

THE STATES ■ Victoria



# SPOT THE PROSPECTS

If you can find a property for sale in Spotswood it just might be worth investing in this previously underrated suburb in Melbourne's inner city. VANESSA DE GROOT

It's not often you come across a relatively undiscovered or overlooked suburb in the inner city of a major capital. Most areas within a 10-kilometre radius of all the capital cities have been put under the microscope and scoured by all types of buyers – and most have already been gentrified. But every so often you find a hidden gem, and many experts suggest Spotswood, in Melbourne's inner west, is one of these.

The suburb, bounded by the Geelong railway line in the west, the West Gate Freeway in the north and the Yarra River in the east, is located less than eight kilometres from the CBD.

While its proximity to the city is its major drawcard, Spotswood is also considered to be well serviced by infrastructure, easily accessible and having potential for significant gentrification going forward.

It once found notoriety in being the setting of the 1990 comedic film of the same name starring Anthony Hopkins, Tony Collette, Bruno Lawrence and Russell Crowe, but has largely been forgotten about in the decades since.

So, why hasn't it taken off yet in a way that many, many other inner-city

ALL ABOUT SPOTSWOOD <sup>1</sup>		
	House	Unit
Median price Mar 15	\$670,000	\$340,000
12-month growth	1.4%	-26.4%
Median rent May 15	\$450	\$357.50
Rent growth (YoY)	0.0%	30.0%
Gross rental yield May 15	3.5%	4.2%
Properties sold May 15	50	13
Properties sold May 15	69	22
Average vendor discount June 15	-9.45%	1.12%
Average vendor discount June 14	1.49%	0.28%



suburbs have? And could it be on the verge of achieving notoriety again as a sought-after suburb?

### THE LOWDOWN ON SPOTSWOOD

While Spotswood is well located in close proximity to the Melbourne CBD, it's traditionally been an industrial suburb.

Adam Adamczyk of WBP Property Advisory says this significant industrial presence continues to have an impact on both the perception and enjoyment of the suburb today. He adds that Spotswood is a rather small suburb, so it can be difficult to source residential properties that aren't compromised by the presence of industrial sites and associated traffic, air or noise pollution.

Buyers' agent Cate Bakos of Cate Bakos Property says Spotswood still has more than just remnants of industry. She says the suburb was home to the petroleum industry tanks under the West Gate Bridge until only just recently.

"Some factories – including a glass factory – remain. East of Hall Street offers limited houses and those which remain are sharing close quarters with industry."

Transformation of the suburb may be on the horizon, however, as it

appears some of the industry may be on the way out. Although the timing is uncertain, Adamczyk says many of the local refineries are nearing relocation or closure, which will have positive long-term implications for the area.

“How this area will be transformed remains speculative, however the most likely case is medium-density infill residential development,” he says.

“This uncertainty may prove to be a deterrent for more risk-averse investors, but those considering investing in the area should consider the impact of local zoning restrictions and how this may inhibit or underpin investment performance as the area experiences gentrification in coming years.”

Bakos agrees that Spotswood, which she says was once a “grungy little town on the banks of the Yarra”, will be revitalised over the next few years through future plans that she says aren’t well documented, but aren’t a well-kept local secret either.

“Talk of a Woolworths, Aldi, major residential and commercial development and improved recreational facilities make for pretty exciting gentrification.”

So, while Spotswood has been somewhat overlooked in the past, the potential for gentrification of this near-city suburb is on the horizon, and investors that choose to buy may also benefit from its already-existing positive attributes.

Spotswood is well serviced by infrastructure and lifestyle amenities, Adamczyk says, including a train line, schools, restaurants, cafes and retail shopping, as well as the lovely Sun Theatre cinema in nearby Yarraville.

“The suburb is easily accessible via the West Gate Freeway and provides direct access to the CBD and the beach,” he adds. “Spotswood also adjoins the popular suburbs of Newport and Yarraville, which have both experienced strong capital growth during recent years. As affordability in these and other nearby suburbs, such as Seddon, deteriorates, some buyers are turning their sights to more affordable locations like Spotswood.”

Brad Teal of Brad Teal Real Estate says Spotswood has been overlooked in the past, as buyers have favoured the more popular surrounding suburbs, which he notes also includes Williamstown.

“Williamstown was seen as the mecca of the west, an elite suburb, as well as

Newport, but Spotswood has picked up over the past three to five years, becoming a really popular place for younger families,” he says.

“It’s all about the locality – it’s got good arterial road access and the train, which is critical, and it’s got good schooling, with Spotswood primary a really good school. I think it’s a really good spot to invest because it’s so close to the CBD and it has good period-style streetscape.”

Teal adds that there’s a good shopping precinct on Hudson Road, the Victorian Science Museum, known as Scienceworks, is also in Spotswood, and there are riding and walking tracks nearby at the Yarra Trail.

Bakos agrees that Spotswood is in a “fabulous” location, and notes that there’s a cute array of “foodie” cafes adding to its attractiveness.

**OPPORTUNITY KNOCKS**

Housing in Spotswood is a mix of 1940s and 1950s period weatherboard homes and 1960s and 1970s brick homes, according to Adamczyk, and there are an increasing number of newer townhouse developments. He says prices for a freestanding established house typically range from as little as \$500,000 to around \$850,000, and newer units are available for under \$500,000.

Bakos says Spotswood has a blend of old houses and more modern townhouses and based on proximity to the city and age of the initial subdivisions, it has quite a few single-fronted Victorian cottages, or workers’ cottages as they were known after the turn of the century.

“Some original Victorian house blocks are as tiny as just 130 square metres.”

If you buy a good quality house for \$800,000, Teal says, you won’t get a five per cent yield with rent of \$800, but you’ll get rent of between \$600 and \$650 per week.

“Yields tend to be lower across Melbourne at the moment. There’s been a spike in property values and rents haven’t had time to catch up, but they’ll catch up eventually,” he says.

“If you buy in Spotswood it’s not about yield, it’s about locking in an A-grade locality, close to the train station and freeway, with a long-term vision of capital growth.”

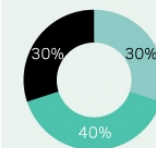
Teal says Spotswood has done well in terms of pricing over the past two to three years as people have increasingly

**SPOTSWOOD FACT SHEET**

**Spotswood** has a mixed supply to demand situation. There are adequate rental properties available to tenants, however there is an undersupply of for-sale listings. Discounting has been muted. Incomes in Spotswood are growing faster than the Victoria average. The proportion of renters to owner-occupiers is below average for Victoria. Stock for sale levels are up by 10.4 per cent year on year.

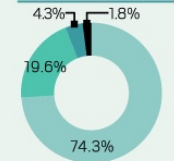
Source: SQM Research, www.sqmresearch.com.au (accurate to July 2015)

**OCCUPANT TYPE<sup>3</sup>**



- Owner-occupiers
- Mortgage holders
- Renters

**HOUSING MAKE-UP<sup>4</sup>**



- Separate house (709)
- Semi-detached row or terrace house, townhouse etc (187)
- Flat, unit or apartment (41)
- Other dwelling (17)

**VACANCY RATES<sup>3</sup>**

2.9%  
SPOTSWOOD

2.3%  
MELBOURNE

**10-YEAR AVERAGE ANNUAL GROWTH<sup>5</sup>**

6.5%  
HOUSES

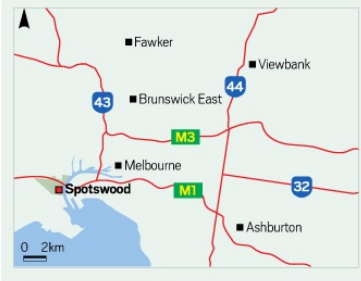
SNR  
UNITS

**POPULATION<sup>4</sup>**

2,339

**WALK SCORE<sup>6</sup>: 66**

Spotswood is the 110th most walkable neighbourhood in Melbourne. Some errands can be accomplished on foot there. There are about 22 restaurants, bars and coffee shops in Spotswood, and people can walk to an average of 0.3 restaurants, bars and coffee shops in five minutes.



Source: APIM and SQM Research, Source: realestate.com.au, Source: SQM Research, Source: ABS 2011 Census, Source: APIM, Source: www.walckee.com.au, H = houses, U = units, 10Y = year on year, SNR = statistically not reliable

## PROPERTY VALUE STREET-LEVEL ANALYSIS

**George St,  
Spotswood, Vic 3015**

Lowest house sale  
(past 12 months)

**\$640K**

Owner-occupied

**82%**

Highest house sale  
(past 12 months)

**\$720K**

Rented

**18%**

### HOUSES ON THIS STREET

Property	Stock	Suburb average price
1 bedroom house	0	-
2 bedroom house	1	\$631,000
3 bedroom house	4	\$698,000
4 bedroom house	1	\$816,000
5 bedroom house	0	\$989,000
5+ bedroom house	0	\$956,000

### UNITS ON THIS STREET

Property	Stock	Suburb average price
1 bedroom unit	0	\$396,000
2 bedroom unit	3	\$474,000
3 bedroom unit	0	\$618,000
3 bedroom unit +	0	\$665,000

Property Value by CoreLogic RP Data - available from: www.propertyvalue.com.au

### INVESTOR SNAPSHOT

## Spotting investments

Cate Bakos confesses enthusiastically that she loves Spotswood.

As a property expert and buyers' agent she strongly believes in its potential, and as an investor she put her money where her mouth is and bought an investment in the suburb in October last year.

She paid \$540,000 for a two-bedroom, one-bathroom period house (pictured) and at the time of writing was seeking approval to undertake a sizeable renovation of the property, with the expectation the property would be worth between \$670,000 and \$700,000 upon completion.

In addition to the significant increase in value, Cate says she expects the rent will also rise from \$395 to \$500 per week post-renovation, with the gross rental yield being 4.1 per cent, which she says is "quite impressive for a period house in the area".

"We've got plans lodged for a rear open-plan living renovation with the Hobsons Bay Council," she says.

"Our renovation will be an owner/builder job and our budget is \$90,000.

"Our target tenant will change and our rental will also change, but our dramatic difference will be in equity.

"In this short time, and by combining a great location with a clever reno fit for a couple or house-share pair, we're confident our renovation investment will be worthwhile."

Cate says the property will still only have two bedrooms after the renovation, so it won't really be suitable for a family, unless it's a couple or a single with a child.

"The property is cute and will be nicely renovated, but it's still a two-bedroom property with an entertainer's space outside," she says.

As a property expert, Cate has believed in the investment prospects of Spotswood for some time. She says it has great growth potential, a better than average yield for metro Melbourne and a reasonably tight vacancy rate.

**Name:** Cate Bakos  
**Lives:** Yarraville  
**Invests:** Vic, SA, Tas and Qld  
**Properties:** 22  
**Strategy:** Buy and hold.



"I think it's a fabulous location," she says. "Being situated just seven kilometres from Melbourne's CBD, within easy walk of the station, offering a cute array of foodie cafes and offering accessible commuter roads into the city and out to the west via the West Gate Bridge and freeway, there isn't much to shun about Spotswood's growth potential."

Cate points out that Spotswood, situated at the base of the West Gate Bridge, is nestled tightly between Yarraville and Newport – two much larger suburbs that have enjoyed their own "stellar growth".

"What I love about Spotswood is that it's a sleepy community within a short drive or train ride of very popular hotspots.

"One train stop either way lands a commuter in amongst a vibrant village with a multitude of cafes, hotels and bars. Just four stops outbound takes you to beautiful Williamstown – arguably one of Victoria's most beautiful maritime seaside hotspots.

"Spotswood is within a one-minute drive of an inbound and outbound on-ramp leading out to the Surf Coast, Ballarat, Bendigo and Geelong, or into Port Melbourne and South Melbourne. With city access only seven kilometres inbound, this unique little suburb offers city workers a quiet and very close-by haven."



recognised its positive attributes. Adamczyk agrees that like many other inner suburbs of Melbourne, the suburb has experienced moderate property price growth in recent years, and he expects it will continue to grow in the future.

He points out, however, that while the location of the suburb contributes positively to its performance, it's negatively offset by the significant industrial presence. Would-be Spotswood investors should research

the history of both the street and subject property in the suburb before deciding to buy, Adamczyk advises.

He warns median price data for the area can be difficult to source, and when it can be found it should be taken with a pinch of salt.

"The small size of the suburb and limited number of transactions can convey a misleading representation of suburb performance," he explains.

For investors on the lookout for

properties in Spotswood, Adamczyk suggests well-located and maintained houses are perhaps the best bet.

“Avoid industrial areas and those compromised by main road activity,” he says. “Spotswood can suffer from busy streets and traffic congestion due to the presence of industry, so it’s important to pick a quiet location, but within walking distance to amenities.”

He adds that properties requiring renovation or additional capital expenditure may provide disappointing results, advising investors to consider properties that are ready to rent, clean and inviting.

Bakos says the type of property investors should target will come down to their available surplus cash flow.

“Those with restricted cash flow should consider targeting townhouses, while those who wish to target strong growth period properties will find that their entry costs into this pocket are far less than other areas [within

close proximity of the CBD]. The best combinations of both growth and yield can be found in either houses on tiny blocks of land, or large dated townhouses with quality internal refurbishment.”

She says the premium streets are those that run off Hudsons Road between Melbourne Road and the rail line, which include Forrest, George, Bolton and Robert streets.

“Ideally no investor should target a property which is bounded by or in audible proximity of industry. In addition, buyers should be conscious of issues ranging from West Gate Bridge traffic noise to soil contamination.”

Bakos says it’s important for any investor targeting the premium streets in Spotswood to understand heritage overlays, streetscape preservation and any restrictions that could adversely affect plans to add value.

“Buying a cute Victorian with a heritage overlay can limit development

options but it can also prevent ugly and crowded streetscape changes, too.”

#### ■ BE PREPARED TO LOOK AROUND

While there seem to be many factors going in Spotswood’s favour for investors, those looking to buy there may have difficulty actually finding a property because the residential part of the suburb is very small. Teal says Spotswood is probably a hard suburb to find full stop – it’s skinny rather than wide and people drive through it without even realising.

“You look to the left and right, blink and a click of the finger and you’re actually through Spotswood,” he says.

Adamczyk adds that the size of Spotswood – being less than 3.1 square kilometres – means there are often a limited number of properties for sale.

“This coupled with the fact that many properties are compromised... can make it difficult to identify properties suitable for investment,” he says. API

## bestreads:

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**\$245.00 Item: PIA-1**

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