Australian Property Investor
JULY 2014
FOR HOMEBUYERS, INVESTORS & PROPERTY PROFESSIONALS

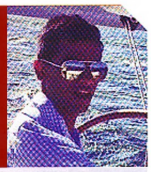
Investor Snapshot

Nikhil Sreedhar is building his investment portfolio with an even-keeled strategy.

The 22-year-old was only 19 when he went shopping for his first property.

He worked for an accountancy firm at the time and had learnt "heaps about negative gearing and tax depreciation". Armed with this knowledge he was clear minded about what he wanted and why. In November 2010 he bought a solid two-bedroom apartment in a red brick block of eight in the western Sydney suburb of Auburn for $226,000, which he describes as "quite yucky looking" but with stellar financial credentials.

Name: Nikhil Sreedhar
Lives: Sydney
Invests: Auburn, Sydney
Properties: 1
Strategy: Buy and hold



It was earning $310 a week rent, which has since risen to $330, producing a 7.5 per cent yield. It was recently valued at $300,000 to $320,000 – growth of more than 40 per cent in three and a half years.

"I was only interested in properties with neutral to positive cash flow in areas I knew were growing in rental demand," he says. "I said to the selling agents, 'I'm not interested in anything wishy-washy, just show me properties with low ongoing maintenance costs, two stations from Strathfield, which is only 15 minutes in any direction from a major business centre, show me their rental earnings and hand me a calculator'."

> "I realised that buying a property in Sydney is virtually unattainable for many young families and I didn't want the future me to be in that position."

Nikhil bought the property with a 100 per cent loan that also included his stamp duty costs.

His long-term plan is to build enough equity via investment properties to buy a "real" home later in life. "I realised that buying a property in Sydney is virtually unattainable for many young families and I didn't want the future me to be in that position."

His future strategy is to pay down enough of the loan to make the property cash flow positive by about $10,000 to $15,000 per year.

It's currently producing about $5000 cash flow each year, meaning he hopes to start hunting for his next, slightly negative cash flow producing, rental home this year.

"It means I'll be able to finance a more upmarket property and yet my net cash flow will still be zero, or very little, as my first property will take care of my second property and this strategy can be employed every couple of years as my property portfolio will virtually take care of itself," he explains.

something touching $300 per week in rent, so that will be touching five per cent (rental yield) too."

// HIGHTON AND BELMONT, GEELONG

Bakos says parts of Victoria's second biggest city, Geelong, contain investment properties that will produce a balanced mix of long-term capital gain and robust rental income.

Despite the imminent closures of Alcoa and Ford's Geelong bases, Deakin University, Geelong Hospital, local government and tourism will continue to drive demand for quality rental homes in the inner suburbs.

"I wouldn't suggest all suburbs but parts of Geelong, particularly Highton and Belmont, three kilometres southwest and south of the city centre respectively, both offer good unit and townhouse stock and are achieving 5.5 per cent yields," she says, citing an early 2014 sale of a three-bedroom 1980s house on 670 square metres on that suburb's shared boundary, which sold for $245,000.

A comparable house nearby earns $320 per week in rent.

// BALLARAT AND BENDIGO, VIC

Director of Property Mavens, Miriam Sandkuhler, advises anyone considering set and forget investment ensures it meets their personal risk profile and strategy, given it will sit passively long-term to grow in value while also needing

to generate sufficient income to hold it.

"Assuming you have a small budget, below $300,000, and you want to buy for passive long-term investment I would buy in large regional centres with a minimum of 100,000 population and strong growth drivers," Sandkuhler says.

"As with anywhere, some suburbs are better than others."

In Ballarat, for example, Sandkuhler says it's possible to spend $200,000 on a two-bedroom home in a suburb several kilometres from the CBD and get six per cent to seven per cent rental return with little chance of strong capital growth, because of proximity to fringe housing estates.

"Alternatively, you could spend $280,000 closer to the city centre with a five to six per cent return, but more likelihood of long-term capital value growth due to inherent scarcity," she says.

// LUTWYCHE, BRISBANE

Lutwyche in Brisbane's inner north ticks all the boxes for good balanced property prospects, according to director of MRD Partners Nick Lockhart.

Just five kilometres north of the Brisbane CBD, right in the heart of the in-demand inner gentrification ring where lifestyle and proximity to the city are driving demand, Lockhart puts it on the top of his list of set and forget hotspots this year.

"It's also been formally designated as a growth node by Brisbane City Council, with an increase in density expected," he says.

"Gross yield is about 4.1 per cent up to 4.7 per cent for new two-bedroom apartments under $450,000.

"That's a decent yield but you can expect increases in capital growth and yield over time."

Lutwyche is positioned at the heart of the $4.8 billion combined Northern Busway/AirportlinkM7 tunnel project, Australia's largest road construction project in history.

"Housing is currently quite low density, with the upcoming increase in density expected to deliver infill apartment projects and opportunities for investment," he says.

"Lutwyche is a low-risk, steady performer in the mid to long-term, driven by infrastructure and transport options, shopping and schools and proximity to the CBD."

// MANGO HILL/NORTH LAKES, BRISBANE

These neighbouring north Brisbane suburbs lie between the eastern Redcliffe peninsula and the heart of the city, 25 kilometres to the south.

Lockhart likes the fact the area is going to be energised by the 2016 completion of the Moreton Bay Rail Link, a $1.1 billion six-station train service that will connect the peninsula with the CBD.

"It's currently very affordable – with houses available under $450,000 – and an average yield of 4.5 per cent," he says.

The region is already very popular with families and is extremely well serviced by schools and local shopping, according to Lockhart.

"But watch it grow as the rail link nears completion and development along the train line really kicks off – the expansion of Westfield North Lakes, the new IKEA and Queensland's first Costco store." API

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