

BEST BUYS

Armed with three different investor budgets, Melbourne's property experts share their top suburbs for investment SUCCESS. DINAH LEWIS BOUCHER [@DinahBoucher]

Looking for the perfect investment property can be a bit like digging for buried treasure – there's a lot of searching, a lot of time spent sifting through dud deals and you might even hit rocky terrain where it seems like you'll never find the perfect prospect. But rest assured there are

still gems waiting to be discovered and Melbourne's finest are here to provide a property treasure map for you to follow. We asked for their top suburb picks for the best capital growth potential – and they answered! Now you can snatch up those precious property pearls ahead of the crowd.



\$750,000-\$850,000

CATE BAKOS

Cate Bakos Property

- **Footscray:** Period cottage
- **Kensington:** Period cottage
- **Flemington:** Period cottage
- **Brunswick:** Period cottage



PAUL OSBORNE

Secret Agent

- **Seddon:** Single-front home
- **Coburg:** Single-front home



JANET SPENCER

Buyer solutions

- **Moonee Ponds:** Period house
- **Ascot Vale:** Period house



\$750,000 - \$850,000 PRICE RANGE

Location	Median house price	Median asking yield	12-month growth	5-year growth
Footscray	\$630,000	3.3%	3.3%	3.6%
Kensington	\$781,000	3.4%	9.7%	3.6%
Flemington	\$810,000	3.3%	16.9%	4.0%
Brunswick	\$800,000	3.6%	5.8%	3.4%
Seddon	\$800,000	3.3%	12.5%	4.2%
Coburg	\$750,000	3.5%	9.5%	3.9%
Moonee Ponds	\$939,000	3.0%	13.1%	2.8%
Ascot Vale	\$851,000	3.3%	8.7%	2.8%

Market watch: House prices and rental yields 12 months to December 2015. Australian Property Monitor, APM.

In this price bracket, Cate Bakos recommends looking for a single-fronted period cottage in quality parts of Melbourne's inner northwest. Her top picks are Footscray, Kensington, Flemington and Brunswick.

"These areas are the last of the sub-\$850,000 single-front areas within a six-kilometre radius of the CBD," she says. "Many of the streets are filled with beautiful period cottages and heritage overlays, which broadly protect the streetscapes. This attracts quality tenants."

"I'm not on my own for having a bit of a penchant for Victorian architecture – when you compare these to post-war, mid-century or even modern properties, it's the old Victorians that tend to outperform. Obviously, providing that the streets and the neighbourhoods are good, they are heavy performers."

If you're planning on "owner-occupying" in Kensington, you might be hitting the snooze button for a morning sleep-in as the suburb sits a short four

kilometres from the CBD. But there's more than just proximity going for this one, Bakos points out.

"The Melbourne's 2030 plan outlines that the Arden Macaulay plan will incorporate Kensington and North Melbourne into Melbourne's extended CBD footprint.

"We're probably all underestimating the growth this will mean to the inner northwest for this pocket, so I'd certainly wholeheartedly encourage people to look closer at it. You've just got to be careful of not targeting areas that could be compulsory acquisition sites or properties bounded by a train line, as there'll be a lot of activity there in the next 20 years."

The bustling metropolis of Footscray, located only five kilometres west of Melbourne's CBD, is described by Bakos as "the most up-and-coming suburb".

"Footscray's undergoing enormous change and experiencing gentrification at a rate that would challenge any suburb," she says. "There are some really exciting parts of Footscray and it's becoming well known for an exciting suburb culture as well."

Six kilometres west of Melbourne's CBD is the heavily gentrifying suburb of Seddon, a top pick for investors according to Paul Osborne.

"Seddon's quite special. It's a good little pocket, not many people are aware of yet, it's still a sleepy spot. The great thing about Seddon is it's very limited, and it has that village feel, so a lot of people generally don't like to move away from Seddon."

With Footscray next door, Osborne says Seddon is home to an attractive lifestyle scene with great coffee spots and restaurants.

Coburg and Seddon are two markets relatively similar in that they're gentrifying quite heavily, according to Osborne.

"First, it's surrounded by very wealthy suburbs sitting on its doorstep, so you'll get that spill-over effect. Secondly, there's a lot of government infrastructure planned for Coburg aimed to make it a real hub – there'll also be more jobs created in the area. And thirdly, it has close proximity to the CBD," he says.

Coburg has a much wider geographical spread, with many properties to choose from.

"You have to be picky where you go here, because it's a vast suburb."

Coburg housing stock consists of Victorian architecture and some Edwardian housing, apartments and Californian bungalows.

■ \$600,000-\$700,000

CATE BAKOS

- ▶ **Glen Huntly, Ormond:**
Dated villa with yard
- ▶ **Carnegie, Caulfield South:**
Dated villa with yard



PAUL OSBORNE

- ▶ **East Melbourne:**
Art deco apartment
- ▶ **North Melbourne:**
20-30-year-old apartments



JANET SPENCER

- ▶ **Hawthorn:** Apartment



\$600,000 - \$700,000 PRICE RANGE

Location	Median house price	Median asking yield	12-month growth	5-year growth
Glen Huntly (units)	\$464,000	4.3%	21.2%	0.1%
Ormond (units)	\$440,000	4.2%	-1.7%	-0.2%
Carnegie (units)	\$490,000	4.2%	-5.3%	2.2%
East Melb (units)	\$686,000	4.3%	24.5%	2.9%
North Melb (units)	\$477,000	4.9%	-3.7%	6.8%
Hawthorn (units)	\$545,000	4.0%	4.8%	3.1%

Market watch: House prices and rental yields 12 months to December 2015. Australian Property Monitor, APIM.

Janet Spencer suggests looking for a good apartment in blue-chip Hawthorn.

"It's close to Swinburne University, quick train travel to the CBD and great local strip shopping – cafes, bars and restaurants," she says, adding that it's her focus to source assets in areas that should outperform the median capital growth for the area.

"I can't generalise over a whole suburb as each property is unique and needs to be assessed on its individual merit.

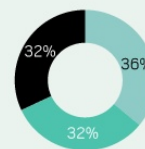
"Area and price are important attributes, however it's the property itself that governs future performance, together with the quality of assets on the market at the time of purchase. If no quality options are there at any point in time in an aspirational suburb, we won't buy."

COBURG FACT SHEET

Coburg has a low supply to demand situation. There are few rental properties available to tenants and there's an undersupply of for-sale listings. Discounting has been muted. Incomes in Coburg are growing faster than the Victoria average. The proportion of renters to owner-occupiers is below average for Victoria. Stock for sale levels are down by 10.6 per cent year on year.

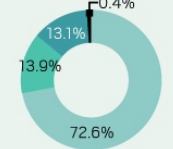
Source: SQM Research, www.sqmresearch.com.au (accurate to Feb 2016)

OCCUPANT TYPE³



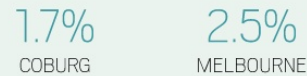
- Owner-occupiers
- Mortgage holders
- Renters

HOUSING MAKE-UP⁴

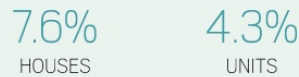


- Separate house (6,622)
- Semi-detached row or terrace house, townhouse etc (1271)
- Flat, unit or apartment (1195)
- Other dwelling (27)

VACANCY RATES³



10-YEAR AVERAGE ANNUAL GROWTH³



KEY DRIVERS

- ▶ Proximity to public transport, shopping amenities
- ▶ Surrounded by wealthy neighbouring suburbs
- ▶ Planned infrastructure
- ▶ Eight kilometres to the CBD

POPULATION⁴

24,977

WALK SCORE⁵: 71

Coburg is the 78th most walkable neighbourhood in Melbourne with a walkscore of 71. Most errands can be accomplished on foot.



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

THE STATES ■ Victoria

Very much the blue-chip spot, Osborne likens buying in East Melbourne to buying a gold bar... dependable, desirable and safe. He recommends snatching up an art deco apartment.

"A very limited number of opportunities come up with apartments or housing here. East Melbourne is one of those bulletproof suburbs that tends to do well even when the market's in a downturn."

Two kilometres from the CBD, Osborne says North Melbourne is one of those spots that are gentrifying into property gold.

"I like some of the older, 20- to 30-year-old apartments here. The key

with buying these is they've got to be more generous in size as you've got to differentiate yourself with the influx of new stock being built today," he says.

Osborne says the apartment should be larger than 90 square metres in size. Another of the benefits with the older stock is it generally has lower outgoings.

Along with sitting on the city's doorstep, it's within close proximity of major hospitals and the Melbourne University.

Bakos refers to the neighbouring suburbs of Glen Huntly, Ormond, Carnegie and Caulfield South as the "inner-ring South East cluster".

"They've all got access to public transport, and the first three have their

own train station as well as a vibrant village," she says.

Bounded by higher value suburbs, "the cluster" has potential for flow-on opportunity.

"They've got some lovely architecture... the period that seems to affect these areas the most are the 1920s, '30s, '40s - you've got a lot of art deco and Californian bungalows and it feels leafy and high quality. You've also got a blend of attractive sized buildings, where you can target areas with courtyards," Bakos says.

In terms of area preference, she suggests being within walking distance of the train without actually being able to hear or see it, and on a street that's not overrun with high-density blocks of flats.

INVESTOR SNAPSHOT

Footscray fever

With a personal motto of "He who dies with the most toys wins", there's really no surprise Mark Poot's garage is filled with all sorts of hobbies to keep him going, from snowboards and kayaks to diving gear and surf boards. The most recent endeavour involves Mark and his fiancé Bronwyn taking up beekeeping.

"We keep a small hive on our balcony and harvest honey to give away to our friends and family," Mark says.

When it comes to hobbies, however, property was never really one of them, so Mark enlisted the help of a buyers' advocate when looking for his first investment.

"After our first meeting, I took some time to think about it. I called her up one day and said 'I'm ready to do this'. She had me back on the phone within two hours almost embarrassed to suggest she already had the perfect property that had been passed in at auction.

"Was I game enough to jump on the first property so quickly? Hell yeah!

"Within 24 hours she'd negotiated a great deal against some other bidders and I had the property!"

In October 2015, Mark picked up a two-bedroom detached house in up-and-coming Footscray for \$495,000.

"I had wanted something that needed a bit of renovation, was under \$500,000 and as close as possible to the city. Footscray was the only suburb that ticked all the boxes."

Pre-renovation rental return was \$330 a week, but since renovating the property, Mark receives \$450 a week in rent.

"I invested \$38,000 into a total fit of the kitchen and bathroom, more than I planned but the rent I ended up getting was more than I expected.

"Footscray has really come a long way in the past 10 years - infrastructure as well as cafes and restaurants. I then got all technical and started my research. I looked up Australian Bureau of Statistics data on household income quartiles and was looking for the shift of high income earners moving into an area to signal gentrification.

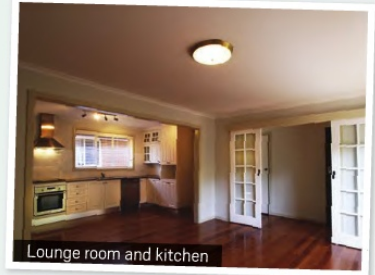
"I compared the current data with the history in areas well-known for their gentrification such as Fitzroy, St Kilda, Yarraville, and determined Footscray is maybe 10 years behind these areas.

"For a buy and hold, that's perfect for me." Mark responds "absolutely" when asked if he'd buy in Footscray again, although he's got other pressing matters at hand.

"For now, with a new baby on the way, I might just need to focus on my own home for a while."



Name: Mark Poot
Lives: Ascot Vale
Invests: Footscray and Scotland
Properties: 3
Strategy: Buy and hold.



\$450,000-\$550,000

CATE BAKOS
 ▶ **Sunshine/Sunshine West:** Freestanding house
 ▶ **Albion:** Freestanding house



PAUL OSBORNE
 ▶ **Brunswick:** Apartment
 ▶ **Brunswick East:** Apartment
 ▶ **Northcote:** Apartment



JANET SPENCER
 ▶ **Brunswick/Coburg:** Apartment
 ▶ **Fitzroy/Carlton:** Apartment



\$450,000 - \$550,000 PRICE RANGE

Location	Median house price	Median asking yield	12-month growth	5-year growth
Sunshine	\$524,000	3.3%	11.4%	3%
Sunshine West	\$447,000	4%	15.2%	2.2%
Albion	\$440,000	3.7%	4.8%	1.2%
Brunswick (units)	\$450,000	4.6%	-1.7%	0.9%
Brunswick East (units)	\$521,000	4.5%	1.2%	2.5%
Northcote (units)	\$498,000	4.3%	7.4%	2.6%
Fitzroy (units)	\$630,000	4.6%	0.6%	1.6%
Carlton (units)	\$365,000	6%	4.3%	4%

Market watch: House prices and rental yields 12 months to December 2015. Australian Property Monitors, APM.

In Brunswick and Brunswick East, it's going to be one-bedder apartments in this price range, Osborne says.

“Once again it’s all about lifestyle suburbs, but the same thing applies from our North Melbourne formula,” he says.

Osborne suggests 1960s and 1970s apartments are your best bet.

“Apartments should be quite generous in size, over 80 square metres.

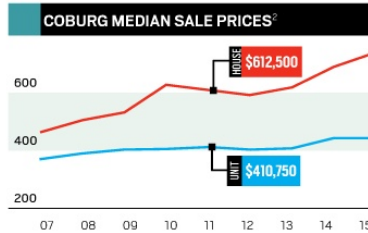
“I’d be looking for smaller, boutique sized, well maintained complexes that are close to either Sydney Road, Lygon Street or Nicholson Street. Preferably on the city, southern side of these suburbs.”

At 12 kilometres from the CBD, Sunshine still offers buyers the opportunity to snap up a freestanding house sub-\$550,000, but it will be in need of a little TLC.

“It can be done, I’ve found properties at the early- to mid-\$550,000 mark that are subdividable,” Bakos says.

“At the \$450,000 mark you probably won’t get something in the 12-kilometre radius on its own block – it might be on a title block or a subdivided block, with the back yard harvested off for a townhouse.

ALL ABOUT COBURG ¹		
	House	Unit
Median price Dec 15	\$747,500	\$410,000
12-month growth	9.1%	-2.8%
Median rent Dec 15	\$460	\$340
Rent growth (YoY)	2.2%	0%
Gross rental yield Dec 15	3.5%	4.5%
Properties sold Dec 15	356	100
Properties sold Dec 14	396	84
Average vendor discount 15	-7.2%	1.7%
Average vendor discount 14	-1.7%	1.3%



“There’s a strong rate of gentrification now as families are priced out of the inner west. There’s enormous infrastructure and local government spending to beautify the area,” she adds.

MARKET COMMENTARY

The 12 months to January have seen the median value for houses in the Melbourne metropolitan area increase by 13.96 per cent, or approximately \$92,500, according to Eliza Owens, economist from Onthehouse.

“Units saw much lower annualised capital growth, at 5.63 per cent, but this was still a strong result compared with capital growth in the Australian median unit (4.42 per cent),” she says.

Melbourne’s market has historically followed growth in the Sydney market.

“As the Sydney market has already peaked and is coming into a downswing, I would expect to see Melbourne experience its peak growth rate sometime this year,” Owens says. API

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