

# OPEN FOR INSPECTION

It's all about the potential in this month's options, as four buyers' agents mull over the pros and cons of two very different houses. **ANGELA YOUNG**

**F**rom Western Australia to Victoria, and everywhere else between, there are property experts traipsing the streets absorbing facts and figures, trends and tastes, generally learning what makes a property market tick. These guys are a mine of knowledge and advice when it comes to making a decision on purchasing a property, so who better to ask about the West Australian and Victorian properties we've picked for this month's Open for Inspection? We show them the particulars, probe them for answers, and then pose the biggie – would they talk to the agent some more, or would they walk away?

## QUEENS PARK, WA FROM \$459,000

3 1 2



Bordering Cannington and Bentley, there's plenty happening around Queens Park, and this three-bedroom house is sat right in the heart of a developing street with R17.5/R30 zoning. The 778-square-metre block is home to a fibro and tile construction, with Jarrah floorboards, a bonus sleep-out and side access, and sits 1.2 kilometres from the train station and 2.8 kilometres from the nearest shopping centre.

### RAY CHUA

Property wealth consultant,  
Momentum Wealth  
Verdict: **WALK**



### BEN LAMERS

Partner, Hegney  
Property Group  
Verdict: **TALK**



### ■ WHAT WOULD BE THE APPROXIMATE RENTAL RETURN PER WEEK?

**RC:** The rent return as indicated (of approximately \$300 per week) looks right. With a little work, though, it may achieve low- to mid-\$300s per week.

**BL:** In this current market the property is likely to achieve between \$330 and \$350 per week. At \$340 per week, based on an asking price of \$459,000, this represents a 3.85 per cent

gross initial yield, which is low but reflects the diminished economic and functional utility of the improvements. The house is old and rundown and would benefit from some upfront expenditure.

### ■ HOW HAS THE MARKET BEEN PERFORMING IN THIS AREA?

**RC:** The market in Queens Park has generally outperformed the Perth metropolitan averages in the shorter- and longer-term median price growth trends by two or three per cent per annum. The median price is lower than the Perth metro median price, making it more affordable, while being close to the city.

**BL:** Overall, the suburb should continue to deliver steady long-term growth although we'd expect growth rates to be limited in the current market.

### ■ WHAT ARE ITS PROS AS AN INVESTMENT PROPERTY?

**RC:** The property has a split zoning code suitable for subdivision and, as an added benefit, the existing house could be retained while subdividing the backyard into a new title. The block's also relatively flat and a regular shape, which makes it easier to build on.

**BL:** At this low price (almost \$100,000 under the Perth metro area median price) it offers an affordable entry-level investment, with subdivision potential. It's relatively close to the city, within close proximity of the rail line and major access roads and there's also a good private school close by. It's close to the Welshpool industrial area, too, which offers good employment prospects and therefore long-term rental opportunities. The land also appears to be level.

### ■ WHAT ARE ITS CONS AS AN INVESTMENT PROPERTY?

**RC:** The house has asbestos walls, which can make it a little more costly to renovate or alter. Furthermore, there's no carport, there are many trees that need lopping and stump grinding, work needs doing to bring the house to a more desirable state, there are no built-in robes and it's small for rental purposes. It's also under the flight path and has a high concentration of state housing close by. The south-facing

yard wouldn't have as much natural light as a north-facing yard, either.

**BL:** In terms of the location, there's a considerable amount of social housing in the immediate area and it sits under the main runway from Perth Airport, which is about four kilometres away. With the massive expansion of the airport currently under way and more runways planned for the future, the area won't get any quieter. These factors are likely to limit the property's capital growth potential in the long term. In terms of the house itself, the improvements add little in the way of holding income and would require substantial renovations, which would be difficult to recoup. Enquiries with the local council also indicate that it's in a Guided Scheme Development Area, which incurs a fee of five per cent of the land value prior to any subdivision.

### ■ WHAT'S THE MARKET OUTLOOK FOR THIS SUBURB?

**RC:** The outlook for this suburb is very good given its proximity to the Perth city centre and airports, as well as its relatively affordable price point. There are only 2.5 per cent of properties currently for sale in Queens Park, which indicates limited supply. The City of Canning also has rejuvenation plans for the area and its surrounds. However, not all properties will perform equally in the suburb due to the house quality, development potential, streetscape, neighbours and airport flight noise.

### ■ WHAT SORT OF INVESTOR WOULD THIS PROPERTY MOST SUIT?

**RC:** An investor looking to retain and subdivide or build sooner rather than later to sell for profit. The state housing cluster nearby and being under the flight path isn't as good for long-term growth as another pocket of the suburb.

**BL:** An investor looking to hold the property (and prepared to spend some money upfront to improve the rental appeal), then develop when the time is right. The current zoning and lot size would allow a duplex development and although retain-and-build may be possible, if the current house was retained, this would diminish the value of the rear improvements. You'd be better off knocking it down and starting again.

### ■ WHAT ADDITIONAL QUESTIONS WOULD YOU ASK THE AGENT?

**RC:** I'd be asking: "Does sewerage pass by the property and is the house currently connected?" – this affects the ability to use higher split zoning. Also, "How much do you expect to realistically sell a vacant rear lot for, and a subdivided older, renovated front duplex house?" – as these numbers may assist in project feasibility – and "Why are the owners selling?" as it may give clues to negotiating a better deal.

**BL:** Questions to help gauge the market for a duplex-style development in the area, both in terms of rental appeal and potential buyers. For example, who'd be the typical buyer or tenant for the end product? I'd also be confirming whether all the current improvements are council approved – you wouldn't want to find out later there are structures that haven't been approved.

### ■ AT ITS PRICE POINT, WOULD YOU 'TALK' TO THE AGENT FURTHER OR 'WALK' AWAY?

**RC:** For an investor looking to buy and hold a property for longer-term growth, I'd walk, due to higher ongoing maintenance and potential tenancy and neighbourhood issues.

**BL:** I would talk – the property's been on the market for a few months now so there's likely to be some room to negotiate on price. While it has some limitations, it does offer development potential at an entry-level price point. For a small developer who's done the sums and understands the market, there's potentially scope to make some money from this type of investment.

## BRUNSWICK, VICTORIA \$590,000 TO \$640,000

2 1



Brunswick as an area continues to grow and gentrify, with strong growth and good potential. This characterful two-bedroom terrace has been tastefully renovated and offers an entertaining area in the courtyard at the back. The bathroom,



“The improvement of local schools has helped make this an attractive place for professionals seeking to establish a family.”

PAUL OSBORNE

however, is at the rear, off the kitchen. Sitting in a quiet street, the area has seen growing levels of apartment developments in recent times.



**MIRIAM SANDKUHLER**  
Principal,  
Property Mavens  
Verdict: **WALK**



**PAUL OSBORNE**  
Founder, Secret  
Agent Buyers'  
Advocates  
Verdict: **TALK**

#### ■ WHAT WOULD BE THE APPROXIMATE RENTAL RETURN PER WEEK?

**MS:** A property like this would rent for between \$450 and \$500 per week as interest from tenants looking for houses versus apartments is strong in the suburb and supply and vacancy rates for renovated houses is low. The position of the bathroom at the end of the house isn't great, which is why rental return may be a little limited. The agents' quoted price range is \$590,000 to \$640,000 but in reality it could sell for anywhere between high \$600,000s and low \$700,000s. Buyers can never plan for an emotional buyer prepared to overpay and the recent drop in interest rates means some buyers may now be jumping up a level in their budget by \$50,000 to \$100,000.

**PO:** The property would rent for approximately \$450 per week. It would produce a rate of return less than an apartment.

#### ■ HOW HAS THE MARKET BEEN PERFORMING IN THIS AREA?

**MS:** Brunswick East has performed well for property investors over the past few years by showing a capital gain of 18.77 per cent over the past year, with 18.25 per cent three-year growth. Average annual growth over five years

has been 7.71 per cent\*, which is good but not spectacular. At a purchase price of low \$640K-\$700K, it's below the median price of a two-bed house in the suburb (\$730,000\*). The suburb is also currently performing strongly from a rental perspective for houses compared to the high supply of apartments available for lease. Buying demand just outweighs supply in this suburb for houses, which means it can limit growth moving forward. There's currently a good selection of stock on the market, so buyers are being selective. (\* Based on 52 house sales from March 1, 2014 to March 2, 2015. CoreLogic RP Data.)

**PO:** Strong. Brunswick continues to gentrify and shows great value when compared to suburbs on its border. Most single-fronted sales are now pushing past \$800K as the improvement of local schools has helped make this an attractive place for professionals seeking to establish a family. Property buyers priced out of nearby Carlton, Fitzroy and Parkville are now pushing into the area, helping drive up values.

#### ■ WHAT ARE ITS PROS AS AN INVESTMENT PROPERTY?

**MS:** It's renovated, has high land value, is a low maintenance property and has a courtyard, and it's close to the tramline and Merri Creek trails. It also has good tenant appeal – it would suit a professional couple or two singles sharing.

**PO:** This is one of the key remaining locations this close to the CBD (seven kilometres) with a single-fronted terrace under \$700K. The limited supply of Victorians, and Melburnians' infatuation with them, make them hard to beat. The property is compact, gets some access to northern sun and is close to a tram, all of which helps with tenant retention.

#### ■ WHAT ARE ITS CONS AS AN INVESTMENT PROPERTY?

**MS:** The property is compromised. From a resale perspective it doesn't have great street appeal and is a longer walk to the train line. I don't like the layout of the floor plan, either, as the living area doesn't open onto the courtyard. Given the location of Brunswick Private Hospital nearby, street parking could become difficult, too. The nearby main roads of Holmes Street and Moreland Road are primed for redevelopment. In time this could mean low- to mid-rise apartment development, which could cause overshadowing.

**PO:** These buildings have been standing for well over 100 years, which means maintenance requests can be common throughout ownership of the property. The floor plan also lets itself down somewhat.

#### ■ WHAT'S THE MARKET OUTLOOK FOR THIS SUBURB?

**MS:** This isn't a blue-chip suburb but it does have good proximity to the CBD and neighbouring suburbs, with good lifestyle amenities such as [eateries], shopping and theatres nearby. There is, however, a high level of investor ownership in the suburb, which could result in capital growth being restricted over time given that a large amount of stock could be divested back into the market. It can also cause challenges when leasing the property – other investors may be prepared to drop their rent to secure a tenant.

**PO:** Expectations for the area are that it'll only get better. Quality cafes and restaurants are sprouting up, which add to its appeal. The location's rich in transport, has Melbourne University and the city's largest hospitals close by, and has seen the strength of its public schools improve substantially.

#### ■ WHAT SORT OF INVESTOR WOULD THIS PROPERTY MOST SUIT?

**MS:** First-time investors or a first homeowner looking to get into the suburb at an affordable entry point who doesn't want to buy an apartment. If it sold for \$675,000 at auction and earned \$500 per week rent, the yield would be 3.85 per cent – a respectable yield to hold a capital growth asset that's likely to be negatively geared. It would also suit homeowner buyers priced out of neighbouring Carlton or Brunswick. Renters in the area may also consider buying it if they had at least a 20 per cent deposit plus costs, because the interest-only repayments would be the equivalent of the rent the property could earn.

**PO:** This would suit an investor that wants an entry-point property that doesn't come with the potential oversupply baggage of Melbourne apartments. This wouldn't be one for the investor seeking neutral or positive cash flow as the rents will be much softer than the apartments. On the positive side is the prospect of retaining long-term tenants.

#### ■ WHAT ADDITIONAL QUESTIONS WOULD YOU ASK THE AGENT?

**MS:** I'd get a sense of how much interest there's been in the property to date and what, if any, activity there'd been about the issuing of contracts or building inspections.

**PO:** How many contracts have been sent out to prospective parties and what comparable sales are the vendors basing their reserve expectations on?

#### ■ AT ITS PRICE POINT, WOULD YOU 'TALK' TO THE AGENT FURTHER OR 'WALK' AWAY?

**MS:** With supply just outweighing demand and given the high number of investors in the suburb already, I see an impact on capital growth into the future. In this instance I would walk as there are too many cons – I believe I could do better with a budget of \$650K-\$700K elsewhere.

**PO:** Talk. In the present market I think this could be an attractive option if purchased at the right price. It'd be worth devising a strategy to get the desired result on auction day. **API**

#### PROPERTY UPDATE

Here's an update of properties previously analysed in Open for Inspection

Issue	Suburb	State	Expert 1	Expert 2	Status	Price point
Feb-15	Blackburn	Vic	Walk	Talk	Under contract	Above range
Feb-15	Geebung	Qld	Talk	Talk	Under contract	Within range
Apr-15	Penrith	NSW	Walk	Talk	Sold	Above range
Apr-15	Burnside	SA	Talk	Talk	Still listed	Price reduced

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