

**OPEN FOR INSPECTION** ■ Newton, SA, and Frankston, Vic

# OPEN FOR INSPECTION

Will the two properties we've picked in South Australia and Victoria have investment potential according to our expert buyers' agents? **ANGELA YOUNG**

**V**ictoria and South Australia are undoubtedly at different points in their respective property cycles. According to the valuation firm Herron Todd White's recent *Property Clock*, Adelaide is sitting right at the bottom of its cycle, while Melbourne's market is at the rising stage.

Clearly this can mean different things for the different areas, so what will our respective agents make of the properties we've highlighted – would they talk or would they walk away?

## NEWTON, SA \$395,000-\$405,000

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Within Adelaide's foothills, about 10 kilometres from the CBD, Newton's inhabited predominantly by middle-class families with a median above the average. The listing we've asked our experts to examine is a three-bedroom Federation-style home sitting on 608 square metres and with a neutral if somewhat dated looking interior. There's a double garage attached to the home, as well as a carport with internal access.

**PAUL SIWEK**  
Director,  
Logica Property  
Verdict: **WALK**



**STEFAN MIRAGLIA**  
Director,  
Independent  
Property Consulting  
Verdict: **WALK**



### ■ HOW MUCH WOULD THE RENT BE FOR THIS HOUSE?

**PS:** In its current condition I'd expect the property to achieve around \$350 per week. There seems to be an opportunity to upgrade the kitchen and air conditioning, which would improve the appeal and therefore the rental income.

**SM:** While this is a tidy three-bedroom property, it's a little dated and is on a main road. As there's currently a strong supply of newer investment properties on the market for rent, I'd say demand for this property, as a rental, would be below average for the area. In my opinion, \$330 to \$360 per week would be achievable.

### ■ WHAT ARE THE PROS OF IT AS AN INVESTMENT?

**PS:** Reasonably good overall condition (rentable as is), low maintenance yard, good off-street parking. Assuming a reasonable purchase price, rental yield would be above average.

**SM:** For me the main pro is the price. It's advertised below the current Newton median price of \$463,500 and you may be able to pick it up for less than that if it sits on the market for a while. Also, the property is already rented out [for another three months], which means you'll receive rent from day one and not have to worry about finding tenants.

### ■ WHAT ARE THE CONS OF IT AS AN INVESTMENT?

**PS:** The main drawback is the property is on a main road, which significantly reduces its value potential. It's also quite small by contemporary standards, which further reduces its appeal. Because of this, the property offers limited options to a prospective investor to add value and "manufacture" some additional equity. On top of that, it's fairly dated internally, so it'll definitely require an update at some point in the not too distant future just to keep it competitive. Apart from a price ceiling, in my opinion, a main-road location significantly increases the risk of an investment.

**SM:** In my opinion the cons outweigh the pros. The property is dated, on a main road and lacks development potential. Finding new tenants may also be hard due to it being on the main road and the dated style.

### ■ ANY ADDITIONAL QUESTIONS YOU'D ASK THE AGENT?

**PS:** Putting the problems with the main-road location to one side, I'd like to get a sense of the level of interest in the property, for example the number of written offers if any, and approximate offer amounts. Vendor's circumstances are always important so I'd probe that and ask to see a copy of the tenancy agreement. I'd speak to a trusted property manager to gauge potential interest from tenants and likely rental income.

**SM:** I'd ask what the current weekly rental is and how long the tenants have been in. If there's a long-term tenant paying a good rental amount, this would be a major positive. I'd ask why this property is significantly cheaper than the median house price for the area, and then try and get the price even lower!

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#### ■ HOW HAS THE MARKET BEEN PERFORMING HERE?

**PS:** Newton is predominantly a family area – couples with children account for nearly 50 per cent of the households. The average annual growth over 10 years has been about five per cent. Equally, it delivers an average rental yield, in the low-four-per-cent range. However, being relatively close to the CBD and on the fringes of Adelaide's blue-chip eastern suburbs, its property prices have often benefited from the ripple effect. Overall, a steady, average or slightly above-average performer.

**SM:** Newton has increased in median price by 2.43 per cent over the past 12 months to \$463,500, which is slightly less than the Adelaide metro increase of 3.09 per cent to \$425,000. This tells me that the market is going well, but there are better areas that have outperformed it over the past 12 months. As the median is slightly higher than the rest of Adelaide metro, this may mean growth won't be as high in the coming 12 months.

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

**PS:** I don't see any major changes to the amenities and character of the suburb. I think in this case the past performance is a good prediction of the future performance.

**SM:** The City of Campbelltown is going through significant changes to its development plan, which will see more development over the coming years and potentially more growth. However, it's important to do your research.

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

**PS:** It could suit a price-sensitive investor or an investor looking for a property in a particular price bracket relatively close to the CBD. The property offers limited options so a passive buy-and-hold strategy is likely the only viable choice.

**SM:** This would suit an investor that wants a "no frills" investment property at a below-average price; someone that wants to get into the market (particularly Newton) but may not have a large budget (relative to Newton). An investor that's expecting to hold the property for a long time.

#### ■ AT THIS PRICE, WOULD YOU 'TALK' OR 'WALK'?

**PS:** The asking price seems reasonable enough and the rental yield would be above average. However, the limited options the

“The main drawback is the property's on a main road.”

PAUL SIWEK

property offers and the increased risk of the main-road location would stop me from investigating further. To paraphrase Warren Buffett, it's far better to buy a wonderful property at a fair price than a fair property at a wonderful price.

**SM:** I'd be going for a walk! I think it could be a good buy for the right type of investor but I wouldn't be buying this property expecting to make big returns in the short term. I'd walk before I'd talk.

#### FRANKSTON, VIC ABOVE \$329,000

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Situated 41 kilometres from the Melbourne CBD, Frankston is a suburb-by-the-sea at the north of the Mornington Peninsula. This property is a pretty well kept three-bed family home, offering a neat interior that while not dated as such, couldn't be described as modern. Fairly good-sized rooms and a nice, large garden – complete with shed – combine to create a pleasing seeming home. But what's its investment potential, if any?

#### CATE BAKOS

OEC,  
Cate Bakos  
Property  
Verdict: **WALK**



#### FRANK VALENTIC

Director,  
Advantage  
Property Consulting  
Verdict: **TALK**



#### ■ HOW MUCH WOULD THE RENT BE FOR THIS HOUSE?

**CB:** About \$310 per week. It's important to note the "guide price" isn't representative of the likely selling price. I've

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appraised this property at \$350,000 to \$370,000 based on other recent comparable sales in the area.

**FV:** Rent should be around \$320 to \$330 per week or approximately a five to six per cent gross return.

**■ WHAT ARE THE PROS OF IT AS AN INVESTMENT?**

**CB:** This property's rent could be bolstered to around \$340 per week with a simple modernisation (kitchen/bathroom upgrade). This house will yield around 4.5 per cent.

**FV:** The property has two living areas, which is a bonus, a nice entertaining area and small grassed area. It's within walking distance of Ballam Park and a large shopping centre, and you can also walk to local schools and public transport. It offers easy access to the Melbourne CBD and Mornington Peninsula via Peninsula Link. It has a good history of capital growth as it was purchased for \$109,000 in 1997 (approximately 175 per cent increase over 17.5 years, 10 per cent growth per annum); in affordable price range/well below Melbourne's median house (\$706,000) and unit prices (\$515,000); good rental return and cash flow and would be neutral for most property investors; good land content so should continue to appreciate in value in this area, which has a median house price of \$404,000 (growth of 336 per cent over 25 years, which is 13.4 per cent increase per annum from the median house price in 1989 of \$92,500).

**■ WHAT ARE THE CONS OF IT AS AN INVESTMENT?**

**CB:** There are actually quite a few cons: slow capital growth; ongoing maintenance issues based on age and originality; orientation for the living areas is south-facing mostly, so this home will feel dark often and could be more prone to mildew/dampness during winter; lack of ducted heating and it has an old air conditioning unit; lack of garage or undercover carport; lower demand for this particular floor plan – renters love the modern "open plan" layout and they also value an en suite off the master; I'm bothered by the chances of higher vacancy for this particular property – I believe it really needs a makeover internally to compete with the other current rental listings on the market; more eclectic blend of tenants – the area has a lower than average socio-demographic and rent arrears are sometimes problematic.

**FV:** This type of property is in an area where there are a lot of rental properties attracting a different type of demographic. Only one bathroom isn't ideal though it's typical for a house of this size and era. It's not located close to a train station or major shopping facilities, cafes, etc.; Frankston has only had 19 per cent growth over the last five years and has been very flat, with only 3.8 per cent growth per annum; the property's a bit tired and would need investment of monies to refurbish.

**■ ANY ADDITIONAL QUESTIONS YOU'D ASK THE AGENT?**

**FV:** How long has the property been on the market? Why's the vendor selling at this time of the year? Are they a motivated vendor and willing to negotiate or just testing the water? Have you had any offers and if so what's the highest? What settlement and terms does the vendor prefer? Is the property tenanted (if so, what return) or owner-occupied? The vendor has owned the property since 1997 and paid \$109,000 – it seems a bit greedy asking above \$329,000 or \$329,000-plus, so I'd ask for a list of comparable sales to justify their high expectations. Has the vendor done any work to the property since 1997? If so, I'd ask for a list of all structural and cosmetic work undertaken. Also,

any comments about safety and security in this Karingal end of Frankston?

**■ HOW HAS THE MARKET BEEN PERFORMING HERE?**

**CB:** Reasonably slowly. New estates in the outer southeast (i.e. Pakenham, Narre Warren) have been attractive options for first homebuyers, particularly factoring in the grants on offer for new builds. Frankston's capital growth has been static over the past 10 years, but more telling is the 20-year historical average. The annualised growth is less than 6.5 per cent year on year for a 20-year period.

**FV:** Days on market is very strong and demand is high at the moment. There's a good history of capital growth. It has good land content so should continue to appreciate in value.

**■ WHAT'S THE MARKET OUTLOOK FOR THIS LOCATION?**

**CB:** Despite the positives of Eastlink and the ease it has offered commuters, Frankston (and Karingal, this particular pocket) are still more than 40 kilometres from the city so the broad demand for housing in the area is not fuelled by higher income earners, who value their proximity to CBD and white collar employment. Instead, investors and first homebuyers largely fuel this patch; and while Frankston is undergoing gentrification, it still carries stigma.

**FV:** Past performance is usually an indicator of future performance and as we can see, this property and Frankston as a suburb are performing quite well. I don't expect this Karingal end of Frankston to have the same growth as the more desired Frankston South beachside locations or the more central Frankston locations, which are closer to the city centre.

**■ WHAT SORT OF INVESTOR WOULD THE HOUSE SUIT?**

**CB:** I don't like this investment at all. The only investor it could suit is a parent determined to buy their Monash Frankston Uni student children a home – not a good strategy in my opinion.

**FV:** Someone who's just starting out and restricted to a low budget! It'd suit investors after a property that will achieve good capital growth and have a reasonably good return. It'd be perfect for a first-time investor as it's at a lower price point and lower risk as the rental amount is well below the Melbourne average.

**■ AT THIS PRICE POINT, WOULD YOU TALK TO THE AGENT, OR WOULD YOU WALK?**

**CB:** Walk.

**FV:** I'd talk but firmly believe that for this price a good quality unit closer to Port Phillip Bay and the main hub of Frankston would be a better option. I'd always talk to the agent, as a list price or quote price isn't always the be all and end all. It doesn't cost to make an offer. You never know what their personal circumstances really are until you put an offer in writing. **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
Jun-15	Queens Park	WA	Walk	Talk	Sold	Below range
Jun-15	Brunswick	Vic	Walk	Talk	Sold	Above range
Aug-15	Moorooka	Qld	Talk	Walk	Still listed	Price reduced
Aug-15	Rockdale	NSW	Talk	Talk	Sold	Above range