



IS IT WEDDING TIME FOR WEST FOOTSCRAY?

Will this bridesmaid suburb steal the show in Melbourne's west in 2015?

API investigates. CAROLINE JAMES

Even if you've never been to Victoria's capital city you'll have heard of Footscray.

Proudly working class and multicultural, home to AFL stalwarts the Western Bulldogs, it's only a punt-kick from the CBD.

And with its gritty urban vibe, yet transforming property market, it deservedly commands some of the best west-metro headlines. But what about its even-more 'westie' neighbour?

Bordered by Suffolk Street to the north, Ashley Street to the west, Summerhill and Warleigh roads to the east and the Princes Highway to the south, West Footscray is a suburb of the City of Maribyrnong. It was home to more than 10,000 people in 2011, according to the Australian Census.

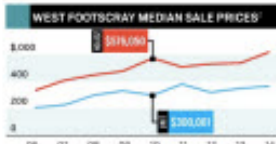
West Footscray stands out as the western suburb to watch this year, agree some property market observers contacted by API.

However, others are unconvinced, believing postcode 3012 still has a bit of catching up to do before it can match its suburban ancestor, postcode 3011.

"Gentrification is occurring," agrees Greville Pabst, CEO of WBP Property Group.

"However, in my view, values are now approaching a level where astute buyers

ALL ABOUT WEST FOOTSCRAY			
	House	Unit	
Median price Nov 14	\$566,250	\$305,500	
12-month growth	11.5%	-17.4%	
Median rent Nov 14	\$303	\$260	
Rent growth Nov 14 (10Y)	6.9%	7.7%	
Gross rental yield 14	3.5%	4.9%	
Properties sold Nov 14	183	77	
Properties sold Nov 13	174	100	
Average vendor discount Jan 15	-1.4%	-0.0%	
Average vendor discount Jan 14	-2.2%	0.0%	



need to ask themselves whether there's better value in some of Melbourne's northern or southeastern suburbs."

Tony Kelly, Melbourne managing director of valuation company Herron Todd White, says that West Footscray is still the understudy to its more popular neighbour.

"Things are changing but West Footscray is still a secondary property market compared to Footscray," he says.

IS CHANGE AFOOT?

But some say change has already arrived and the rivals are now on par.

West Footscray's median house price of \$620,000 is still lower than its immediate eastern neighbour, which was \$642,500 at the end of 2014 based on CoreLogic RP Data figures, although data also shows this price gap reducing over the past 12 months. Unit prices for the pair present a bigger median price difference – \$350,000 compared to \$290 versus \$320.

So, it's fair to say Footscray and its bridesmaid suburbs are virtually on equal footing in the bricks and mortar investment stakes, and equally deserving of investor attention, according to independent buyers' agent Cate Bakos.

The area's longstanding "seedy" stigma is fading and serious buyers should be taking note.

Less than 10 kilometres from Melbourne's centre, and within walking distance of Western Private Hospital and Victoria University, West Footscray is unique – it still has three-bedroom period homes under \$700,000.

Bakos, who runs Cate Bakos Property in Melbourne, reports attending the auction of a three-bedroom partially renovated house late last year in Clive Street (viewed by local agents as one of the suburb's most desirable streets), which sold for \$874,000 under stiff competition from more than six bidders.

It was the second-highest sale price result for the year, beaten only by the sale of a four-bedroom renovated period house in the same street, which sold for \$935,000 at auction in November. Bakos says the result "surprised everyone".

"This is the second highest sale result in the suburb for the year and I was surprised, despite the momentum in the area at the moment," she says.

"Local agents who attended the auction commented on the extraordinary result and largely attributed it to 'the Christmas rush' – a widely recognised buyer-fuelled run-up to the last auction weekend of the year.

"This house was no exception. Its attributes included a great, wide street, arguably one of West Footscray's best streets, a fabulously large block and a cute front façade. However, the detractions included a semi-renovated house, only three bedrooms, the fact a kitchen upgrade is still required and a bit of a building report issues to be rectified.

"Myself and another advocate in attendance were united on where we initially believed the sale price would result but, as they say, a house is worth what people are prepared to pay for it..."

SPOILT FOR CHOICE

Bakos views West Footscray as "intriguing" because it's also home to some of Melbourne's inner suburbs' cheapest units.

In November last year a one-bedroom, one-bathroom unit sold for just \$171,000 in Barkly Street, a three-minute walk to Tottenham Railway Station.

That means the suburb's most expensive real estate and its most affordable are barely 300 metres apart.

"It's intriguing because not only is it within a 10-kilometre distance of the CBD but it's also spoilt with two train stations (both of which have been revamped with the recent western rail link works)," Bakos says.

"It's fair to say that West Footscray house prices have exploded because the suburb is a cheaper alternative to nearby

Yarraville and Seddon, and it's well known for its larger house blocks and Californian bungalow and Edwardian-era houses.

"Families love the area and getting around is relatively easy, with Geelong Road, the Westgate Freeway and the Ring Road all pretty close by.

"And returns for dated apartments are quite high by Melbourne standards. I've been able to achieve five per cent gross rental returns for investor clients at times in this area."

Bakos points to the café culture emerging on Barkly Street as evidence the patch is gentrifying and this new lease of life is having a positive impact on local property prices.

Local haunts Gusto at Barkly, Ebi Fine Food and newbie Brother Nancy are highlights, she says.

"Many new players and great cafés and restaurants spoil the locals, and Indian food-lovers have singled out Barkly Street as home to some of Melbourne's best curry dishes."

Prama Rodrigo of Tomorrow Financial Solutions also believes the next 12 months are ripe with opportunity to secure a still-undervalued slice of the West Footscray property pie that will ultimately fatten the investor's bank balance.

The chief executive officer has previously lived in the once seedy inner-city suburb, which he strongly believes is "experiencing a metamorphosis."

"I know it's very much undervalued," Rodrigo says. "Population growth, government spending, redevelopment and planned gentrification are some of the growth drivers that will see West Footscray become a property hotspot in 2015.

"Eight kilometres from the city and with a great network of public transport options, West Footscray is as convenient as it gets. Add the affordability factor and planned government spending to the equation and what you have is a hidden gem, which many are yet to discover."

According to Rodrigo, West Footscray's location close to the CBD and multiple public rail and bus transport links make it well positioned to provide more diverse and accessible jobs and services to residents in coming years.

"This means more people will continue to move into the area resulting

WEST FOOTSCRAY FACT SHEET

West Footscray has a mixed supply to demand situation. There are adequate rental properties available to tenants, however there is an oversupply of for-sale listings. Discounting has been muted. Incomes in Footscray are growing slightly slower than the Victoria average. The proportion of renters to owner-occupiers is above average for Victoria. Rental vacancy rates are a moderate 3.1 per cent. Stock for sale levels are up by 2.2 per cent year on year.

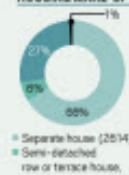
Source: API Research, www.apiresearch.com.au, prepared to January 2015.

OCCUPANT TYPE*



Owner-occupiers
Mortgage holders
Renters

HOUSING MAKE-UP*



Separate house (2014)
Semi-detached row or terrace house, townhouse etc (250)
Flat, unit or apartment (1060)
Other dwelling (10)

VACANCY RATES*

3.1%
WEST FOOTSCRAY

3.2%
MELBOURNE

10-YEAR AVERAGE ANNUAL GROWTH*

6.9%
HOUSES

6.8%
UNITS

KEY DRIVERS

- Location.
- Affordability.
- Café lifestyle.

POPULATION*

10,222

WALK SCORE®: 64

West Footscray is somewhat walkable. Some errands can be accomplished on foot in the suburb. West Footscray is the 115th most walkable neighborhood in Melbourne with a Walk Score of 64.



INVESTOR SNAPSHOT

An affordable option

With a no-nonsense approach to finding their first investment property, Sarah Kelly and Matthew Soccio found a no-fuss rental home in West Footscray in August last year.

Living at their respective parents' homes in Melbourne's northwest – which they plan to continue while saving for their next purchase – the switched-on 20-somethings paid \$550,850 for their three-bedroom inner-city house with its two bathrooms, two off-street car spaces and 302 square metres of land.

"It didn't need any work to make it liveable for tenants... and has good scope for future improvement so we can add further value," Sarah says.

There is opportunity to renovate the kitchen, bathroom and/or backyard to boost rental income, room to extend and a grass-only yard without needy gardens.

The home fetches \$430 rent each week, which is a gross yield of 4.06 per cent, and the couple say they couldn't be happier.

"We chose to invest in West Footscray because we wanted to be within 10 kilometres of the city but didn't have a million-dollar budget," explains Sarah, 24, who works as a marketing and events coordinator with a Melbourne finance company. Partner Matthew, also 24, is a qualified and experienced electrician.

The savvy investors spent six months watching the western suburbs' market from August 2013 and then "seriously" searching for a further six months, due diligence that resulted in "a better understanding of what properties were worth", which helped the couple set their own limits and expectations.

"When we looked at the surrounding suburbs in this radius – Saddington, Yarraville, Ascot Vale, Kingsville, even Footscray, prices had risen considerably (and) these types of suburbs really weren't affordable in terms of what you had to pay for house and land size, and this forced us to look elsewhere, which led us to look at West Footscray."

Sarah says the pair did "a considerable amount of research on the area" including attending weekend auctions, driving around

its streets, speaking to people who lived there, and reviewing the State Government's Plan Melbourne development blueprint.

What convinced the novice investors they'd found "the one" was the fact it didn't need much work for it to be tenable, unlike comparable houses on offer for similar prices, sweetening its rental return on investment.

They also knew they didn't need to invest too much money on extensive renovations should they decide to resell it.

Their short-term plan is to continue sending it out and negotiating gearing it while living at home.

"This will allow us to save as much money as possible to put towards the mortgage... with very little expense attached to it."

If the property's value increases significantly over the next 10 years, they plan to sell it to buy a bigger property in the same area, which they will renovate and occupy while paying down its debt.

Sarah says she and Matthew are interested in buying another investment property within the next decade "possibly in West Footscray or around Dandenong [in Melbourne's southeast] because like West Footscray it's reasonably undervalued at the moment and has a lot of infrastructure and growth potential for the future."

"We found this property offered what we wanted, which was within 10 kilometres of the city, close to public transport, good freeway access, lots of infrastructure in terms of shopping centres, schools, gyms and huge potential for future development and growth," she says. "Despite the abundance of amenities nearby it still offered houses on decent-sized blocks with room for improvement, which were within our budget."

"currently significantly undervalued" when compared to other inner-ring suburbs including Camberwell, Caulfield, Moonee Ponds and St Kilda, all of which have similar public transport networks and amenities, but all of which boast median house prices well over \$1 million. Comparatively, West Footscray is only seven to eight kilometres out of the city and yet its median house price sits at \$656,000.

"Once the negativity around the west



Name: Sarah Kelly and Matthew Soccio
Lives: Northwest Melbourne
Invests: West Footscray
Properties: 1
Strategy: Buy and hold.

WEST FOOTSCRAY MEDIAN SALE PRICES



is cleared up and as more and more gentrification occurs, West Footscray will transform into a sought-after suburb and the prices will rise sharply to match other suburbs within the 10-kilometre radius of the CBD," Rodrigo forecasts.

"We haven't reached the tipping point of the price rise yet as many investors are still relatively hesitant to invest in West Footscray, but how long will it be until investors wise up?"

"Think of St Kilda a few years ago. It was known as the red light district and had a seedy past and has now transformed into a hip suburb with a bohemian arty flavour... West Footscray is in the throes of its own transformation at present. We'll see this unfold in the next few years and it will emerge as an edgy, futuristic suburb."

With many new developments, however, investors should be prudent when making property choices. Rodrigo advises buyers to steer clear of new high-rise apartments as they will "flood the market with similar stock", may be difficult to rent out and if there's little to differentiate one property from the other resale values can be affected.

"I'd suggest looking for smaller boutique-style developments if you're after new apartments and try to buy properties with distinct features that tenants and future purchasers would get excited about – such as walk-in robes, north-facing living areas – that will give your property the edge over others in the development," Rodrigo advises.

"When buying an apartment, always be mindful about the property's internal size because banks are very hesitant to lend against apartments smaller than 50 square metres internally and this in turn affects your property's resale value as there will be less demand for these types of properties.

"Steer clear of student accommodation in this area as these are notorious for slow capital growth. And try to get an apartment with a car space if possible as 10 to 15 years down the track these

will be worth their weight in gold. Small unit developments or townhouses with a good-sized land component will also be in high demand in the future in these areas as they'll appeal to first homebuyers and young families due to their affordability over freestanding houses. They'll also be easy to rent out and will have a good resale value due to continued demand. Finally, if looking for established properties, try to get a property with room to extend in the future. This will enable you to add a significant amount of value."

■ WEST FOOTSCRAY WEDDING?

According to Kelly, there's no rush for this bridesmaid, which is still a second tier option compared to Footscray, despite its pockets of growing demand.

He says there are several new apartment buildings in the suburb with a high proportion of National Rental Affordability Scheme (NRAS) occupants "in secondary locations" and while developers "are achieving prices that are

close to those experienced in Footscray", there's "some concern over the longer-term ability of the market to sustain these rates". The area's more traditional villa or townhouse market looks "a more stable investment opportunity with strong demand evident" as projects like the old Beaurepaire site behind the Whitten Oval and the Lee Street development near completion.

"In general, West Footscray industrial pockets of land are being gentrified by converting them into residential uses. Similarly West Footscray's older dwellings on larger allotments are eagerly sought-after by small developers and builders to erect multiple townhouses," Kelly says.

Pabst reports: "It's getting hard to buy a three-bedroom house in West Footscray for less than \$750,000."

"It has been a favourite now for a number of years due to its close proximity to Docklands and the Melbourne CBD. It's well serviced by public transport and has Highpoint

Shopping Centre, which services most of this demographic and is also home to the Western Bulldogs and the Western Hospital, which is attractive to many families.

"Barkly Street has a large Vietnamese population and this strip has a diverse mix of popular Asian and African restaurants and, typically, construction types in West Footscray are post-war 1940s and '50s weatherboards, some earlier Californian bungalows but most typically 1950 and 1960 brick veneer housing types."

BIS Shrapnel senior manager residential Angie Zigomanis says his team "hasn't done too much work around West Footscray" of late.

"But you'd expect that it would benefit from being the more affordable location relative to its neighbours," Zigomanis says. "It should also benefit from improved infrastructure. With prices in inner-west Melbourne locations increasing, there should be some flow-on impacts to West Footscray." ■

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