



THE RE-EMERGENCE OF SUNSHINE

Notorious for all the wrong reasons, the forecast for this western suburb may finally be looking bright. API investigates the re-emergence of Sunshine. DINAH LEWIS BOUCHER [@DinahBoucher]

If you fancy yourself a hearty bowl of pho or perhaps some aromatic biryani, the suburb of Sunshine is locally famous for such tasty delights. It's considered one of Melbourne's most culturally diverse, with nearly 50 per cent of its residents born overseas. But since you probably shouldn't buy an investment property based on delectable local cuisine options (wait, what? You shouldn't?), we thought we'd look into this area that seems to be popping up in market chatter about Melbourne's rising suburbs.

Branko Lemaic, associate and auctioneer at Jas Stephens Real Estate, is a former neighbourhood boy, who grew up and was schooled in the suburb.

"A lot of migrants moved into the area through the 1950s, '60s and '70s. Attracted to low-skill labour, it's traditionally been a lower socio demographic area," Lemaic says.

"Sunshine was always a suburb that's been a bit rough around the edges.

"It's certainly changing over time, although there's a lot more growth to

ALL ABOUT SUNSHINE ¹		
	House	Unit
Median price Oct 15	\$508,875	\$355,000
12-month growth	9.4%	-8.5%
Median rent Oct 15	\$320	\$300
Rent growth (YoY)	0%	11.1%
Gross rental yield Oct 15	3.4%	4.7%
Properties sold Oct 15	143	29
Properties sold Oct 14	178	37
Average vendor discount Nov 15	-3.68%	1.22%
Average vendor discount Nov 14	0.33%	-1.38%



go. It's now on people's radars and it previously wasn't."

PRICED OUT?

Paul Osborne, founder of Secret Agent, says the inner-west has really gentrified, pushing investors and homeowners alike further afield.

"You've got places that sit on the city fringe like Footscray, Yarraville, Seddon, Kingsville and Newport, and these areas have gentrified nicely. There's also been some incredible pickup in the value in a lot of those homes, too," Osborne says.

While buyers are casting their nets a tad further along, they still want to be as close to the CBD as the budget will allow.

"People are looking at the inner-west and saying, 'well, we can still get into Sunshine and buy a family home'. And on the flip side of that you've got investors going there and making a decision based on future capital growth," he says.

"Sometimes it's harder to get quality tenants in markets before they've

COURTESY OF BIRMINGHAM CITY COUNCIL

“I always like to say Sunshine is the final bastion of period housing and after that it really stops.”

BRANKO LEMAIC

really gentrified, so that's one risk that investors take, but they're taking the risk for capital growth potential really.”

What you're seeing here is that traditional knock-on effect, Lemaic says.

“This is what leaves Sunshine on its own as a potential suburb to look at. Basically you're getting all the suburbs around it growing out of people's price ranges. Once one suburb goes, then the next suburb goes and then the next,” he says.

■ A PROGRESSIVE COUNCIL HELPS

Named in the state government's planning blueprint *Plan Melbourne* as one of nine metropolitan activity centres and one of six national employment clusters, Brimbank Council chair of administrators John Watson says Sunshine lies in the heart of Melbourne's growing west.

Watson says the area has seen more than \$1 billion in public and private investment over the past five years. With the Minister for Planning's approval scheme amendment, C105, recently green-lit for urban renewal in Sunshine's town centre, Watson says it can generate more than \$1 billion in investment by unlocking development potential through rezoning Sunshine's redundant industrial land.

“Sunshine has the land, the transport linkages and established infrastructure to provide increased employment, education, health, retail and commercial services to Melbourne's western subregion. Amendment C105 can unlock the capacity and opportunity that Sunshine offers,” he says.

According to Watson, the amendment has the potential to:

- ▶ Generate more than of \$1 billion of investment in the Sunshine town centre over the longer term.
- ▶ Create hundreds, possibly thousands, of jobs and homes in Melbourne's west.
- ▶ Unlock 19 hectares, an area comparable to five city blocks in

Melbourne's CBD, by rezoning for mixed-use development and enable residential development across a further nine hectares of commercial land, predominantly in areas that can accommodate nine storeys.

Watson says the amendment introduces an activity centre zone (ACZ) over most of the Sunshine town centre, including land previously zoned industrial.

“The amendment will also enable residential development on land previously designated only for commercial uses. New development plan and urban design requirements will make sure the new development is of high quality,” he says.

“A development contributions plan ensures that contributions are put back into social and physical infrastructure for the benefit of Sunshine residents.”

■ KEY DRIVERS

Recent infrastructure investment in Sunshine includes the regional rail link project as well as:

- ▶ The Foundry Towers mixed-use complex – \$150 million completion of the first stage.
- ▶ Upgrades to Victoria University's Sunshine campus.
- ▶ The \$52 million Brimbank community and civic centre project expected to attract a further 500 people to the town centre.

Transport and access highlights include:

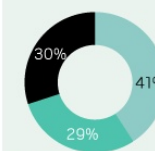
- ▶ The recently completed regional rail link project included the construction of a brand new station and bus interchange in Sunshine, servicing both metro and regional lines.
- ▶ Direct train link to Bendigo, Ballarat and Geelong.
- ▶ Sunshine sits 12 kilometres from Melbourne's CBD.
- ▶ It's a 20-minute drive to Melbourne's international airport.
- ▶ Education and health facilities include the Victoria University Sunshine campus, investment of \$130 million

SUNSHINE FACT SHEET

Sunshine has a mixed supply to demand situation. There are adequate rental properties available to tenants, however there's an oversupply of for-sale listings. Discounting has been muted. Incomes in Sunshine are growing slightly faster than the Victoria average. The proportion of renters to owner-occupiers is below average for Victoria. Stock for sale levels are down by 5.4 per cent year on year.

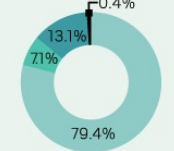
Source: SQM Research, www.sqmresearch.com.au (accurate to September, 2015)

OCCUPANT TYPE³



■ Owner-occupiers
■ Mortgage holders
■ Renters

HOUSING MAKE-UP⁴



■ Separate house(2,393)
■ Semi-detached row or terrace house, townhouse etc (213)
■ Flat, unit or apartment (395)
■ Other dwelling (11)

VACANCY RATES³

3.2%
SUNSHINE

2.4%
MELBOURNE

10-YEAR AVERAGE ANNUAL GROWTH⁵

7.1%
HOUSES

2.1%
UNITS

KEY DRIVERS

- ▶ 12km from CBD.
- ▶ \$1 billion in public and private investment.
- ▶ Upgraded public transport.
- ▶ University and hospitals.

POPULATION⁴

8,838

WALK SCORE⁶: 71

Sunshine is the 76th most walkable neighbourhood in Melbourne. Most errands can be accomplished on foot in Sunshine and people can walk to an average of two restaurants, bars and coffee shops in five minutes.



INVESTOR SNAPSHOT

The gift that keeps giving

When it came time to purchase a birthday present for her 21-year-old stepson Rob, Cate Bakos was thinking about the big picture. A property expert and professional buyers' agent herself, buying property for others is the name of the game, and this time around the aim was all about keeping it in the family.

"For Rob's birthday he got a copy of *Rich Dad, Poor Dad*, a title for a property and a bottle of port – which he can open when we get our tenant," she says.

Needless to say, Rob was over the moon. "He'd been asking a lot of questions about property and how to get onto the property ladder, so he was really excited," Cate says.

The area she handpicked as the perfect first investment for her stepson was Sunshine. More precisely Sunshine West, which Cate says covers a large area.

"The part of Sunshine West that I particularly like is off Glengala Road and within walking distance of the shops," she says.

"I targeted this area for a high growth potential property but with a limited spend."

Cate says there are ground rules around this purchase, specifically that Rob's not allowed to live in the property or sell it.

"It's a gentrifying area, it's not a suburb that's on his side of town and it's not where he'd want to live, which was also important as I wanted him to treat it like an investment."

Cate had earmarked \$400,000 for the purchase and managed to secure the deal on a three-bedroom, semi-renovated house for \$405,000.

"We own the house as tenants in common, split 50/50. I wanted to find something that isn't too generous and give

him a nest egg that still provides some challenge," she says.

"It's already a reasonably nice, renovated property, but it has an original bathroom and laundry and a few things that need to be done, so being a builder, Rob effectively has to put \$40,000 of hard labour into it."

Going halves with her 21-year-old stepson also meant cash flow was an important aspect of this deal.

"Because the block has been subdivided, the parcel of land is about 300 square metres [and] at the back is a new townhouse that's been built," she says.

That was part of the attraction for this property as an investment, too.

"Obviously, if it was a three-bedroom house on a full block it would've been priced closer to \$600,000, but we'll still get the same sort of rental return on this property," she says.

"After the rent comes into our account the investment is almost neutrally geared."

Truly the gift that keeps giving, Cate also plans to gift her 50 per cent share of the property to her daughter.

"I've got a nine-year-old daughter Gab. Obviously we want to treat the kids equally, so when she turns 18 I'll gift my half to her."

"It's a bit collaborative for them, but a so one of them will stop the other one from selling."

"We've drummed into them that that's not what investing is about!"



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

towards the private hospital and \$200 million towards the Women and Children's Hospital.

Culture and community facilities:

- ▶ Arts and theatre spaces.
- ▶ A fortnightly street market, the Sunshine Film Festival, the Sunshine Lantern Festival and Sunshine Pho Fever, which is part of the Melbourne Food and Wine Festival.
- ▶ Home to a diverse multicultural community, Watson says you can locate authentic global cuisine at affordable prices.

"Sunshine is rising, moving beyond its industrial past and re-emerging as one of Melbourne's great centres," Watson says.

■ WHICH SUNSHINE IS BEST?

"I always like to say Sunshine is the final bastion of period housing and after that it really stops," Lemaic says.

The suburb is surrounded by Sunshine West, to the northwest there's the suburbs of Albion and Sunshine North, and Braybrook to the northeast.

"Sunshine North is predominantly where a lot of our Vietnamese buyers purchase," Lemaic says.

"It's the younger section of Sunshine. A lot of it was developed post-war and is surrounded by industry."

"If there's weatherboard housing there, it's the basic weatherboard housing circa 1950s and '60s, not your Victorian era."

"Certainly Central Sunshine would still be the part people prefer, because it's close to everything you need, close to shops, close to public transport, schools and parks, so the access to main roads and access into the city is really convenient."

"North Sunshine and Sunshine West don't have a train station."

In terms of housing stock, it's the period housing that drives the inner suburban market and in Sunshine it's no different.

"The best part of Sunshine is an area called Matthews Hill. It's dominated by beautiful period housing and tree-lined wide streets – you'd think you'd been dropped into the eastern suburbs."

Matthews Hill is also centrally located, with close proximity to the train station and the shopping district.

■ SUNSHINE'S GEOGRAPHY

Osborne doesn't purchase for clients in Sunshine. Instead he concentrates on suburbs within the eight- to



10-kilometre radius of the CBD, where buying quality blue-chip is the focus.

"We also buy in places like Brunswick and Preston – areas that are gentrifying and still have opportunities.

"Sunshine is a bit too behind at this stage. It's still really early in its gentrification cycle, so for that reason we're careful of it," he says.

"There's a lot of upsides to going in there early, but I think it's also going to take a bit of time to keep improving."

Roughly 12 kilometres from Melbourne's CBD, you'd be hard pressed to pick up a house in this geographic radius for \$500,000 or less, and that's what Sunshine still offers.

"If you look into a similar geographical span, you'd probably be looking at somewhere like Ashburton, and you'd be paying double the price, so I think the west is to be explored," Osborne says.

"The inner-west is gentrifying but we don't think those outer areas of the real

suburban belt will see that. But we do think Sunshine is still close enough that it's going to be a beneficiary."

■ ECONOMIC FACTORS

Moving forward there are external factors that may impinge on market growth.

"The market in an overall sense is going to have a little bit of a challenge in the fact that we've got really low interest rates," Osborne says.

"So, in general, there are some bigger and longer-term issues that are going to slow the market down, which may mean that Sunshine doesn't get the full growth or boom that perhaps suburbs such as Coburg or Preston have had.

"I think it will do well on a suburb by suburb basis. But if you asked whether prices are going to double in 10 years' time, I think that would probably be very difficult, because the market possibly has some challenges ahead of it and whether Sunshine will be able to move past that is a very hard question to answer." **API**



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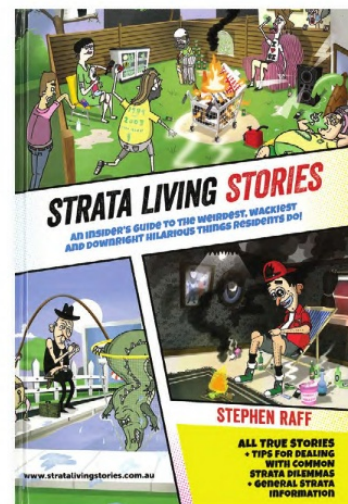
STRATA LIVING STORIES

The day of a strata manager can often be filled with negative phone calls and emails from tenants and property owners, where managers are either pulling their hair out or going grey. But there's often a humorous side to strata that is rarely seen - until now.

In the new book, *Strata Living Stories*, best-selling author and Ace Body Corporate Management CEO, Stephen Raff, has compiled a collection of unique stories that have been sent in by people involved in the strata sector and showcases some of the weirdest, wackiest and downright hilarious stories that the industry has witnessed.

By Stephen Raff (Australia, 2015)

\$32.95 Item: RAF-2



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