

DSR Market Appraisal

Market: HOMEBUSH NSW 2140 units

Compilation date: 24th November 2016

Compiled on behalf of: You or your business

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Report basis

Prices move in response to the changes of demand and supply. For prices to rise, demand must exceed supply. The greater the degree by which demand exceeds supply the greater the pressure on prices to rise.

There can be a large number of factors influencing the tug-o-war between demand and supply. Some changes that are likely to increase demand include:

- New roads
- Extensions to railway lines
- New bridges
- New hospitals or extensions to existing ones
- Universities
- Private enterprises setting up in an area or government departments relocating
- New schools
- Changes in what people find appealing now days

Some changes that might lead to increases in supply include:

- Releases of new land or house and land estates
- Developers replacing low density properties with higher density ones

The degree to which these fundamental forces influence demand and supply can be measured using a set of key statistics. This report gathers and examines those key statistics. It measures the degree of balance between the forces of demand and supply in the HOMEBUSH residential property market - specifically, units as they were at the end of OCT-2016.

Note that this report only researches the statistics of supply and demand. The report does not detail circumstances concerning the drivers influencing these statistics. The research of those circumstances falls under the banner of "fundamental" research, not statistical research that is this report's focus.

For more information about fundamental research techniques, visit www.DSRdata.com.au and download the research guide, "How to find property hot spots" by Jeremy Sheppard.

Demand to Supply Ratio (DSR)

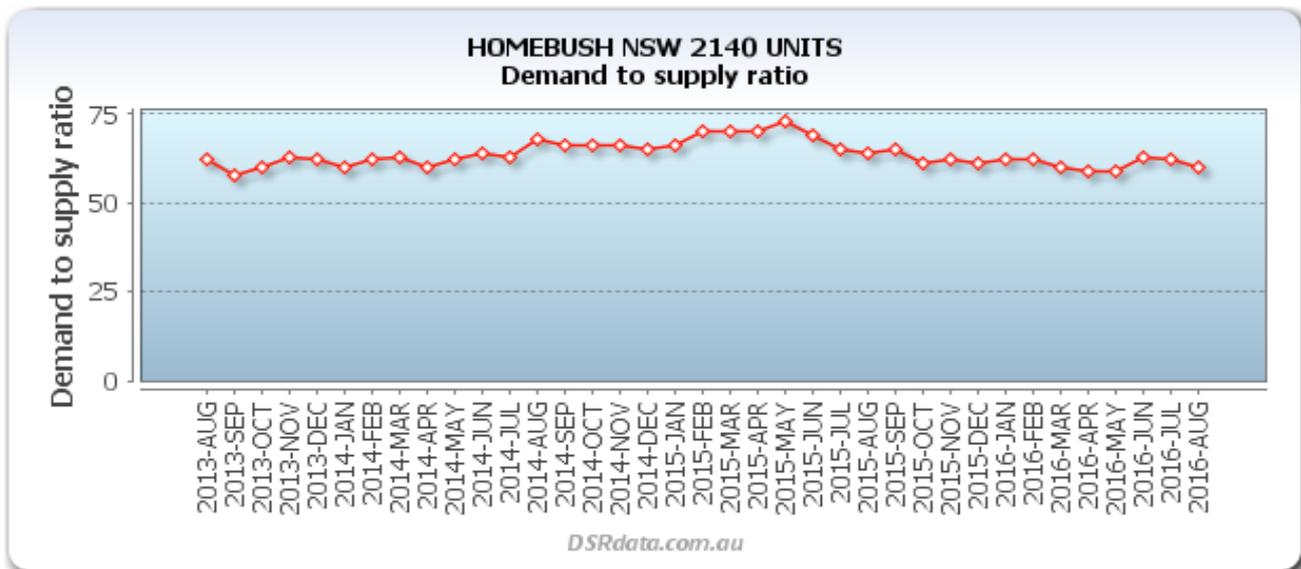
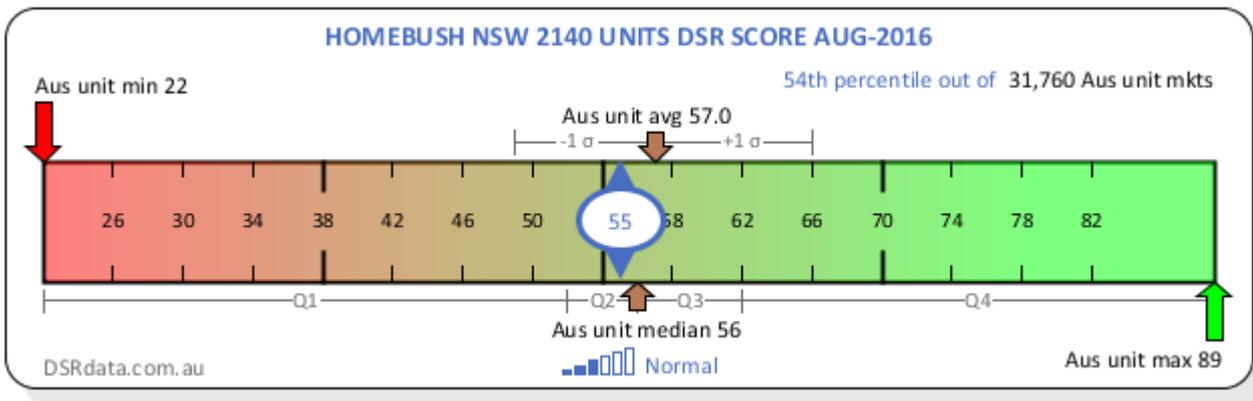
The DSR is scored out of a maximum of 100. A DSR of 50 is the theoretical balance point between demand and supply. Markets with a DSR of 50 should experience capital growth roughly in line with inflation. Markets with a DSR higher than the average DSR should experience growth above the national average growth rate.

The DSR for HOMEBUSH units for OCT-2016 was **55**. This is "**Above standard**".

Demand only just outweighs supply in this market. This is a healthy market for investors wanting to apply some value adding strategy. Buyers are sometimes able to get away with low-ball offers. Sellers are getting the prices they ask for more often than not. Expect growth to marginally exceed the national average.

The minimum DSR for the country for OCT-2016 was 22 while the maximum was 89. The median DSR for the same period was 56 and the average was 57.0.

The DSR is a score that indicates if demand is exceeding supply and by how much. It combines a number of key statistics to give an overview of the ratio between demand and supply. By using a consistent algorithm, an objective, unbiased and quantitative comparison of the capital growth potential between suburbs is possible. For more information, visit www.DSRdata.com.au.

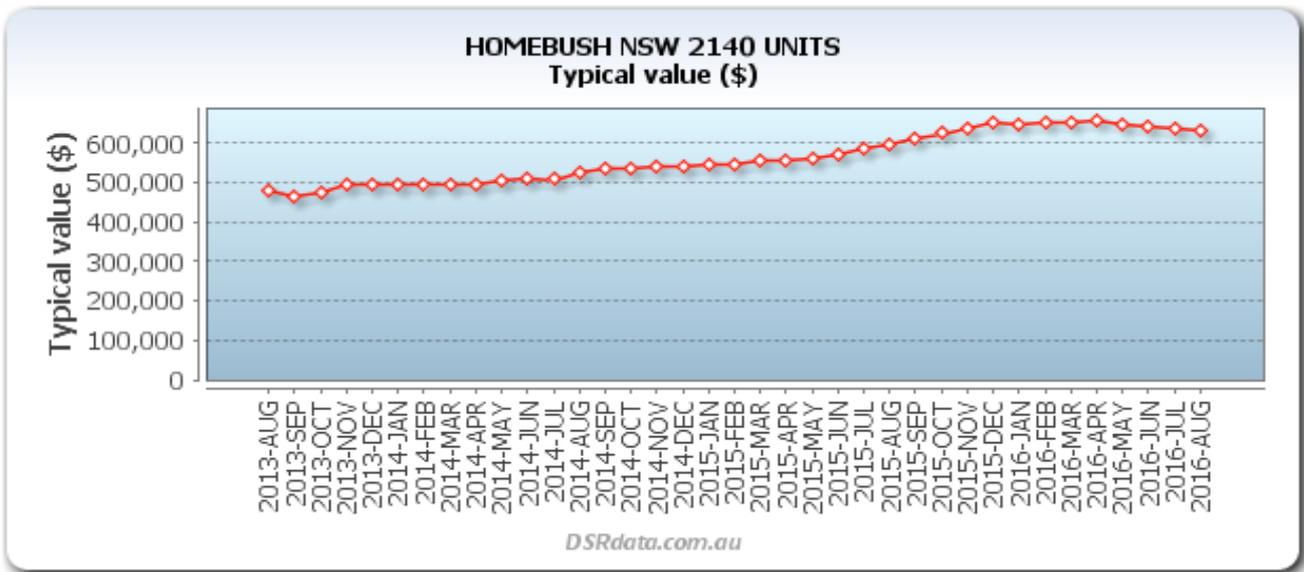
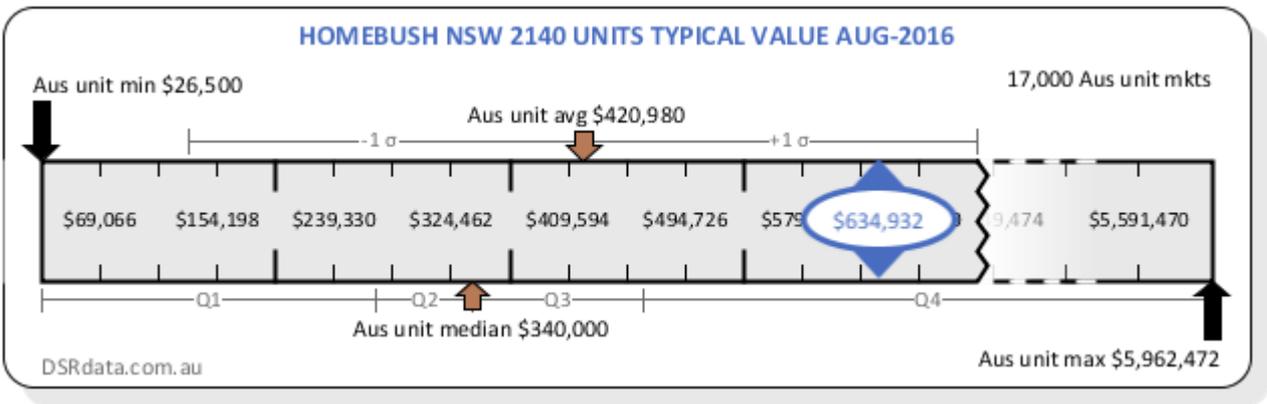


The DSR is derived from a set of key statistics. These are analysed in following pages.

Typical value

The typical value was \$634,932 for HOMEBUSH units for OCT-2016.

The typical value is the value of a typical house or unit in a suburb. The typical value is not the average, nor the median, but a calculation similar to medians and averages aimed at providing a more accurate and less volatile figure for the "typical value" of a specific market.



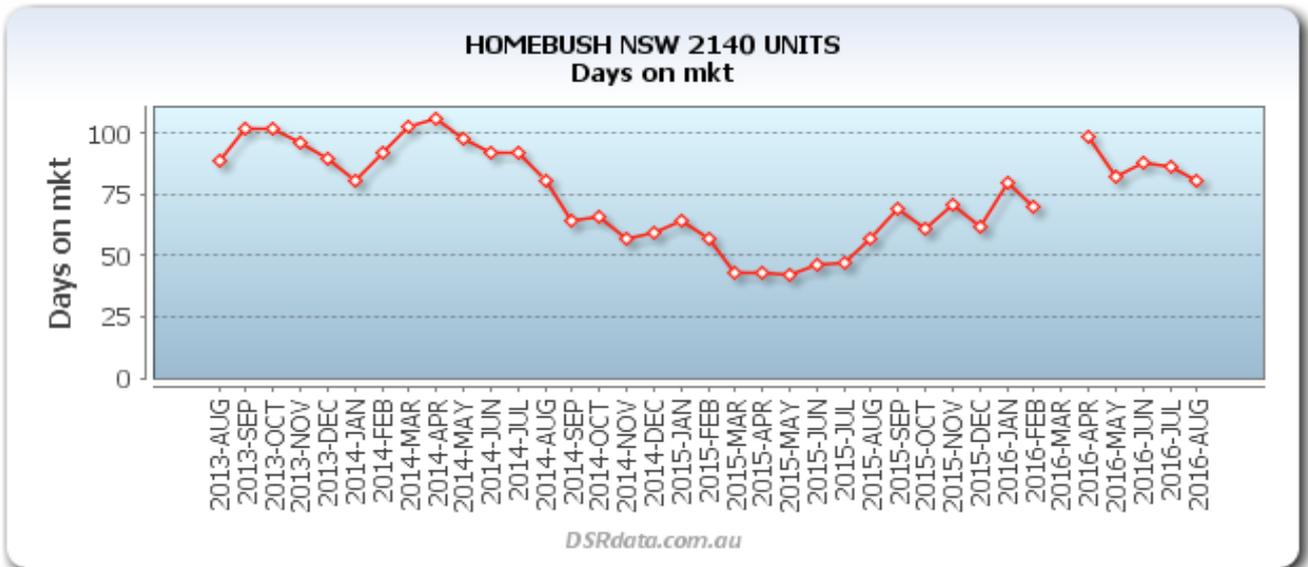
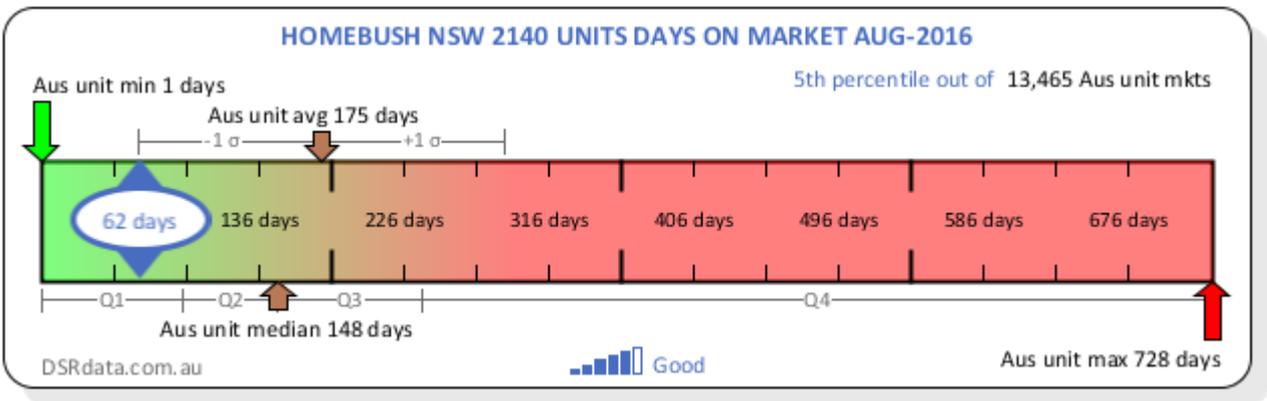
Days on market (DOM)

The DOM for HOMEBUSH units for OCT-2016 was **62 days**. This is "**Above standard**".

Sellers do not have to wait too long to get an interested buyer. Buyers cannot take their time nor be too choosy.

The minimum DOM for the country for OCT-2016 was 1 days while the maximum was 728 days. The median DOM for the same period was 148 days and the average was 175.0 days.

The DOM is the average number of days properties are advertised for sale before selling. A market where demand exceeds supply is one indicated by a low DOM figure. A good benchmark is about 90 days. Markets with DOM figures below this are considered to have higher demand to supply.



Discounting

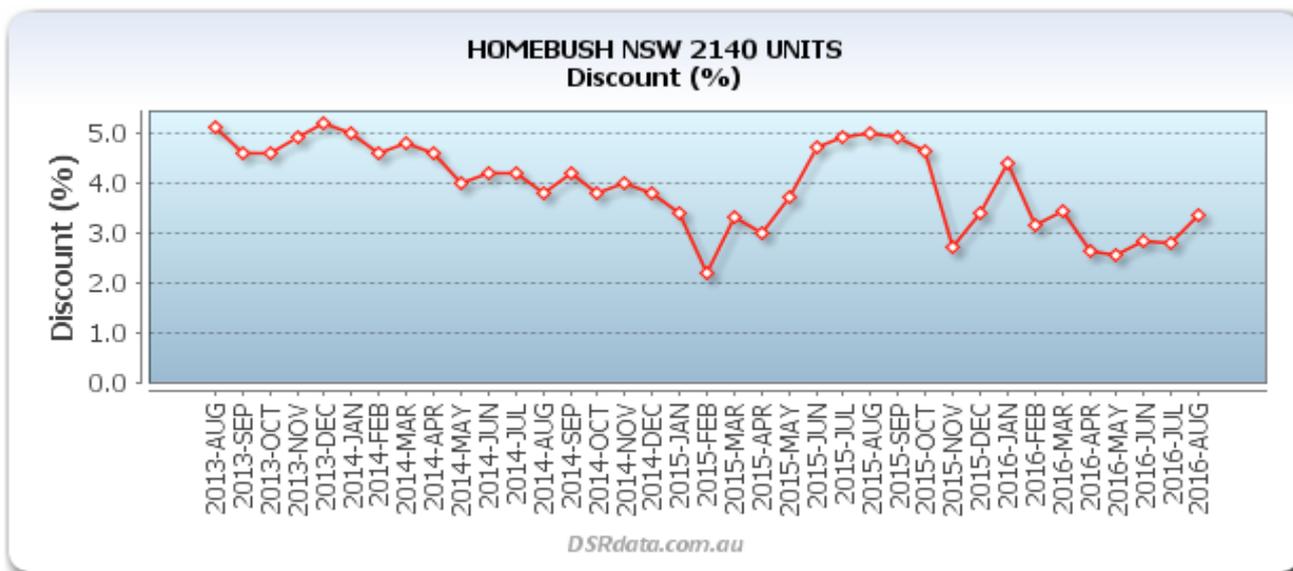
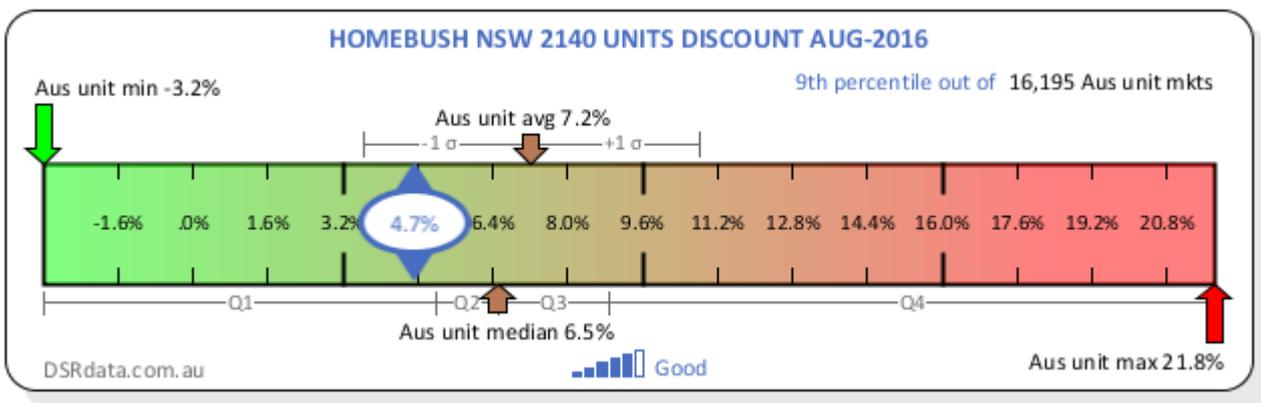
The discount for HOMEBUSH units for OCT-2016 was **4.67%**. This is "Good".

Sellers are confidently rejecting offers that are not close to their original asking price. Successful buyers are making strong offers close to the asking price.

The minimum discount for the country for OCT-2016 was -3.2% while the maximum was 21.8%. The median discount for the same period was 6.5% and the average was 7.0%.

The vendor discount is the average percentage discount from the original asking price to the eventual sale price. This is calculated for properties sold over the last month in the market of interest.

If demand is strong and supply is short, vendors don't have to discount much to get a sale. So a low discount is a sign of demand exceeding supply.



Auction clearance rate (ACR)

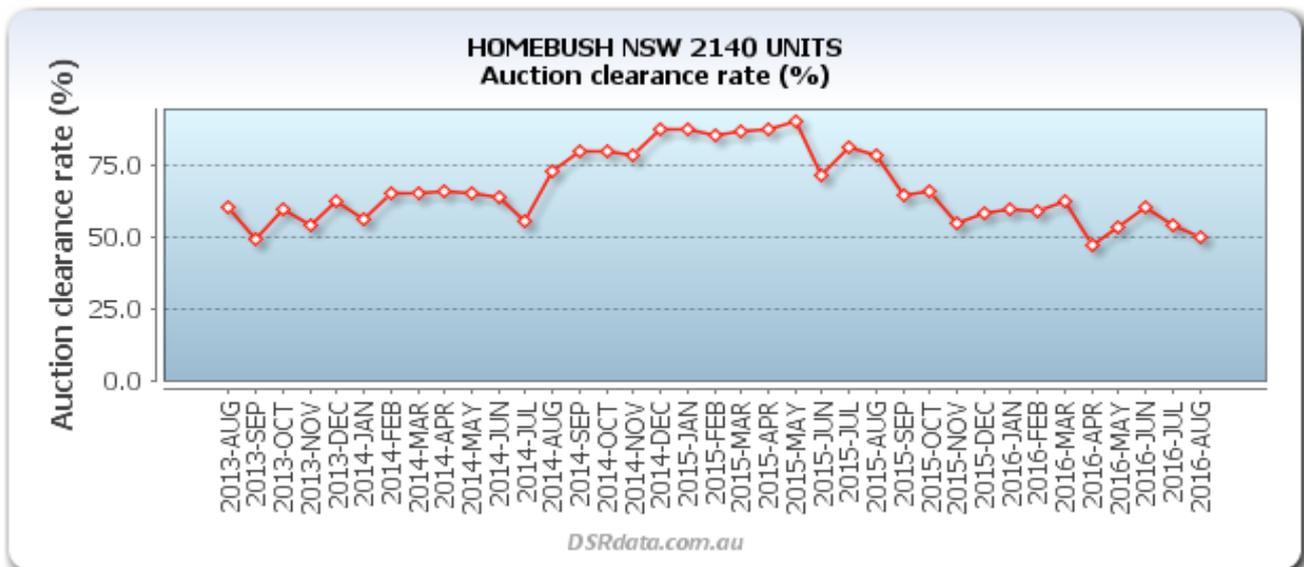
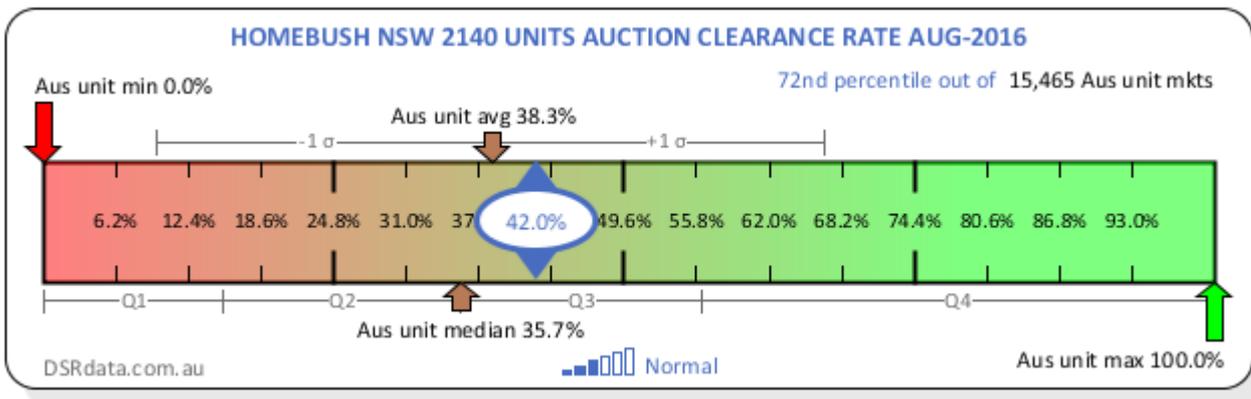
The ACR for HOMEBUSH units for OCT-2016 was **42.00%**. This is "**Above standard**".

Auctions are reasonably well attended and a sale usually results.

The minimum ACR for the country for OCT-2016 was 0.0% while the maximum was 100.0%. The median ACR for the same period was 35.7% and the average was 38.0%.

The ACR is the proportion of properties auctioned that actually sell. Some properties go to auction but are withdrawn if interest is light or are passed in if bidding is weak.

In a weak market more properties are passed in or withdrawn. In a hot market most properties that are auctioned will sell. The higher the auction clearance rate the higher the demand with respect to supply.



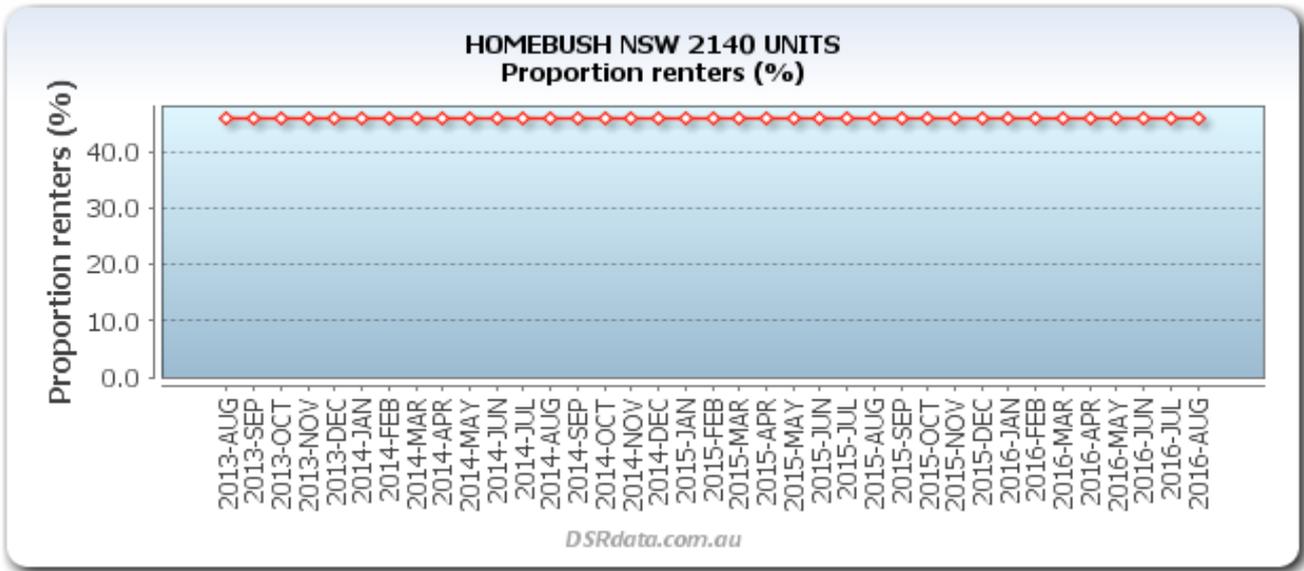
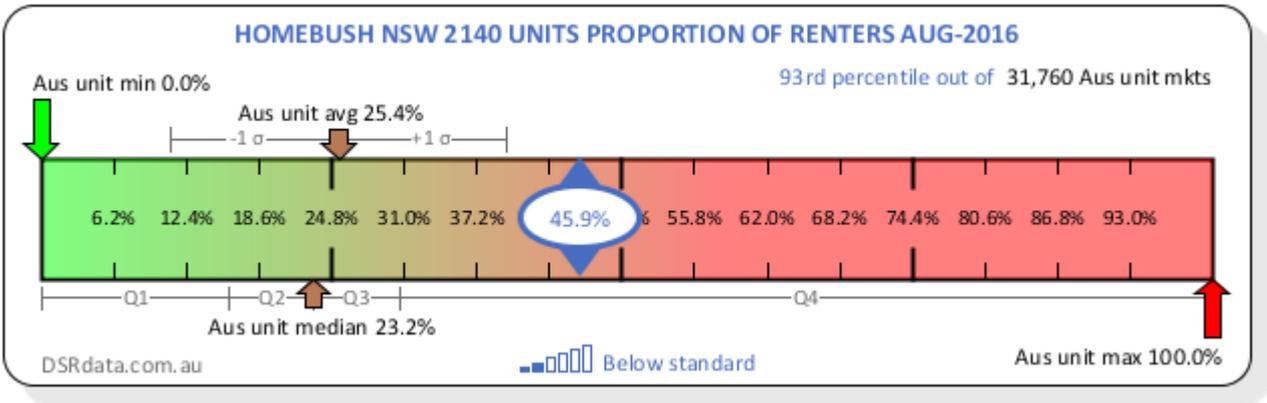
Proportion of renters

The proportion of renters for HOMEBUSH units for OCT-2016 was **45.90%**. This is "**Below standard**".

Landlords will need to be careful not to over-capitalise when renovating properties in this market since it is well renter oriented. Some attention to the particular needs of the prevailing demographic will reduce the chance of extended vacancies

The minimum proportion of renters for the country for OCT-2016 was 0.0% while the maximum was 100.0%. The median proportion of renters for the same period was 23.2% and the average was 25.0%.

The proportion of renters compared to owner-occupiers indicates the supply of investment property. With a low proportion of renters, there is less competition amongst landlords to secure a tenant. Also, owner-occupiers generally take better care of their property than do tenants and are often in a higher socio-economic demographic. So, a low proportion of renters is an attractive statistic.



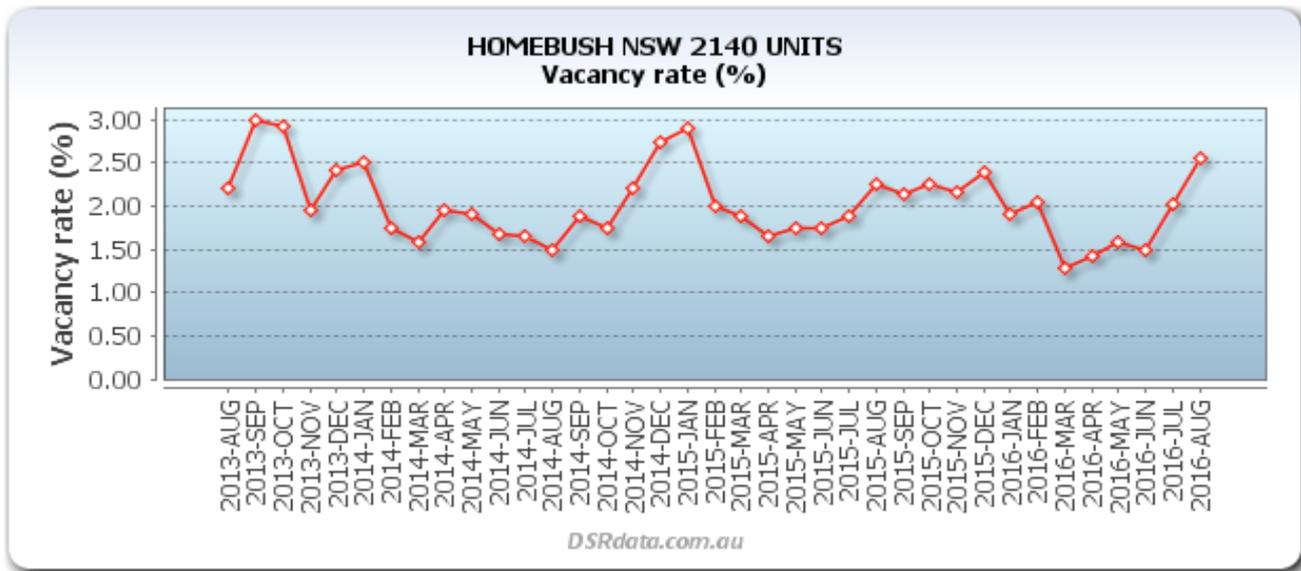
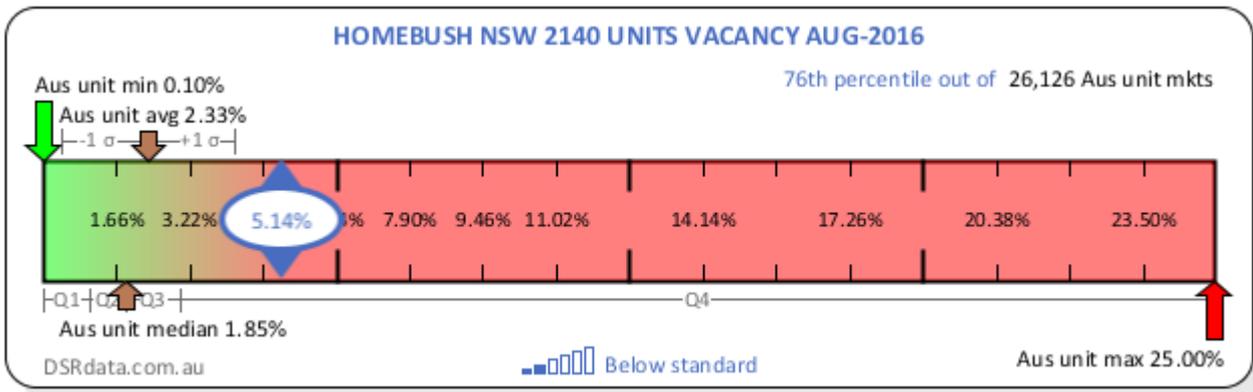
Vacancy rate

The vacancy for HOMEBUSH units for OCT-2016 was **5.14%**. This is "**Normal**".

Landlords may need to exercise a little patience before getting a decent tenant.

The minimum vacancy for the country for OCT-2016 was 0.1% while the maximum was 25.0%. The median vacancy for the same period was 1.8% and the average was 2.0%.

The vacancy rate is a measure of how long a property will be vacant. It is calculated as a percentage of the total number of properties in a market that are vacant. If rental accommodation is plentiful or the number of interested tenants is small, the vacancy rate will be high. A good vacancy rate is a low one. The vacancy rate shows the demand and supply balance for rentals and this usually determines where yields will go in the immediate future.



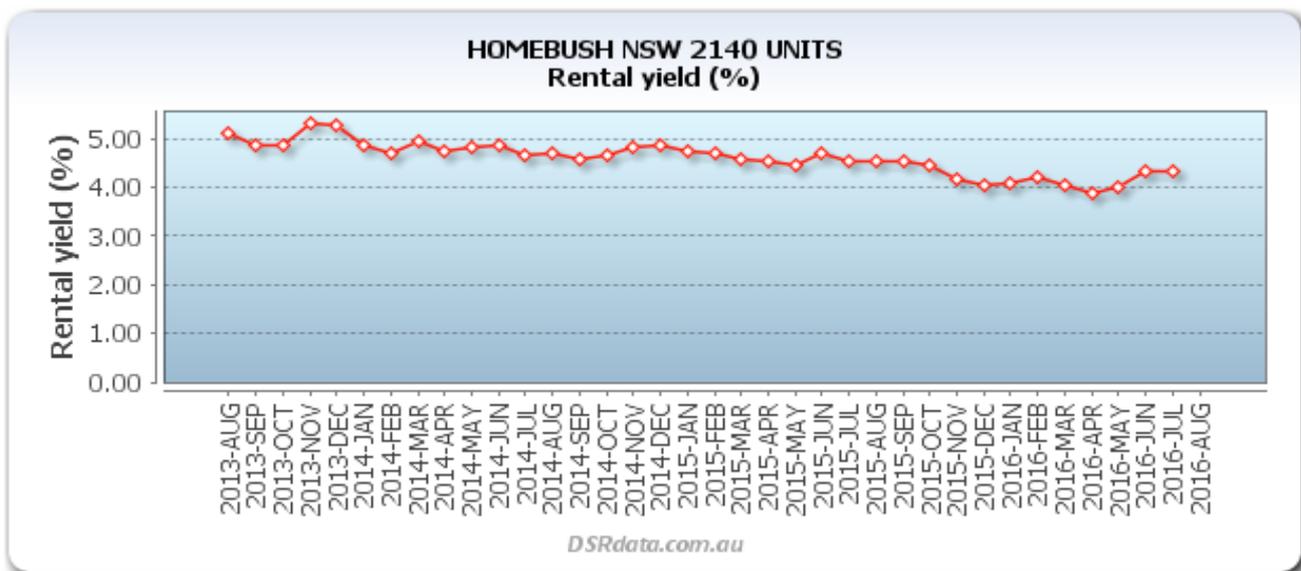
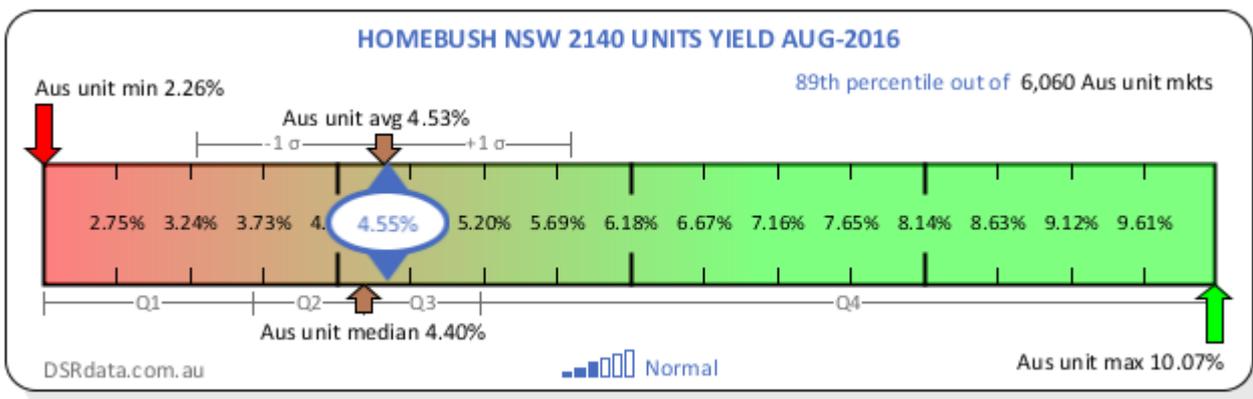
Yield

The yield for HOMEBUSH units for OCT-2016 was **4.55%**.

The minimum yield for the country for OCT-2016 was 2.26% while the maximum was 10.07%. The median yield for the same period was 4.40% and the average was 5.00%.

A strong rental yield is a pre-cursor to capital growth. High yields reflect an imbalance between demand and supply of rental accommodation much like the vacancy rate. A high yield is usually the result of an extended period of low vacancies.

The needs of tenants are similar to the needs of owner-occupiers. So what tenants find attractive, owners will too. But tenants are much more mobile than owner-occupiers. It is a lot easier to get a lease than a mortgage. So if a location becomes attractive to live in, it is usually the tenants that move in first. This pushes up rents. With higher yields investors are attracted to the market and eventually, owner-occupiers wade in too.



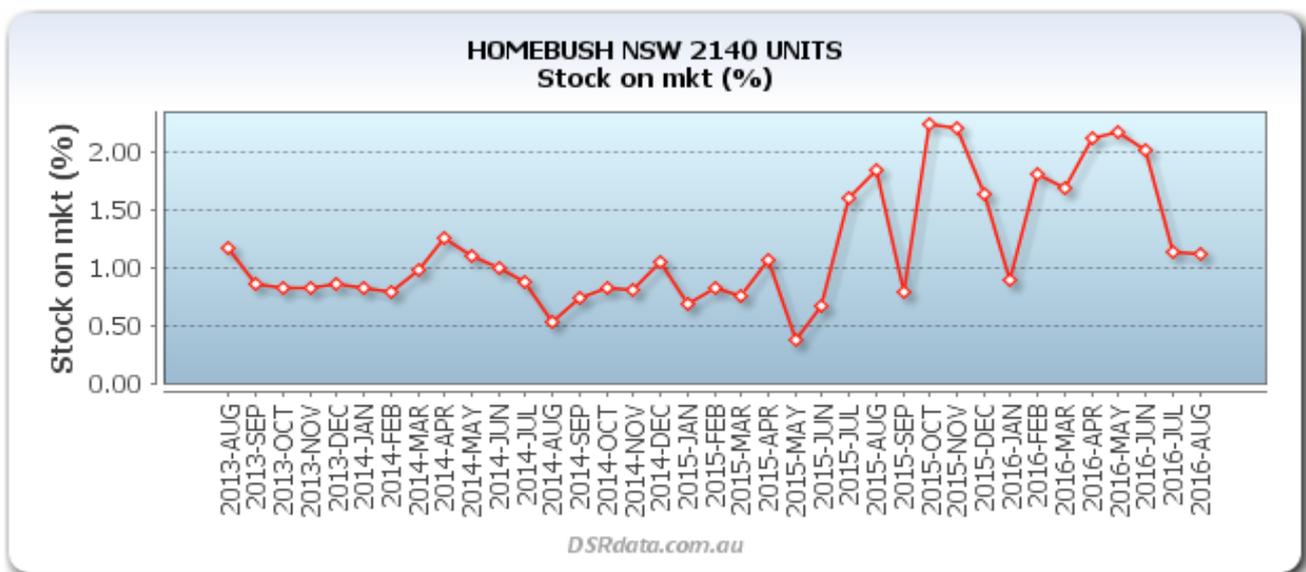
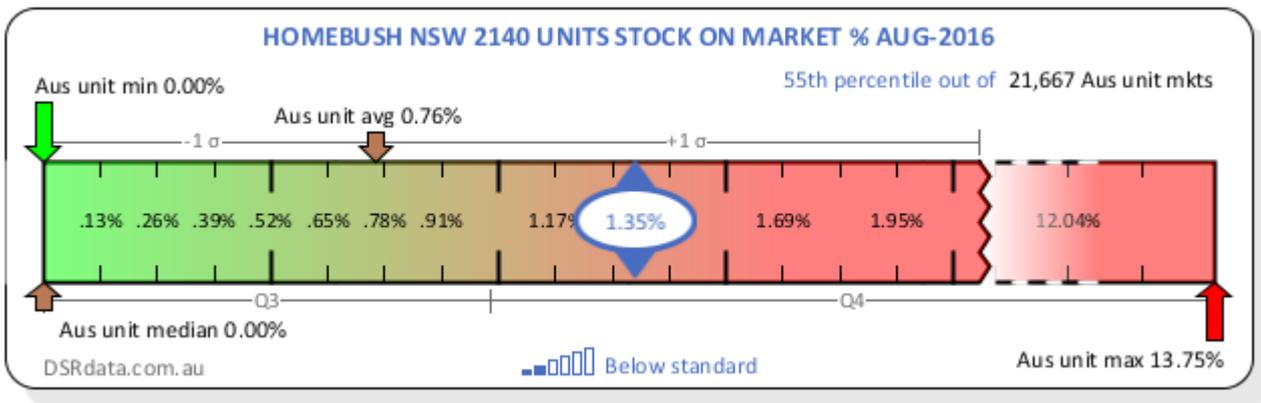
Stock on market percentage (SOM%)

The SOM% for HOMEBUSH units for OCT-2016 was **1.35%**. This is "Normal".

There are not too many properties on the market and not too few. This market is in balance in terms of supply.

The minimum SOM% for the country for OCT-2016 was 0.00% while the maximum was 13.75%. The median SOM% for the same period was 0.00% and the average was 1.00%.

The SOM% is the percentage of the market that is currently for sale. If demand is low with respect to supply, there will be a higher proportion of property for sale than usual. So markets with a low SOM% are desirable for investors looking for capital growth.



Online search interest (OSI)

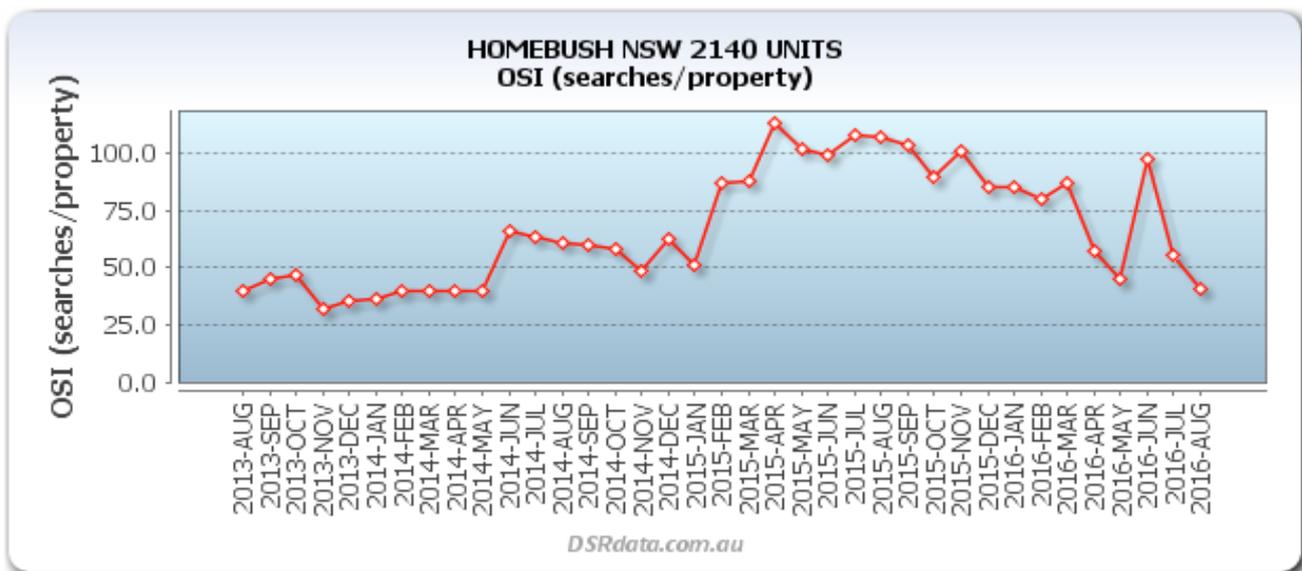
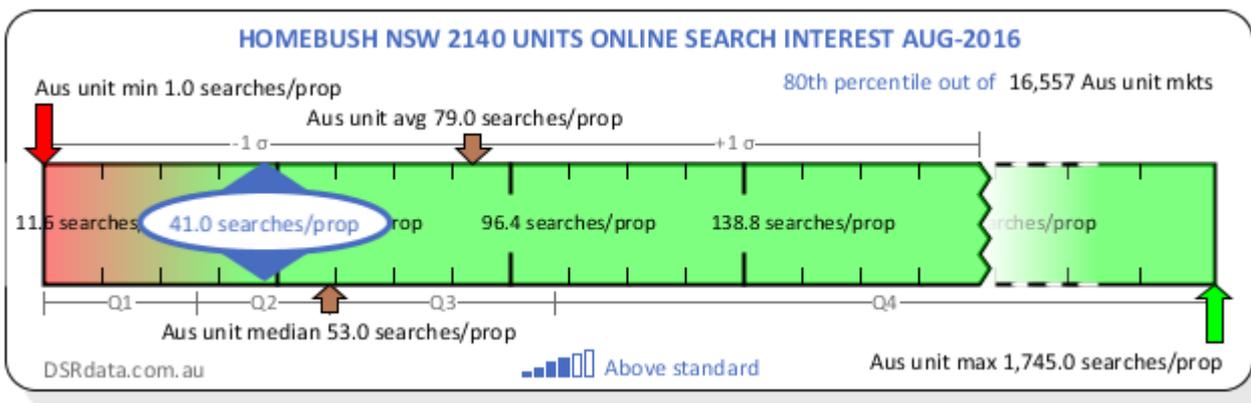
The OSI for HOMEBUSH units for OCT-2016 was **41 searches per property for sale**. This is **"Above standard"**.

The number of properties for sale is a little low considering the amount of interest from would-be buyers searching online.

The minimum OSI for the country for OCT-2016 was 1.0 searches per property for sale while the maximum was 1,745.0 searches per property for sale. The median OSI for the same period was 53.0 searches per property for sale and the average was 79.0 searches per property for sale.

The OSI is a measure of the amount of interest in a market compared with the number of properties available for sale in that market. The interest is measured by the number of online requests made of real estate web portals such as Domain, RealEstate.com.au, Home Hound, etc.

A high number of people looking amongst a small number of properties is a market in which demand exceeds supply.



Statistical Reliability (SR)

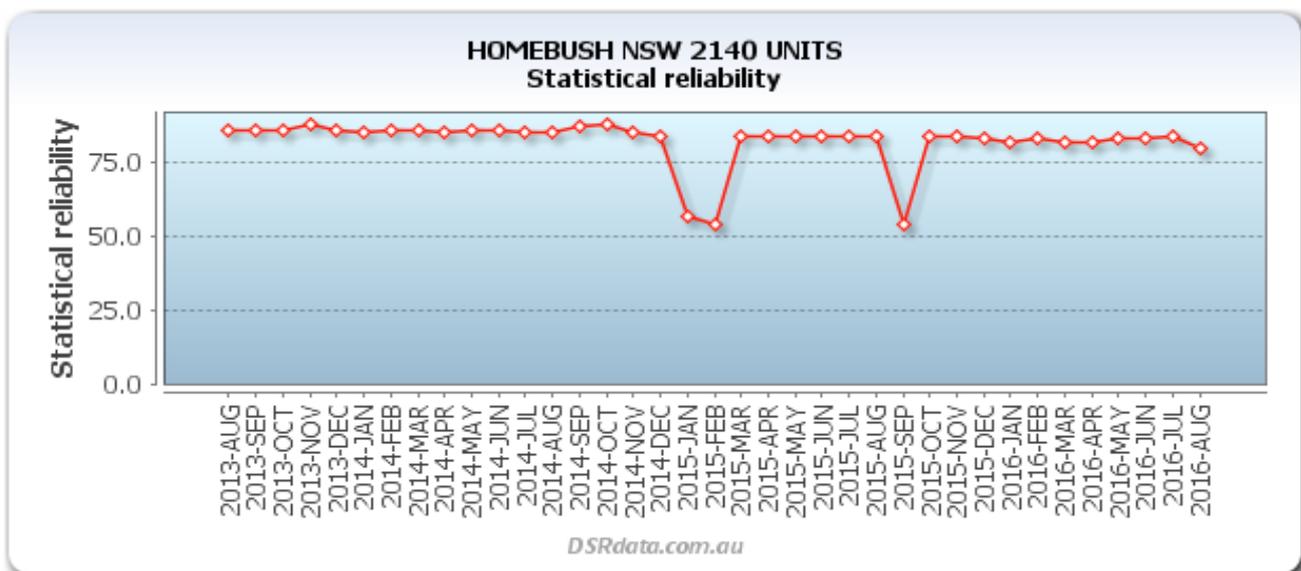
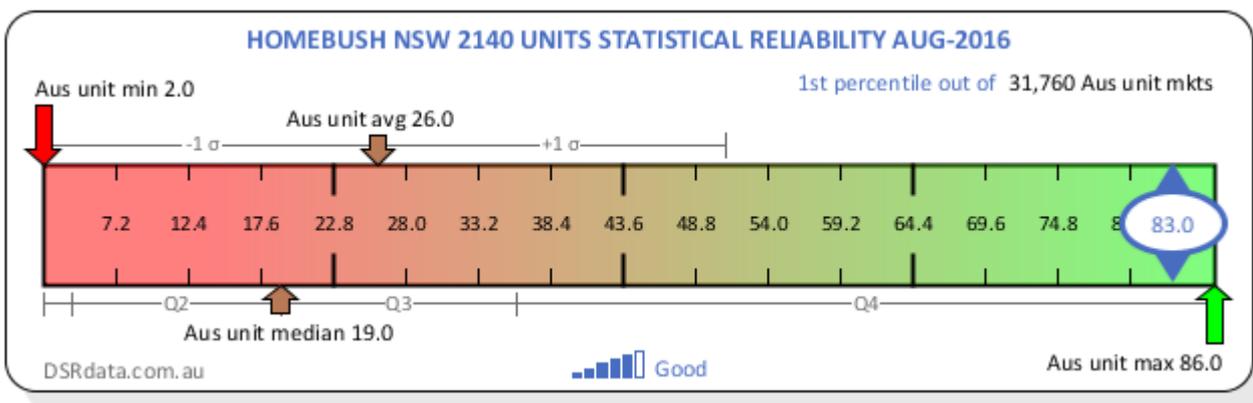
The SR is a score out of 100. Investors should not base investment decisions on a low statistical reliability. An SR above 60 is usually considered sufficient. But regardless of the SR, the statistics should be complimented with manual checks of each individual indicator. And even an SR of 90 out of 100 should be backed up with sound fundamental research.

The SR for HOMEBUSH units for OCT-2016 was **83**. This is "Accurate".

The overall conclusion (the DSR) is accurate but a few of the individual statistics may not be entirely accurate.

The minimum SR for the country for OCT-2016 was 2.0 while the maximum was 86.0. The median SR for the same period was 19.0 and the average was 26.0.

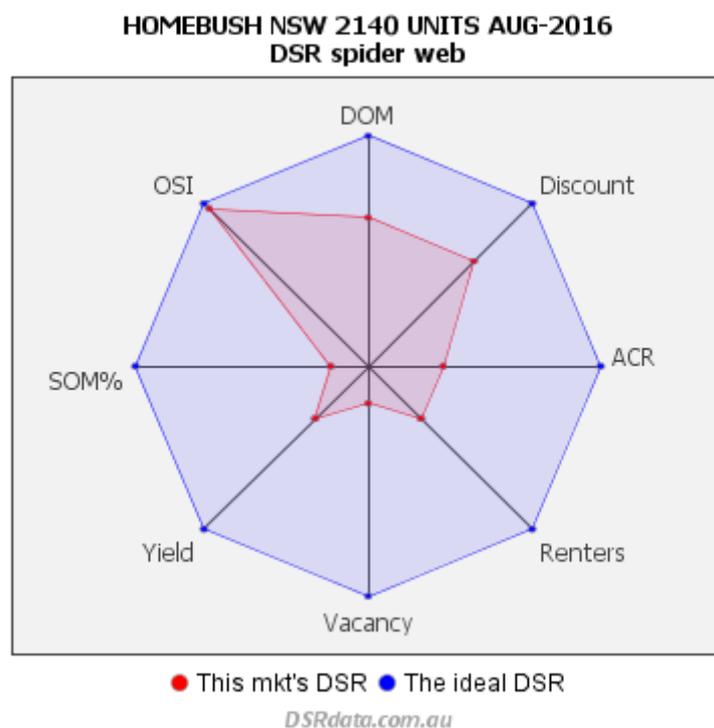
Data is not always available for every statistic considered in the DSR. And even when data is available it may not be completely reliable. The Statistical Reliability (SR) is a measure of the reliability based on factors such as: the number of confirming figures; the quality of data source; the volume of trading; the "likelihood" of figures being genuine; etc.



Suitable strategies

The DSR spider web chart following shows a summary of the 8 key statistics making up the DSR. The red shape represents the market under examination. The red point on each of the 8 axes represents the score for each statistic. The closer the statistic is to the centre of the web, the worse that statistic's score is. The further to the edge, the better it is. Note that if a statistic was indeterminate, an average value is used to complete the shape.

The blue octagon represents the shape of the ideal market where every statistic has the best possible score. The larger the red shape, the higher the demand is with respect to supply and the greater the likelihood of capital growth for this market.



If the octagon of a DSR spider web does not appear to be centred on the chart or if it does not appear round, it means that some of the market characteristics are better than others. A market like this may suit one particular investment strategy better than others. Similarly, it may suit a particular investor's circumstances better than others.

If there is no red octagon (only red lines), it means there are too few positive statistics to form a shape. This is an indication of a market not well suited to any investment strategy.

For example, if the investor was after a cash-flow positive investment, they would have a better chance of achieving that goal with a market that has a higher yield in general. If this was a priority for an investor, a market with a bias towards a higher yield would be more appealing than a more balanced and circular looking DSR radar chart.

A large, well centred and circular octagon suits all strategies or investor circumstances since it has a broad range of positive statistics.

Following is a list of property investment strategies and their level of suitability for this specific market.

Strategy	Suitable?	Reason
Buy and hold	Possibly	A high DSR is required to maximise the potential for capital growth.
Cash-flow	Unlikely	A high yield is required. Also, low vacancy rates to maintain pressure on yields.
Low risk	Unlikely	A low vacancy is required to minimise loss of rental income. Also, a low proportion of renters is required so there is less competition amongst landlords for tenants.
Renovate and sell	Possibly	A low DOM is required so the renovated property can be sold quickly once complete to reduce holding costs. Since owner occupiers look after their properties better than renters, a predominantly owner-occupier market will reduce the chances of over-capitalisation. So, a low proportion of renters to owner-occupiers is also preferable. A high ACR can also help ensure the market is full of eager buyers and will be especially applicable if the renovated property is to be sold at auction.
Discounts or bargains	Unlikely	A high vendor discount is obviously required. Warning: <i>this is actually a negative characteristic for a market to have. This is a not a strategy you should ordinarily seek out suitable markets for.</i>
Off the plan	Possibly	A high DSR is required to allow capital growth to take place prior to settlement. A low SOM is also required to combat the effect of adding new stock to the market with the development. A low DOM may also help to allow a quick flip prior to settlement if desired.
Sub-divide	N/A	A high DSR is required to maximise the capital growth while sub-dividing. A high ACR will also help since it indicates a market with ready buyers for the new site which may have some uniqueness about it. A low SOM is also preferable to counter the effect of adding new stock to the market with the sub-division.
Develop	Possibly	A high DSR is required to maximise the capital growth while developing. A low SOM is also needed to reduce the impact of adding new stock to the market with the development. A low DOM may also help to quickly sell the completed product.
Using options	Possibly	A high DSR is required to maximise the capital growth prior to option expiry. A low DOM is required to quickly flip the property prior to option expiry.

Note that each individual property investment within a market can offer its own unique benefits and pitfalls that differ from those of the market in general.

Contact www.DSRdata.com.au or a DSR-approved buyer's agent to request a list of markets customised to a specific investment strategy and a specific investor's financial circumstance.

Recommendation

The table following highlights the recommendation for investment in HOMEBUSH units as at OCT-2016.

DSR less than 25	<p>The DSR advises investors not to buy in this market. There are much better markets elsewhere. Contact www.DSRdata.com.au for options.</p> <p>If you already own residential property in this market, you should seriously consider selling.</p>
DSR between 25 and 50 inclusive	<p>Don't invest in this market without firstly confirming strong fundamental drivers are yet to take effect. Preferably, wait till the DSR moves above the balance point of 50 or enter the market early accepting some risk and then exercise patience waiting for growth. There are better markets elsewhere. Contact www.DSRdata.com.au for options.</p> <p>If you already own property in this market with significant holding costs and there are inadequate or unlikely drivers of growth and if the DSR looks to be heading lower and if this is a regional market, then you should probably consider selling.</p>
DSR between 51 and 75 inclusive	<p>This is an acceptable market to invest in – more so if a suitable strategy is applied. If buying to hold, confirm that fundamental drivers are likely to increase demand and/or decrease supply further. Preferably, contact an experienced research firm to perform this. www.DSRdata.com.au can provide options.</p> <p>If you already own property in this market, there is no need to sell. However, you may like to keep your eye on the DSR over the next 6 months checking for any weakness in the market.</p>
DSR 75+	<p>If it can be verified that no contradictory fundamental drivers exist, then the investor can proceed with confidence to invest in this market.</p> <p>If you already own property in this market, selling now may rob you of some excellent capital growth in the not too distant future.</p>

Any recommendation needs to be firstly qualified by the accuracy of the data being analysed. The Statistical Reliability (SR) for the market assists with this. The following table highlights the SR applicable for HOMEBUSH units as at OCT-2016 and the strength of recommendation possible.

SR less than 50	The recommendation can't be relied upon.
SR from 50 to 62	The recommendation should be treated with some caution.
SR from 63 to 75	There is a more than acceptable level of confidence in the recommendation.
SR from 75 to 88	An accurate recommendation is possible.
SR of 89 or more	The recommendation is highly reliable.