

DUE DILIGENCE- WHAT TO AVOID

Important things to be aware of and avoid
when searching for properties

IMPORTANT THINGS TO BE AWARE OF AND AVOID

AVOID:

1. Single driver economy like mining, agriculture (Perth & WA mining boom and bust) or old outdated or unfavourable industry like Coal Power Plants in the La Trobe Valley Vic

EG. PERTH MINING BOOM AND BUST

- Mining industry soared- High job growth, high rents, higher property prices all surrounding the mining- based growth in the local economy
- Until, the mining industry took a big hit and it all came crashing down.

EG. PERTH MINING BOOM AND BUST

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Australia World AU politics Environment Football Indigenous Australia Immigration Media Business Science Tech

Western Australia



Calla Wahlquist

🐦 @callapilla

Fri 12 May 2017 12:44 AEST



'They've lost the lot': how the Australian mining boom blew up in property owners' faces



EG. PERTH MINING BOOM AND BUST

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How WA went from boom to bust

Posted 8 Aug 2018, 3:24pm

During the mining boom, WA's fortunes were flying high, but then it all came crashing down. Here's how things went so wrong for the state's economy.

Source: [ABC News](#) | Duration: 1min 51sec

Home repossessions and calls to financial counsellors soared in Western Australia as prices crashed. Does the state's property downturn serve as a lesson to rest of the nation of what happens when a property bubble bursts?

The calls to financial counsellors began about 18 months ago. Middle-aged, middle-class homeowners in [Western Australia](#) who had shifted their retirement nest egg from superannuation to property were suddenly unable to pay their mortgage.

It typically started with an investment property, often in the Pilbara mining towns of Karratha, Port Hedland and Newman. Purchased for \$750,000 in 2012, when the market was near its peak, the property was now worth \$300,000 and falling. The rental return, which had been \$1,600 a week, had fallen to \$370. Not enough to cover repayments.

EG. COAL POWER PLANTS – VIC

La Trobe Valley Vic - 3 rural townships affected when Hazelwood Power Station was shut down...Moe & Morwell & Traralgon



EG. COAL POWER PLANTS – VIC

Latrobe Valley residents look to move as Hazelwood power plant closure looms

A SMALL and tranquil area in Victoria could soon be deserted, leaving behind a once-thriving community that is a shadow of its former self.

 **news**
com.au MARCH 14, 2017 5:33PM



EG. COAL POWER PLANTS – VIC

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'Zero' chance Hazelwood power station will ever reopen, one year on from its closure

ABC Gippsland By [Robert French](#)

Posted 16 Mar 2018, 11:14am



PHOTO: [The Hazelwood owner, Engie, says the power station will be fully decommissioned by May 2018.](#)
(ABC News: James Manolis)


Hazelwood Power Station owner Engie has ruled out any possibility of the station ever reopening after power was cut to the site.

RELATED STORY: [Everything you need to know about the Hazelwood shutdown](#)

RELATED STORY: [Where are the Hazelwood power station workers?](#)

EG. COAL POWER PLANTS – VIC

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Morwell, a town in the Latrobe Valley, could be abandoned after the Hazelwood power plant is closed. Picture: Mark Stewart *Source: News Corp Australia*

A SMALL and tranquil area in Victoria could be left deserted, with residents coming up with plans to flee.

The Latrobe Valley in eastern Victoria has been described as the perfect place to live, with houses nestled between rolling green hills. But there are fears this part of Gippsland will become a series of ghost towns, as the closure of the Hazelwood power plant looms.

Some residents feel they have no choice but to pack up and leave.

The once settled and happy families are now suffering from sleepless nights and are nervous about what their futures hold.

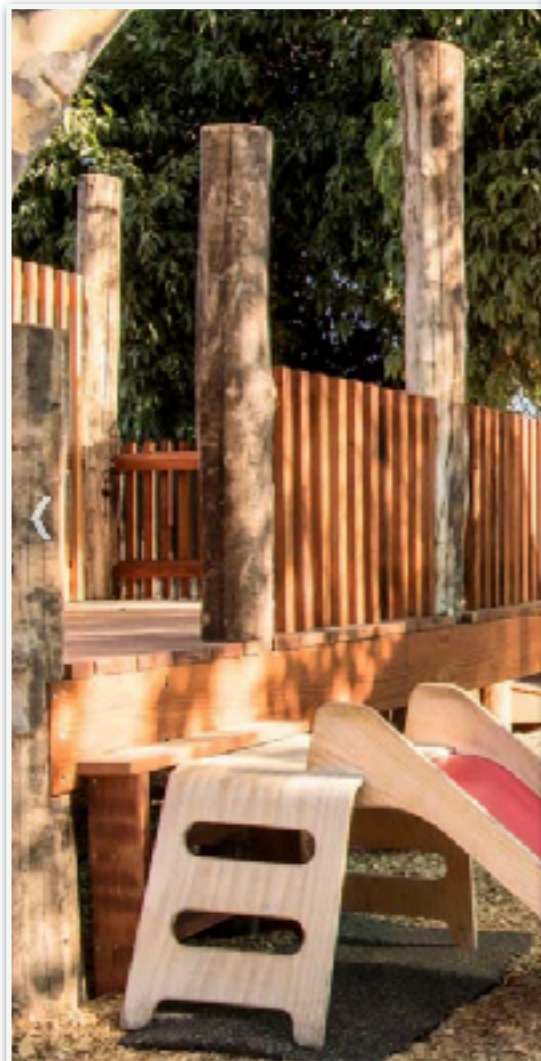
In the Latrobe Valley, almost 1000 people are staring down the barrel of unemployment as the power plant prepares to shut at the end of this month. It was announced in November it was “no longer economic to operate” the brown coal-fired power plant.

Aerial view of the Hazelwood power station near Morwell in 2014. JASON SOUTH

IMPORTANT THINGS TO BE AWARE OF AND AVOID

AVOID:

2. Specialist properties like Childcare and Petrol stations... these are difficult to convert to other use down the track when the tenant leaves.



IMPORTANT THINGS TO BE AWARE OF AND AVOID

AVOID:

3. Properties that are in a building with high vacancies
 4. Properties that are in a major shopping centre or strip street shopping with high vacancies
- Typically avoid anything with a vacancy rate of 10% or more

IMPORTANT THINGS TO BE AWARE OF AND AVOID

AVOID:

5. Properties near a major shopping complex development coming up.

- EG. Case study- where there was an interesting retail property in Bendigo Vic-
- It was a jewellery shop in a shopping complex, that was selling at a 10% yield...
-but on further investigation, most of the shops were relocating to a new shopping complex.... So the foot traffic to these existing shops was dying out.

IMPORTANT THINGS TO BE AWARE OF AND AVOID

AVOID:

6. Do NOT buy off the plan retail commercial under a residential building development... as it can have a long vacancy period



RE TENANCY PERIODS

Consider The Period Required To Re-Tenant A Premise

- Have you budgeted for a re-tenancy period?
- If it is metro and a popular area - 3 months
- If fringe or regional - 6 months up to 12 months
- If mining/ large industrial in fringe areas (e.g warehouses above 400 sqm) up to 12 months
- Some things in metro can be re-tenanted with a month or a couple of weeks and regional properties can take 1-3 months to re tenant... but it's better to give yourself a longer time buffer than not
- Also just weigh up risk and reward. Is 12% worth a mining town if you may get 12 month vacancy?