

Top 50 Most Undervalued Postcodes

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Introduction with Louis Christopher



Welcome to SQM Research's most undervalued postcodes report, brought to you by Australian Property Investor Magazine (API). The team at API asked our team some time ago to put a report together on what we think would be potentially the most undervalued postcodes around Australia.

Undervalued of course is a notional term. Value is after all, in the eye of the beholder. However from a strictly non emotional, objective investment perspective, undervalued means that there may well be some mispricing in that particular market at this point in time and/or the chances of a positive rerating of the market in question sometime in the near future, is quite high.

So with this in mind we have considered what we regard as the key statistics in determining whether certain real estate locations could be undervalued and yet, may well outperform in the future.

Those key statistics have been focused on current pricing in each postcode compared to incomes in each postcode and the speed of which income is growing. The theory is this: SQM Research has for some time found a strong relationship between income growth and house price growth. In other words, the faster the income growth, the faster the capital growth.

So in these various lists, you will find all represented postcodes where the price to income is low and at the same time, income growth is growing faster than the national average. Please take time to read our methodology in full.

We advise you now though, this is only statistically based. We have not had any time to assess each postcode beyond the numbers and so substantially more research should be done before anyone goes and buys into a locality based on this guide.

As you will find in the table, the top postcodes at the national level appear to be mining and rural based. Indeed at the national level, no capital city postcodes made the top fifty. So in the interests of relevancy we created two more tables looking at postcodes that are capital city based.

Of course, having a large number of mining and rural towns included does highlight the risks associated with such quantitative based guides and historical data. Mining towns, while cheap do carry the risk that many of them entirely depend upon the world's demand for our commodities. If this demand were to collapse, then it is very likely that house prices in such towns could considerably fall.

Houses – All

Top 50 Most Undervalued Postcodes - Houses (All)			
Postcode	Suburb Name	Multiple	Annual Income Growth
6443	WIDGIEMOOLTHA	1.0	7.1%
3482	WATCHEM WEST	1.0	16.9%
7470	WILLIAMSFORD	1.2	9.1%
6442	KAMBALDA WEST	1.4	7.0%
7469	ZEEHAN	1.7	8.8%
3483	WHIRILY	1.8	4.2%
3533	TYRRELL DOWNS	1.8	7.3%
5521	REDHILL	1.9	10.0%
3490	TUTYE	2.0	5.9%
3701	THE CASCADE	2.1	4.4%
5723	COOBER PEDY	2.2	8.8%
6517	WINCHESTER	2.2	4.1%
5641	YALANDA	2.4	5.8%
2585	MCMAHONS REEF	2.5	7.9%
2659	WALLA WALLA	2.5	4.2%
6522	YARRAGADEF	2.5	8.3%
4470	CHARLEVILLE	2.5	5.3%
2835	TINDAREY	2.6	5.2%
3319	TALLAGEIRA	2.6	4.8%
5454	WASHPOOL	2.6	7.0%
6430	YILKARI	2.7	5.9%
3388	RUPANYUP	2.8	4.5%
5422	YATINA	2.8	5.0%
6432	VICTORY HEIGHTS	2.9	5.5%
2399	PALLAMALLAWA	2.9	4.3%
3293	NAREEB	2.9	4.3%
3595	YARRABY	3.0	7.1%
3311	PURALKA	3.1	5.0%
7214	UPPER ESK	3.1	5.0%
7265	WINNALEAH	3.1	4.7%
6485	WYALKATCHEM	3.1	4.4%
2341	WERRIS CREEK	3.1	6.4%
6225	WORSLEY	3.1	7.8%
3274	CARAMUT	3.2	4.7%
5481	WONGYARRA	3.2	4.7%
3480	SWANWATER WEST	3.2	4.7%
5710	TARCOOLA	3.2	6.3%
5725	ROXBY DOWNS	3.3	5.1%
6603	WONGAN HILLS	3.3	4.5%
2409	BOGGABILLA	3.3	5.6%
2823	TRANGIE	3.3	4.3%
4824	OORINDI	3.3	5.8%
6415	TANDEGIN	3.3	5.2%
3277	NARINGAL EAST	3.3	5.6%
2845	WALLERAWANG	3.4	6.1%
6390	TULLIS	3.5	13.4%
4465	DUNKELD	3.5	6.6%
5600	WHYALLA PLAYFORD	3.5	4.9%
5609	WHYALLA JENKINS	3.6	7.8%
6407	YOUNDEGIN	3.6	5.3%
Australian Average		7.0	4.1%

Source: SQM Research, ABS, Australia Post

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Houses – Capital Cities

Top 50 Most Undervalued Postcodes - Houses (Capital Cities)			
Postcode	Suburb Name	Multiple	Annual Income Growth
3809	OFFICER SOUTH	3.8	34.0%
3754	YAN YEAN SOUTH	3.9	23.7%
6112	WUNGONG	3.9	40.3%
5360	NAIN	4.0	40.7%
6170	WELLARD	4.0	43.6%
5126	YATALA VALE	4.1	31.1%
3004	PORT PHILLIP	4.1	23.1%
7019	ROKEBY	4.2	28.9%
4502	PETRIE	4.2	27.3%
4006	NEWSTEAD	4.4	28.3%
7020	SANDFORD	4.4	33.1%
6031	NEERABUP	4.4	38.4%
5252	NAIRNE	4.4	30.7%
7015	ROSE BAY	4.4	33.8%
3781	WRIGHTS	4.4	30.9%
5400	WASLEYS	4.5	31.5%
2558	KEARNS	4.5	25.8%
3158	UPWEY	4.5	33.0%
4504	NARANGBA	4.5	30.0%
5351	WILLIAMSTOWN	4.5	28.0%
5118	WOOLSHEDS	4.6	25.1%
4031	KEDRON	4.6	47.1%
7017	TEA TREE	4.6	23.7%
4036	BALD HILLS	4.6	36.7%
6164	YANGEBUP	4.6	43.4%
4070	PRIORS POCKET	4.6	25.6%
7008	NEW TOWN	4.7	30.8%
5115	MUNNO PARA WEST	4.7	25.1%
4075	SHERWOOD	4.7	33.5%
5352	VINE VALE	4.7	25.2%
5372	FREELING	4.7	26.2%
3810	TOOMUC VALLEY	4.7	23.4%
3212	POINT WILSON	4.7	22.3%
3205	SOUTH MELBOURNE	4.7	37.9%
3752	SOUTH MORANG	4.7	26.0%
2779	HAZELBROOK	4.7	23.0%
5158	WOODEND	4.7	27.7%
5159	WOODLEA	4.7	25.3%
841	DARWIN RIVER	4.7	49.8%
7021	RALPHS BAY	4.7	30.7%
4055	FERNY HILLS	4.7	31.9%
4074	WESTLAKE	4.7	28.5%
6055	WEST SWAN	4.7	37.9%
4127	SPRINGWOOD	4.8	25.2%
2778	WOODFORD	4.8	23.2%
5170	MASLIN BEACH	4.8	28.7%
5089	HIGHBURY	4.8	26.0%
7173	PRIMROSE SANDS	4.8	24.0%
3182	ST KILDA WEST	4.8	24.6%
4161	BURWOOD HEIGHTS	4.8	26.5%
Australian Average		7.0	4.1%

Source: SQM Research, ABS, Australia Post

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Units – All

Top 50 Most Undervalued Postcodes - Units (All)			
Postcode	Suburb Name	Multiple	Annual Income Growth
6609	XANTIPPE	0.7	7.7%
6442	KAMBALDA WEST	0.8	7.0%
5451	AUBURN	1.0	4.4%
3341	PENTLAND HILLS	1.0	5.7%
4403	WEST PRAIRIE	1.1	8.5%
5502	REEVES PLAINS	1.1	4.8%
2609	SYMONSTON	1.2	7.3%
2609	SYMONSTON	1.2	7.3%
5710	TARCOOLA	1.2	6.3%
7470	WILLIAMSFORD	1.3	9.1%
7209	TOOMS LAKE	1.3	6.5%
7252	WINDERMERE	1.3	4.9%
2353	MOONBI	1.3	7.1%
6409	YORKRAKINE	1.5	5.5%
3638	YIELIMA	1.5	4.3%
2831	WONGARBON	1.5	12.1%
6335	PALLINUP	1.5	6.7%
6407	YOUNDEGIN	1.6	5.3%
7113	FRANKLIN	1.6	7.6%
6401	WONGAMINE	1.7	4.4%
7173	PRIMROSE SANDS	1.8	4.4%
3658	WATERFORD PARK	1.8	4.3%
6432	VICTORY HEIGHTS	1.9	5.5%
3809	OFFICER SOUTH	1.9	6.0%
2586	TAYLORS FLAT	1.9	5.1%
2852	TWO MILE FLAT	2.0	7.7%
7277	ROSEVEARS	2.1	4.3%
2765	VINEYARD	2.1	4.5%
5555	WINULTA	2.1	7.3%
4818	YABULU	2.1	6.8%
6055	WEST SWAN	2.2	6.6%
3293	NAREEB	2.2	4.3%
2371	YELLOW DAM	2.2	4.6%
6430	YILKARI	2.2	5.9%
5600	WHYALLA PLAYFORD	2.2	4.9%
3756	WALLAN EAST	2.2	4.5%
5241	LOBETHAL	2.3	4.2%
5233	MILLBROOK	2.4	4.3%
6014	WEMBLEY	2.4	6.1%
2322	TOMAGO	2.4	4.3%
5152	STIRLING	2.4	6.9%
3311	PURALKA	2.4	5.0%
3697	TAWONGA	2.4	7.4%
6485	WYALKATCHEM	2.4	4.4%
2265	MARTINSVILLE	2.5	4.2%
4720	YAMALA	2.5	6.6%
6284	TREETON	2.5	5.4%
3754	YAN YEAN SOUTH	2.5	4.3%
3844	WILLUNG SOUTH	2.6	4.9%
3451	YAPEEN	2.6	4.9%
Australian Average		4.4	4.1%

Source: SQM Research, ABS, Australia Post

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Units – Capital Cities

Top 50 Most Undervalued Postcodes - Units (Capital Cities)			
Postcode	Suburb Name	Multiple	Annual Income Growth
5502	REEVES PLAINS	1.1	4.8%
7113	FRANKLIN	1.6	7.6%
7173	PRIMROSE SANDS	1.8	4.4%
3809	OFFICER SOUTH	1.9	6.0%
2765	VINEYARD	2.1	4.5%
6055	WEST SWAN	2.2	6.6%
5241	LOBETHAL	2.3	4.2%
5233	MILLBROOK	2.4	4.3%
6014	WEMBLEY	2.4	6.1%
5152	STIRLING	2.4	6.9%
3754	YAN YEAN SOUTH	2.5	4.3%
3145	MALVERN EAST	2.7	4.5%
6050	MOUNT LAWLEY	2.7	6.0%
5041	WESTBOURNE PARK	2.8	5.6%
7008	NEW TOWN	2.8	5.5%
5113	ELIZABETH WEST	2.8	4.1%
7184	WHITE BEACH	2.8	6.9%
6065	WANNEROO	2.8	7.2%
6012	MOSMAN PARK	2.9	6.7%
5118	WOOLSHEDS	2.9	4.6%
4073	SINNAMON PARK	2.9	5.4%
5159	WOODLEA	2.9	4.6%
4060	ST JOHNS WOOD	3.0	6.5%
6031	NEERABUP	3.0	6.7%
4035	CASHS CROSSING	3.0	4.8%
3004	PORT PHILLIP	3.0	4.2%
3191	SANDRINGHAM	3.0	4.6%
3975	LYNDHURST	3.0	5.4%
4128	TANAH MERAH	3.0	4.9%
5034	WAYVILLE	3.0	4.9%
5083	SEFTON PARK	3.0	5.8%
4031	KEDRON	3.1	8.0%
5352	VINE VALE	3.1	4.6%
6053	BAYSWATER	3.1	7.5%
4208	ORMEAU	3.1	5.7%
7017	TEA TREE	3.1	4.3%
6037	TWO ROCKS	3.1	6.9%
2226	JANNALI	3.2	5.2%
5068	TRINITY GARDENS	3.2	4.6%
3810	TOOMUC VALLEY	3.2	4.3%
5069	STEPNEY	3.2	4.6%
4011	HENDRA	3.2	5.5%
6016	MOUNT HAWTHORN	3.2	7.2%
7054	WELLINGTON PARK	3.2	5.4%
5044	SOMERTON PARK	3.2	5.5%
5089	HIGHBURY	3.2	4.7%
6023	GLENGARRY	3.2	5.9%
4051	WILSTON	3.2	6.9%
4500	WARNER	3.2	5.9%
6057	MAIDA VALE	3.2	6.7%
Australian Average		4.4	4.1%

Source: SQM Research, ABS, Australia Post

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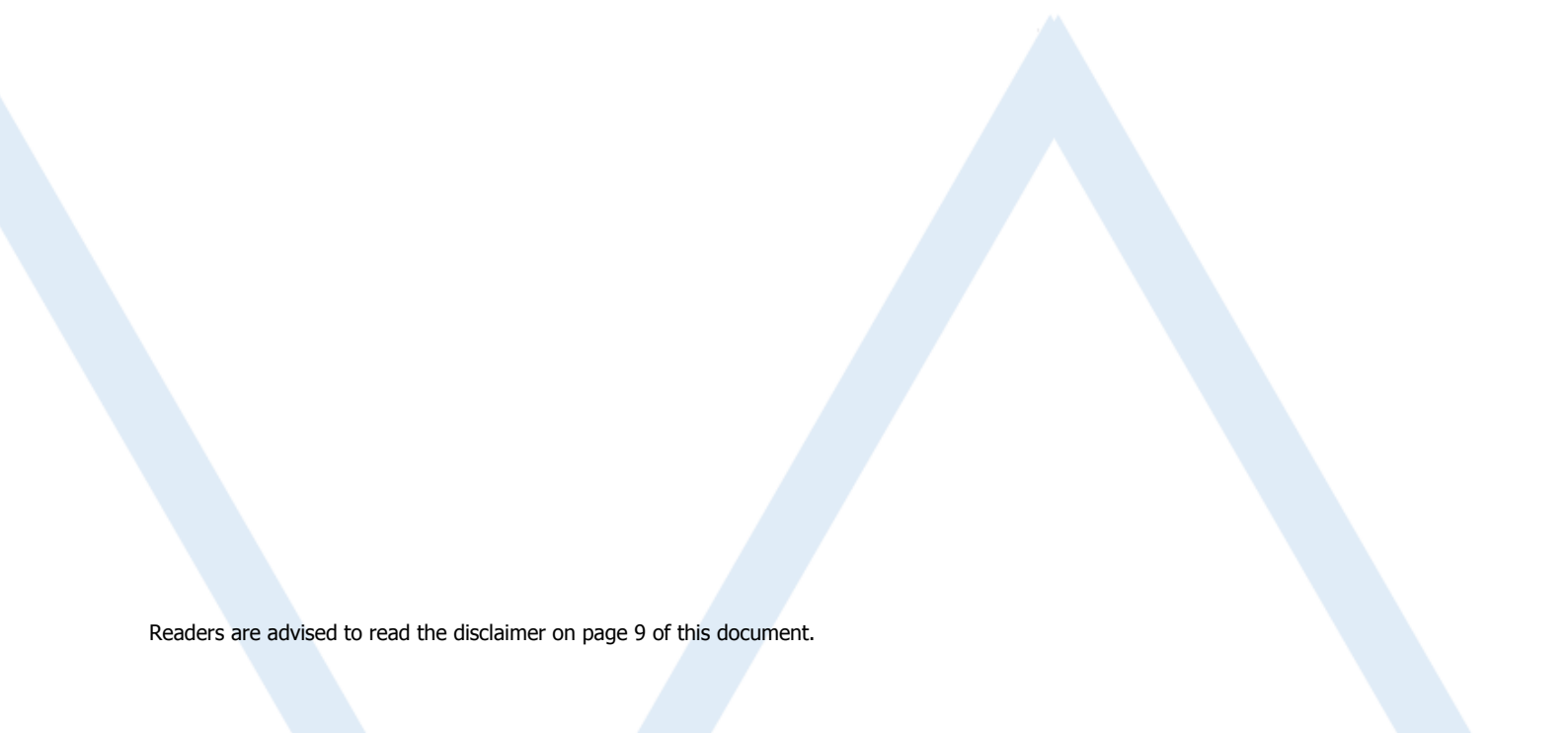
Methodology

The *Multiple* is calculated by dividing the Monthly Median Asking Price for each postcode at September 2012 by its Median Family Income (Weekly) times by 52.

Median Asking Prices are sourced from SQM Research. Asking Prices are based on all monitored listings from major real estate listing sites. Only those properties with unique addresses or with a unique listing id are used. Those advertisements with no addresses are excluded from the series. Any addresses repeated between sites are de-duped.

The Median Family Incomes (Weekly) are sourced from ABS's 2011 Census.

To derive the *Top 50 Most Undervalued Properties*, SQM Research has compiled a list of postcodes with the lowest multiples split by units and houses. In addition to this, SQM Research has screened out the following postcodes:

- Postcodes that reported statically unreliable Monthly Median Asking Prices between January 2012 and September 2012
 - Postcodes that experienced more than a 20% Growth in Asking Prices in any given month from January 2012 to September 2012
 - Postcodes that experienced more than a -20% Decline in Median Asking Prices in any given month from January 2012 to September 2012
 - Postcodes that experience less than a 22% (average across Australia) growth in Income between the 2006 and 2011 Census period
- 



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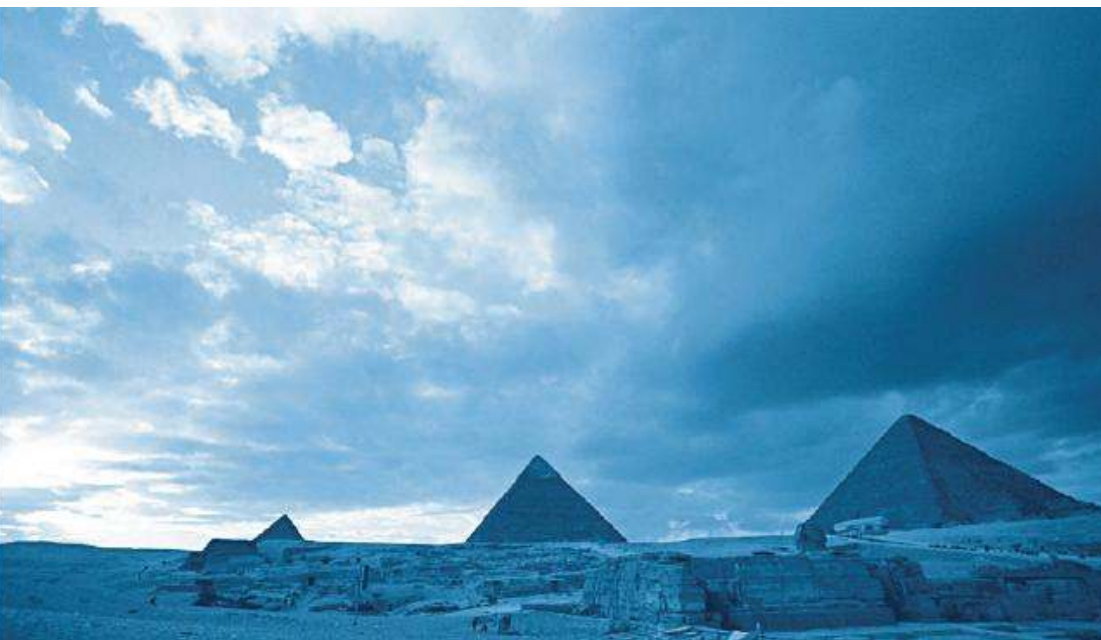
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SQM Research was founded, and continues to be run, by Australia's leading and most recognised property analyst, Louis Christopher.

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