

Country beats city on growth and yields

By Terry Ryder, 29th December 2012

Our consistent advocacy of regional Australia as a place of opportunity for property investors is supported by statistics published by *Smart Property Investor*.

They show that houses show better capital growth rates in the regions, when compared to the capital cities, in most states/territories. They also show that the regional areas, on average, have much stronger rental yields – and, of course, more affordable prices.

It's this win-win-win situation – lower prices, higher yields and superior capital growth – that underpins Hotspotting's strong belief that regional areas offer opportunities that many investors overlook (research indicates most investors think the big cities provide the best investment prospects).

New South Wales provides a prime example. The average capital growth rate for Sydney over the past decade has been 6.4% per year for houses. Regional NSW has averaged 8.7% per year.

With apartments, Sydney has averaged 4.3% per year and regional NSW 7.5%.

(This is why our Top 10 NSW Hotspots report has seven regional locations and only three in Sydney – [click here](#) for the NSW Hotspots report.)

Typical rental yields, according to these figures, are 1 percentage point higher in regional NSW for houses and 0.5 percentage points higher for apartments.

Regional Victoria has out-performed Melbourne over the past decade – with capital growth of 8.6% versus 8.0% per year for houses, and 8.5% versus 6.4% for units. The yield differential in favour of the regions is 1.3 percentage points for houses and 0.7 percentage points for units.

Queensland and the Northern Territory are the only jurisdictions where capital growth rates are (slightly) higher in the capital city than the regional areas. But typical rental yields strongly favour the regions in both cases.

This is despite the fact that regional averages are dragged down by the poor performance of many small struggling rural towns, especially those that have been affected by drought. The strongest of the regional centres – such as Gladstone in Queensland, Port Hedland in Western Australia and Mudgee in NSW – have all out-shone their capital cities by considerable margins.

To illustrate how much the difference matters, an investment of \$500,000 growing at 8.7% per year (the NSW regional growth rate for houses) provides capital growth that is \$243,000 more than \$500,000 growing at 6.4% per year (the Sydney growth rate).

And you're getting an average 5.4% rental yield in the regions, versus 4.4% in the city.

<http://www.hotspotting.com.au/article/2428-country-beats-city-on-growth-and-yields>