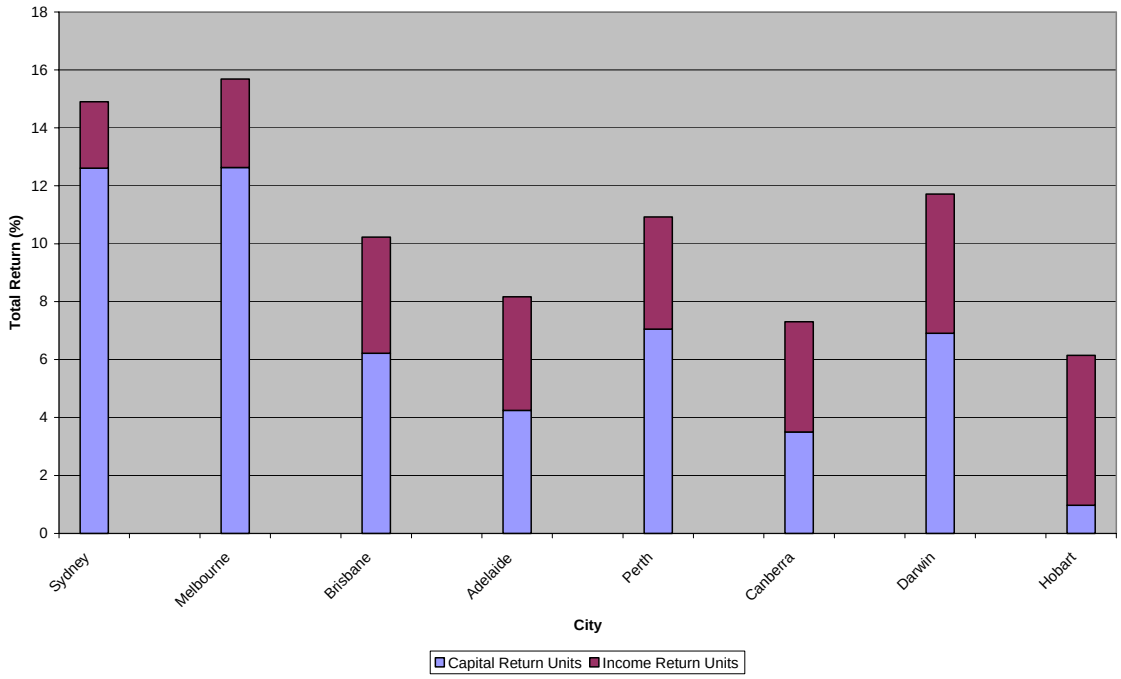
Although the 12 month period from July 2001 to June 2002 showed that Brisbane, Adelaide and Canberra achieved the highest return for median priced houses and units, this was not the case when total returns were calculated for the five year period from 1997 to 2002.

Figure 7 shows that over the 5 year period the high returns for residential property in Brisbane, Adelaide and Perth have not been as good as the results for the 2001/2002 period, reflecting lower total returns for the period between 1997 and 2001.

During the 5 year period 1997-2001, Melbourne achieved the highest total return for both median priced houses and units (15.99% and 15.68% respectively). These total returns

were slightly higher than Sydney, which recorded a totals return for median residential houses and units of 11.72% and 14.90% respectively.

Figure 9: Total Return: Capital City Residential Houses: 1997-2000: Return Comparison



The lowest total returns for median priced houses during the five-year period were recorded in Darwin (8.00%) and Canberra (8.10%), with the lowest total returns for median priced units being Hobart (6.14%) and Canberra (7.31%).

Sydney and Darwin were the only two Australian capital cities where the total return for the five year period for median priced units was greater than the total return for median priced houses.

Melbourne, Sydney, Brisbane and Perth all recorded total returns for median priced units and houses in excess of 10% for the period 1997 to 2001.

Figures 8 and 9 provide a breakup of the total return for median price residential houses and units for each of the capital cities for the period 1997-2000, these graphs highlight the fact that residential single dwelling investment property in Sydney, Melbourne, Brisbane, Adelaide and Perth gain the majority of their average annual total return from capital growth. Whereas the total return for residential investment house properties in Canberra, Darwin and Hobart achieve the majority of total return from the rental income generated by the property. In the case of residential units only Sydney, Melbourne and Perth achieve the majority of their total return from capital growth, with all other capital cities achieving the majority of total return from residential units from income.

Implications for real estate agency practice

As can be seen from the data and analysis in this paper, the markets and sub-markets that operate in the various capital cities for houses and units produce a significant variance in returns. It can also be seen that there is no "one" property market operating, but rather a multitude of markets. Many agents and their sales staff are aware of these types of returns but have no concept of how to calculate them, or what they actually mean. (Davis & Wills, 1998). The further concept of an overall total return is virtually unknown to the majority of real estate agents practicing in residential property sales and leasing agency practice, with this expertise being restricted to the larger real estate offices such as Jones, Lang Lasalle, Colliers Jardine, FPD Savills Ltd and Knight Frank or smaller real estate offices with staff who have completed education at a degree level.

When an investor deals with former classification of real estate agent, the agent rarely seeks information as to what they are looking for in regard to investment return. The agent appears to concentrate on any possible enhancement in value in relation to "location, location, location". For many agents and sales staff this is brought about by their lack on property specific education. It is doubted that agents would be aware of the benefits to investors if they purchased in other locations to achieve the type of return they are seeking. If agents were, this could solve the problem of purchasers buying into two tiered markets (usually 'off the plan') and reduce the use of rental guarantees. Rental guarantees are reflected in overall higher acquisition cost structures.

Agents not only need to be able to fully assess the market they are operating in, but also to be aware of the other property market options that may be available. To achieve this further education and continuing professional development is required.

Conclusions

Residential property can provide significant benefits to investors, especially when considered on a national basis rather than a single location.

Both units and single residential houses can provide benefits to investors who are looking for long-term capital growth and those who are seeking an income from their investment. Based on these results, an investor seeking long term capital growth would be better investing in the Melbourne and Sydney residential house and unit property markets. However, if the investor requires a higher income return the current residential property markets in Australia that would be best suited are Darwin for houses and Hobart for units.

With the increasing use of electronic marketing in real estate practice both investment advisors and real estate agents, particularly those in franchise groups or branch networks, should be accessing using data from all residential housing and unit markets when marketing the benefits of residential property investment and negative gearing.

Current practice of many real estate agents of only advising small residential property investors of the benefits of property in their particular location may not be providing the

investor with the correct property for their investment aims or requirements. A more national approach to real estate marketing can provide a more diverse investment opportunities for the large small residential investment market, as well as allowing the real estate agent to locate residential investment property that actually meets all the investment criteria of the client.

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