WHERE TO INVEST $500,000

WE REVEAL THE NATION'S 21 BEST LOCATIONS

With a budget of around $500,000, where and what should you buy? API identifies the best options in each state and territory. **VANESSA DE GROOT**

123RF

When it comes to buying an investment property, the first consideration will be your budget.

Median prices in Australia's capital cities vary widely, ranging from around $300,000 to $1 million, but many investors settle on a nice round figure of half a million dollars.

If this is your budget, where and what type of property should you be looking for?

There are a plethora of options to choose from, and in some states and territories you'll have more options than others.

According to Cameron Kusher, CoreLogic RP Data's senior research analyst, a budget of $500,000 isn't going to go very far in Sydney, where the median price is around $1 million for a house. He says investors will also be restricted in markets such as Canberra and Darwin.

"But outside those markets there'll be quite a lot of options," he adds.

"Melbourne still has brand new housing being delivered for less than $400,000 and in Brisbane there'll be lots of opportunities, as well as in Adelaide and Hobart.

"Your money will go further in Hobart than in any other capital city."

While some states and territories offer more bang for your buck, will these be the areas that provide the best results for capital growth and rental returns?

To find out, we've asked the experts to identify the best possible options for investing $500,000 in each state and territory around Australia.

While most of the options are for capital cities, our experts have also named the best regional options for a lazy half-million.

"Surry Hills is ultra trendy. It's always a sought-after area."

RICH HARVEY

SYDNEY

Investors with a budget of only half a million dollars will be restricted in terms of what they can buy in Sydney, says buyers' agent and CEO of Property Buyer Rich Harvey.

It's definitely enough to enter the market, but he says you can't expect to get a pretty harbour view from a large balcony at that price level.

"It prices you out of buying a house in the inner and middle rings of Sydney, but there are still lots of options to buy a quality property that will appreciate in value strongly in the mid to long term," he says. "You just need to know where to look."

Harvey's top picks for Sydney are:

OPTION 1
LOCATION: Surry Hills, 2km south of Sydney CBD
PROPERTY TYPE: Studio apartment

What are the capital growth drivers in Surry Hills? The answers are obvious, according to Harvey. The suburb is close to the CBD, employment and amenities.

"Surry Hills is ultra trendy. It's always a sought-after area," he says, adding that it's a sensational area to invest in, with not only plenty of capital growth drivers but "fantastic rental demand", especially for studio apartments, which are affordable.

He says investors would be able to achieve a 4.5 per cent to 4.75 per cent yield at least, and should actually try to get a five per cent yield for a studio apartment.

While it will be challenging to find a property in Surry Hills under $500,000, Harvey says it's possible for determined investors.

"You can also look in surrounding areas such as Darlinghurst, Ultimo, Chippendale or Redfern; you don't have to be right in Surry Hills," he adds.

Harvey advises investors buying studio apartments to ensure they meet the relevant bank's criteria for financing, as each lender will have a minimum size requirement.

OPTION 2
LOCATION: Bankstown, 17km southwest of Sydney CBD
PROPERTY TYPE: Old, established 2-bed apartment

Apartments are the pick for Bankstown, according to Harvey, as a budget of $500,000 won't stretch to houses.

He recommends investors look for old, established apartments that are at least 70 square metres – and preferably 80 square metres – in boutique blocks.

"Make sure the apartment has parking, a good size balcony, good storage space, and is close to transport nodes and shops," he says.

Harvey also advises investors to buy an apartment they can undertake a cosmetic renovation on to add value.

This option will suit investors looking for both capital growth and decent rental returns.

Harvey says the yield for units will be around 4.5 per cent and the capital growth drivers in the area will be affordability, the new Sydney metro train line, and what he describes as the inevitable redevelopment of the Bankstown Airport.

OPTION 3
LOCATION: Western Sydney (St Marys), 43km west of Sydney CBD
PROPERTY TYPE: House

The biggest capital growth driver for this area will be the development of the new airport at Badgerys Creek, according to Harvey.

He says the new transport corridor – specifically the South West Rail Link Extension Corridor – from the Western Sydney Airport will be a boon for the area and lots of redevelopment will take place around the train stations in coming years.

Investors should focus on the areas around St Marys being redeveloped and rezoned to enable the construction of townhouses and duplexes on lots that previously had houses, Harvey says.

He advises looking for houses with block sizes of 600 square metres-plus that have the potential for redevelopment or lots that have both a house and an established granny flat.

Looking for properties with a future "twist" or strong current cash flow helps sure up returns and mitigate risks, which makes them an attractive option.

It's getting more challenging to find these properties around the $500,000 mark, Harvey explains, but the market has come back a little so opportunities can be found.

For a house without a granny flat, yields will be around 4.5 per cent, while one with a granny flat will be around six per cent.

MELBOURNE

Half a million dollars is a "very exciting" budget to work with in Melbourne, says buyers' agent Cate Bakos of Cate Bakos Property, with options for investors being "abundant".

She says investors would be able to purchase in almost any area, being as close as four kilometres to the CBD in a townhouse or within 12 kilometres in a house, and anywhere in between.

"The defining questions for any investor would be around their desired cash flows, maintenance and potential renovations."

Bakos's top picks for Melbourne are:

OPTION 1
LOCATION: Sunshine/Albion, 13km northwest of Melbourne CBD
PROPERTY TYPE: House on full block

The neighbouring suburbs of Sunshine and Albion are in close proximity of the city and provide easy access, which are key reasons why Bakos believes they have good investment potential.

The other reasons are that they're currently "on one of the sharpest gentrification upswings" of any area in Melbourne and the fact that there has been infrastructure investment from the government into the development of the shopping precinct, train stations and parklands.

"The rail upgrade, change in demographic, and the recent growth of West Footscray/Yarraville/Newport and surrounds has effectively 'pushed' out a large number of professional couples and families into Sunshine and surrounds," Bakos elaborates, adding that increased demand has led to an upswing in capital growth that she believes will continue.

Unlike other parts of Melbourne, which have housing under $600,000, Sunshine is the only remaining area that still boasts turn-of-the-century housing, Bakos says, and these character homes often outperform the newer ones.

Finding properties at the $500,000 price point is getting tougher in these areas, and Bakos says the likely find would be an unrenovated brick two- or three-bedroom house, a three-bedroom weatherboard or a standalone townhouse.

She recommends investors purchase a "full block of land", without strata or owners' corporation, although it doesn't need to be big or subdividable.

"As long as the street and surrounds are pleasant, and provided the house has appeal or can be improved, a full block will reward any investor regardless of size," she says.

While this type of property will no doubt deliver attractive capital growth, Bakos says the yield won't be so exciting, being as low as three per cent and very unlikely to touch four per cent.

OPTION 2
LOCATION: Coburg/Pascoe Vale South, 8km north of Melbourne CBD
PROPERTY TYPE: Dated townhouse

While this type of property will involve an owners' corporation, investors will have a land component on the strata title, which will ensure they capitalise on the rising land values in this near-to-CBD pocket, Bakos says.

She says the neighbouring suburbs of Coburg and Pascoe Vale South are bounded by strong capital growth suburbs including Brunswick and Essendon, and will feed off these. Investors will probably need to outlay between $450,000 and $500,000 for a townhouse, and it'll be dated, with a renovation potentially required.

Bakos says townhouses will provide better yields than houses, with a well-presented, nicely renovated townhouse in this pocket delivering a four per cent-plus return.

"The target tenants in the area are professionals, both singles and couples," she says.

"The proximity to CBD, arterials, rail (particularly in Coburg and Coburg North) and shopping strips are important for this target tenant demographic."

BRISBANE

At the moment $500,000 can still buy a good investment in Brisbane, says Zoran Solano, a senior buyers' agent at Hot Property Buyers Agency, but he adds that the pool of properties to choose from is getting smaller.

"In the last six to 12 months good locations sub-$500,000 have moved, shifting buyers further from the CBD at that price point," he says.

Solano's top picks for Brisbane are:

OPTION 1
LOCATION: Zillmere, 13km north of Brisbane CBD
PROPERTY TYPE: House

Zillmere has a variety of investment fundamentals that will appeal to buyers, according to Solano.

He says it's close to public transport, including trains and buses, and the area is benefiting from gentrification.

"This change is increasing its public profile and demand as homeowners and investors reinvest into their properties, adding value," he says.

The entry-level price for a house in Zillmere is between $400,000 and $500,000, and Solano says the potential for capital growth for this type of property is strong, especially given the proximity to the CBD at that price level.

The rental market has both a healthy supply and demand, Solano notes, but it hasn't been "flooded with rentals", so it's

"The defining questions for any investor would be around their desired cash flows, maintenance and potential renovations."

CATE BAKOS

a good market for investors who have the right leasing strategy in place.

That strategy, he says, often involves a small cosmetic post-settlement renovation, which can boost rental yields from 4.3-4.5 per cent to around 4.8 per cent.

"[A renovation] results in reduced downtime, increased rental return and a better class of tenant," he explains.

OPTION 2

LOCATION: Ascot/Hamilton, 5km north of Brisbane CBD
PROPERTY TYPE: Unit ripe for reno

Given the proximity of the neighbouring, trendy inner-northern suburbs of Ascot and Hamilton to both the CBD and the Brisbane Airport – two of the city's largest employment hubs – the potential for capital growth over the long term is strong, Solano says, adding that there's also bus and ferry transportation linking the area to the rest of Brisbane.

"The area's considered blue-chip," he says.

Investors can secure an entry-level or "original" unit from around the low-$400,000s, Solano says, but stresses they'll need to spend another $40,000 to $60,000 doing it up.

"This strategy is dependent on the buyer undertaking a full head-to-toe renovation on the property," he adds. "Strip it out and start again."

Solano warns investors that these suburbs are slightly oversupplied with rental properties in some pockets, so picking the right location within the area will be critical to the success of the investment.

"Rental yields are really dependent on the level of renovation you undertake," he adds.

INVESTOR SNAPSHOT

A renovation in Sunshine pays dividends

Name: Kate and Claire*
Live: Coburg, Melbourne
Invest: Melbourne – Coburg (PPOR), Sunshine; NSW – Singleton, Sydney
Properties: 4
Strategy: Currently buy, cosmetically renovate and hold (but subject to change)

Melbournites Kate and Claire* originally had a maximum budget of $530,000 with which to buy an investment property in their home city, but due to the tightening in lending to investors last year, they decided to be a little more conservative.

Both their budget and belief in capital growth prospects led them to look in Melbourne's west and, in accordance with one of Cate Bakos's suggestions for investing $500,000, they bought a house on a full block in Sunshine.

The property, a two-bedroom, one-bathroom 1950s house on 585 square metres of land, was purchased for $471,000 in the middle of last year.

Upon settlement, Kate and Claire immediately undertook a $33,000 renovation of the "classic brick clinker" property (as Kate describes it), which boosted the value up to the mid-$500,000s (although a small component of the growth is believed to have come from the rise in market values).

"The place was in fantastic condition with a lovely '50s kitchen and requisite pink bathroom," Kate elaborates.

"The previous owner really looked after the place, however we wanted to add value to the property and attract a good tenant by contemporising the house.

"We painted the place, put in a new kitchen, updated the bathroom and toilet, took up the carpet, polished the Tasmanian oak floorboards, updated all the light fittings and switches, and tidied up the garden, planting some small trees for screening."

While the property was rented within just three days, Kate notes that the yield isn't fantastic, sitting around 3.8 per cent.

Like much of Melbourne, she says, the yield is pretty average, but for this investment they were primarily looking for capital growth, and being negatively geared the investment will offset another property in their portfolio.

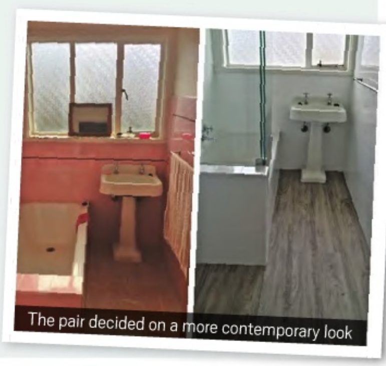
"We bought in Sunshine due to its proximity to the city and the vision for it to be the centre of Melbourne's west, with growth potential driven by factors such as increased investment in the area and homebuyers being priced out of nearby suburbs," she says.

"The suburb is still shaking off its image, and has some way to go in terms of gentrification, but we believe in 10 years it will change quite a bit."

Kate says they were happy to be able to purchase a good quality property in a quiet street in Sunshine, close to transport and shops (within walking distance of the newly refurbished Sunshine train station and Sunshine Town Centre) with a good land component for less than $500,000.

She adds that they wanted a property with a land component, rather than a unit, because they believe it has significantly better growth potential.

* *Surname withheld to protect privacy*



The pair decided on a more contemporary look

■ PERTH

With Perth property prices having fallen in recent times, in today's market there are many suburbs with good investment fundamentals at the $500,000 price point according to Momentum Wealth managing director Damian Collins.

"From Coolbellup in the south, Forrestfield in the east and Craigie in the north, there's great value for money in many good suburbs close to the CBD and with good infrastructure and amenities," he says.

Collins's top picks for Perth are:

OPTION 1

LOCATION: Craigie, around 20km north of Perth CBD
PROPERTY TYPE: 3-bed, 1-bath house on green title (freehold) lot

This type of investment has high potential for capital growth, according to Collins, as it involves a solid land holding in an up-and-coming suburb.

Craigie has good amenity nearby including shopping precincts and public transport, but he says there's also future upside for houses, including proposed rezoning, which will create development potential in the medium term and lead to the general revitalisation of the suburb.

This type of investment will most likely be negatively geared, Collins says, with an expected gross rental yield of 3.7 per cent to 4.2 per cent.

He recommends buying a three-bedroom dwelling as opposed to a two-bedroom because there's greater rental demand for the former, and a secure tenant reduces the stress.

When it comes to potential renovations, Collins says investors need to be wary of overcapitalising on any improvements, since the majority of the investment value in this strategy will be in the land.

OPTION 2
LOCATION: Tuart Hill, 6km north of Perth CBD
PROPERTY TYPE: 3-bed, 2-bath villa

This investment option has good potential for capital growth, Collins notes, but since it has a lower land value, its capital growth prospects aren't as strong as option one.

It will, however, result in a mix of income production and growth, with high buyer and rental demand in Tuart Hill.

The suburb is "blue-chip", he says, close to not only the city but employment centres and A-grade infrastructure – and investors should choose villas close to this infrastructure.

Collins adds that the ideal property of this type would be standalone – with no common walls – and within a complex of four or less.

"Survey strata – where there's very little or no common area – would be preferred and a double-car garage with a well presented interior would be beneficial.

"Purchasing a villa on a survey strata lot gives the investor more options with regards to redevelopment and renovation, which may increase yields and capital growth prospects compared to a built strata."

While there's high demand for rentals in Tuart Hill, Collins warns that villas will compete against similar stock, and a rental yield of 4.5 per cent to five per cent is ideal for this type of investment.

"The property would be near neutrally geared, depending on the depreciation deductions available," he says.

ADELAIDE

Half a million dollars will go much further in South Australia's capital than in other capital cities, according to property lecturer and author Peter Koulizos.

"It'll be much easier to find something in Adelaide for $500,000," he says.

"The median house price is $420,000, so in theory more than half of our houses are less than $500,000, and if you're looking for a unit you can still buy one in a reasonable location for that amount of money."

Koulizos' top picks for Adelaide are:

OPTION 1
LOCATION: Torrensville, 4km west of Adelaide CBD
PROPERTY TYPE: 3-bed house

The inner-city suburb of Torrensville has two major growth drivers, according to Koulizos – its proximity to town and the fact it's undergoing gentrification.

He says it has some lovely historical buildings in need of renovation, and while gentrification is under way, there are still plenty of houses that need fixing up.

As such, there's a good opportunity to buy in now and experience the growth to come.

"Gentrification takes decades to go through the full cycle and in Torrensville there's at least another 10 to 15 years to go," he explains.

"As everyone else fixes up the houses around you, it helps to lift the value of your property."

For $500,000 you could buy either a character home on around 550 square metres or a 1960s home on 700 square metres, Koulizos says, and while both have good investment prospects, his preference is for the former.

He notes, however, that the 1960s house will be better for those looking for a low maintenance property, as it's nowhere near as old as the character home.

"Character homes appeal to buyers, but older homes aren't that appealing to tenants because they don't have the facilities and amenities," he adds.

Koulizos adds that investors could consider renovating, but he says there would be plenty of people who would be happy to rent out a property in average condition in Torrensville.

If you buy in the high-$400,000s, you'd likely rent the property in the low-$400s per week, he says.

Koulizos advocates buying a detached house because the land is what will

---

INVESTOR SNAPSHOT

Logan more attractive than Sydney for first-time investor

Name: Liana*
Lives: Ryde, Sydney
Invests: Logan, Queensland
Properties: 1
Strategy: Buy and hold

With a maximum budget of $550,000 for her first investment property, Liana* was originally looking to buy a two-bedroom unit in Sydney.

However, in accordance with one of Rich Harvey's top picks for Queensland, she instead decided to buy in Logan, a region just 20 kilometres south of the Brisbane CBD and 45 kilometres north of the Gold Coast.

Liana says she was primarily looking for capital growth from her investment to build equity and continue growing her portfolio, and Logan provided that potential.

"The area hasn't grown in quite a while so there's opportunity for growth," she says.

"I think this area has good potential for capital growth because there are a lot of schools, day cares, shopping centres and other family-friendly venues. The area attracts a lot of families."

Liana says that she was able to buy a bigger property in the regional area of Logan than she could have purchased in a capital city on her budget, and the rental return of 6.4 per cent was also much greater than she could have found in a capital city.

Liana purchased an established four-bedroom house, which is around 25 years old, in the Logan suburb of Waterford West for $325,000 towards the end of last year.

It sits on a "nice, flat block" of around 650 square metres and has the potential for a granny flat, which Liana intends to build in the short to medium term to boost both the rental return and property value.

Liana notes she has done some aesthetic renovations and repairs to her Logan property, such as patching up walls, fixing tiles and painting.

* *Surname withheld to protect privacy*

The classic lowset brick-and-tile home

appreciate in time, particularly given the potential for redevelopment in Torrensville down the track.

"In large parts of the West Torrens Council area the development plan has been changed to encourage medium-density development,' he says.

OPTION 2
LOCATION: Mile end, 3km west of Adelaide CBD
PROPERTY TYPE: 2 x 1960s 2-bed cream brick units

Investors with a budget of $500,000 may not be able to buy one of the "big, beautiful villas" on large blocks in Mile End, which sell for close to $1 million, Koulizos says, but they can buy something more affordable in the same location – and hopefully the same street – which will help to maintain the investment's value.

Koulizos suggests purchasing two two-bedroom cream brick units in the suburb for $250,000 each.

This investment option will benefit those primarily concerned with rental returns, he says. With each unit returning $280 or $290 per week in rent, it may not cost you anything to hold the properties.

While the potential for capital growth is good for units in Mile End, largely due to the suburb's proximity to the city, Koulizos warns it won't be as good as a house because of the limited land component.

He adds, however, that there's the opportunity to increase the property's value and rental return through renovation.

Koulizos suggests buying units in small blocks of less than eight, buying on the ground floor and ensuring the unit has a car park. He adds that the industrial section of Mile End should be avoided.

CANBERRA

A budget of $500,000 will secure an entry-level investment property in the Australian Capital Territory's capital according to Claire Corby, owner of Capital Buyers Agency.

"It would help to have a little more, even just for making improvements," she adds.

"With the median price closing in towards $600,000, it's increasingly difficult to find a 'bargain' in our seller's market.

"I'd recommend looking for prime locations and avoiding the urban fringes or areas outside Canberra."

Corby's top picks for Canberra are:

OPTION 1
LOCATION: Belconnen, 10km northwest of Canberra CBD
PROPERTY TYPE: 3-bed house on a decent block with potential to add value or develop

If you pick the right location, a basic three-bedroom home on a decent block of land will always attract a large pool of renters, according to Corby, who says parts of Belconnen tick the right boxes when it comes to locale.

"There's a lot to love about Belconnen now it's shaking off its '70s 'Mission Brown' stigma," she says.

"A new public hospital is on the way, it has a university and TAFE campus and a number of federal government offices, a new master plan is under way to overhaul the town centre, and the Westfield has been extended and modernised."

REGIONAL OPTIONS

Heading further out...

While many of the experts believe $500,000 would be best invested in a capital city, some believe there are regional areas offering great opportunity for those with this budget. Our experts' recommendations are:

NEW SOUTH WALES

Location: Newcastle, 117 kilometres north of Sydney.
Property type: Apartment or townhouse in the inner ring/house in the outer ring.
Newcastle is an affordable area and a thriving town with great lifestyle appeal, buyers agent Rich Harvey says, and it's experiencing spillover growth from Sydney.

There's plenty of infrastructure and employment, he adds, with the Newcastle airport, the RAAF base at nearby Williamstown, and power generation through Lake Macquarie and the Port of Newcastle.

"Newcastle is the second largest city in NSW after Sydney, so population growth is substantial," he says.

"The area is currently being revitalised with new retail areas and a construction of the light rail line in coming years."

Investors should purchase in the main parts of Newcastle, according to Harvey, and not in other parts of the Hunter Valley, some of which have been negatively affected by the downturn in mining.

At close to five per cent for houses, rental returns in Newcastle will be higher than those in Sydney, he adds.

VICTORIA

Location: Geelong, 66 kilometres southwest of the Melbourne CBD.
Property type: Period house.
The gentrifying waterfront city of Geelong is on the wish list for buyers' agent Cate Bakos because it's a reasonable commuting distance from Melbourne, offers good rail transport and boasts what's becoming a beautiful beachside city precinct.

"Geelong has been stigmatised by the job losses and the upset that the Ford plant closure caused, however the premium parts of Geelong have certainly clocked up some incredible growth figures, so it's for this reason that I'd encourage any investor to consider the merits of this understated gem," she explains.

"With higher rental yields and a great blend of growth drivers, Geelong competes with plenty of quality Melbourne suburbs."

Bakos points out that some suburbs have enjoyed "fantastic" growth per annum over the past 20 years – Newtown (8.07 per cent), Geelong West (8.64 per cent), East Geelong (9.09 per cent), South Geelong (8.2 per cent), Manifold Heights (6.45 per cent) and Herne Hill (7.41 per cent) – and she believes this growth trajectory will remain sharp.

She also says that Geelong is undergoing rapid change, particularly in terms of its demographic, with more city workers moving to the area for lifestyle and affordability.

"The waterfront on Eastern Beach brims with activity on weekends, the cafe and restaurant culture has stepped up, and schooling options are plentiful," she adds.

QUEENSLAND

Location: Ipswich, 32 kilometres west of the Brisbane CBD.
Property type: Houses on blocks with the potential to add value or redevelop.
The growing city of Ipswich is one of Rich Harvey's best picks for Queensland.

He says it has strong population growth and plenty of employment, as well as a train line leading to the Brisbane CBD and other areas.

There's also lots of infrastructure being built, including a hospital and retail amenity.

"It's the Parramatta of Brisbane," he says.

In Ipswich, Harvey suggests looking at houses on blocks you can subdivide or to which you can add another dwelling (such as a granny flat) to increase value.

"It's more of a cash flow play than a capital growth play, but you'll still do quite well over time in terms of growth," he says.

Location: Logan, 21 kilometres south of the Brisbane CBD.
Property type: Houses on blocks with the potential to add value or redevelop.
Logan, situated around half-way between Brisbane and the Gold Coast, is another top pick for Harvey.

It has plenty of capital growth drivers, he says, including affordability and population growth, and it has lots of existing infrastructure and amenity.

Harvey adds that Logan has a demographic consistent with a strong workforce, which means there's strong rental demand, and an investment in this area will benefit those investors looking for good returns, with yields around five to 6.5 per cent.

"It's expected to grow quite rapidly in the next 10 to 15 years," he says. "It's a really safe area for investing."

Harvey suggests investors in Logan target houses of at least three bedrooms on good-sized blocks in the $300,000 to $400,000 price bracket, with the potential for redevelopment or a granny flat.

Within the Belconnen district, Corby suggests investors look at the suburbs of Page and Scullin, which neighbour Hawker. She says Hawker saw a lot of action last year due to its excellent public schools, proximity to nature trails and popular shopping centre, but will be too expensive for investors on a $500,000 budget.

"Page is a diamond in the process of being polished; it's central to Belconnen and Lake Ginninderra and right on the two arterial roads of Belconnen Way and Coulter Drive," she says.

"There's a great deal of ex-government housing being renovated at present or replaced by dual-occupancies."

Corby suggests investors with a budget of $500,000 buy an original three-bedroom, one-bathroom home on 700-850 square metres in these suburbs.

"With much of the suburb zoned 'RZ2', you have the added bonus of dual-occupancy development potential or adding a granny flat out the back," she says.

OPTION 2
LOCATION: Kingston, 2km south of Canberra CBD
PROPERTY TYPE: Older 2-bed apartment

This option is more suitable for passive investors, according to Corby.

The lifestyle suburb of Kingston has a lot of new apartment stock due to the recent opening of a new foreshore development, and while this would usually lead Corby to look elsewhere, she says the opportunity lies in the pre-existing apartment market in "old Kingston". Unlike new apartments, second-hand units tend not to have a "new car" type of premium attached to their price.

"Located in the triangle between Manuka, Kingston Foreshore and Griffith, you can pick up an older two-bedroom apartment for $450,000 to $500,000 within walking distance of Parliament House and numerous government offices, Canberra's finest dining precinct and boutique shopping, and Lake Burley Griffin," she says.

Corby says stick to fundamentals.

"Location is key here for long-term, sustained capital growth."

Corby adds that the yield for this type of investment will be around five per cent.

"At the moment $500,000 is just enough to be competitive for the inner-city suburbs."

ROB ZUBIN

DARWIN

Now is a good time to buy in the Northern Territory's capital, according to Tod Peterson, director of Peterson's Property Search.

Despite signs of an improvement in the market, he says prices are still down by 10 to 15 per cent. That sort of discount should signal opportunity to the right buyers.

Because Darwin has such a small property market, he says investors looking to spend around half a million dollars will be restricted, but with a little stretching and patience they'll get a good investment with better returns than other capital cities.

He suggests focusing on the outskirts of the CBD or the northern suburbs, and if your budget can extend to the mid- to late-$500,000s, you'll have two really good options for making the most out of your money.

Peterson's top picks for Darwin are:

OPTION 1

LOCATION: Inner north (particularly Nightcliff and Rapid Creek), 9km north of Darwin CBD

PROPERTY TYPE: New 2-bed unit of a corporate rental standard

Peterson recommends buying a two-bedroom unit either off the plan or one that's up to three years old in the well-performing inner northern suburbs of Darwin such as Nightcliff and Rapid Creek, which are close to plenty of infrastructure.

Investors should look for units in a boutique block, he says, and one good enough to be set up as a corporate rental to take advantage of the higher returns on offer.

He acknowledges that the return for furnished corporate rentals has fallen from 11-12 per cent down to around 9-9.5 per cent, but says the market for them is "still firing", as long as you can provide what the tenant's looking for.

For an outlay of around $550,000 you'll get a good-sized unit of around 120 square metres, Peterson says, and the benefit of depreciation.

He explains that this option is more for investors looking for good rental returns rather than strong capital growth.

OPTION 2

LOCATION: Neighbouring suburbs of Casuarina, 10km from Darwin CBD

PROPERTY TYPE: 3-bed house

Casuarina is the main commercial hub of Darwin and Peterson says it's growing, with a significant milestone for the area being the planned opening of a Myer store in the Casuarina Square shopping centre in mid-2017.

He suggests investors buy in adjacent suburbs such as Alawa, Nakara, Tiwi or Wanguri, which are close to the infrastructure in Casuarina (including a beach and university campus).

Peterson says standard three-bedroom houses in these areas have fallen in price from around $620,000 or $630,000 to around $570,000, and rents would range from $600 to $650 per week.

He adds that the blocks sizes will be big – around 800-1,000 square metres – which gives investors the opportunity to add value and increase returns by constructing a granny flat on the block, for example.

Peterson says this investment option will likely lead to strong capital growth, but returns will also be respectable.

HOBART

There's been a more "heated market" in Hobart over the past 18 months, according to Rob Zubin of My Property Hunter, with more buyers than property, and this competition is leading vendors to achieve higher prices.

Ultimately, he says, the options available to investors with this budget will depend on how wide they cast their net.

Zubin's top picks for Hobart are:

OPTION 1

LOCATION: Hobart's inner northern suburbs (North Hobart/New Town, West Hobart and extending to Mount Stuart and parts of Lenah Valley)

PROPERTY TYPE: Older character home

Within the budget, investors will be able to purchase a well-presented three-bedroom character home in Hobart's inner suburbs with off-street parking.

"At the moment $500,000 is just enough to be competitive for the inner-city suburbs including South, West and North Hobart, New Town, Lenah Valley and Glebe," Zubin says.

This type of investment has strong potential for capital growth, with prices expected to increase by five per cent per year for the next few years, he says.

Older character homes in the inner suburbs see strong demand, Zubin explains, enhanced by their proximity to the CBD and popular cafe strip of North Hobart. These investments experience high rental demand, and returns will be around 4.6 per cent to five per cent.

OPTION 2

LOCATION: Hobart CBD or neighbouring southern suburbs of Battery Point or Sandy Bay

PROPERTY TYPE: Apartment or townhouse

It's all about location, Zubin explains, and since the CBD and inner southern suburbs of Battery Point and Sandy Bay are so central, they're in high demand.

There are a reasonable amount of options within a 10-minute walk of the Hobart CBD for investors looking for this property type, according to Zubin, so they won't be too restricted.

He adds that there's good tenant demand from professionals, as well as those associated with the University of Tasmania campus in the beachside suburb of Sandy Bay.

"There's generally a low vacancy rate, with yields around four per cent," he says.