





# GET FRANK ON FRANKSTON

Is the most southern point of Melbourne's metropolitan rail network a no-go zone for investors, or do untapped opportunities exist beneath the suburb's unsavoury social stigma? CAROLINE JAMES

**A**ustralians are adept at the art of the unflattering nickname. Even our suburbs are fair game. But is the seedy reputation trailing “Franga” – that’s Frankston to all our valued API readers outside Victoria – really justified?

### WHAT DO THE NUMBERS SAY?

If we first look purely at the numbers (and numbers are the only place to start any investment journey) we quickly see striking reasons to add Frankston to the investor “maybe” list.

According to the Real Estate Institute of Victoria (REIV), postcode 3199 recorded one of the garden state’s strongest capital growth years in 2015. House prices in Frankston rose significantly in the year to December 31, up 16.9 per cent to a median price of \$455,000.

Sharing this postcode is Frankston South, which also saw its median house price rise 9.6 per cent to \$682,250 last year.

We spoke to local property experts and discovered that Frankston North, postcode 3200, should also be included in any meaningful analysis of the Frankston area.

Full of ex-housing commission properties, this more northerly suburb

ALL ABOUT FRANKSTON SOUTH <sup>1</sup>		
	House	Unit
Median price Mar 16	\$608,500	\$435,000
12-month growth	-6.8%	25.8%
Median rent Mar 16	\$425	\$325
Rent growth (YoY)	-7.6%	0.8%
Gross rental yield Mar 16	3.6%	3.9%
Properties sold Mar 16	434	35
Properties sold Mar 15	413	35
Average vendor discount Apr 16	2.3%	1.6%
Average vendor discount Apr 15	4.3%	2.9%

FRANKSTON SOUTH MEDIAN SALE PRICES<sup>2</sup>



was originally called Pines Forest and is now known locally as The Pines. It recorded median house price growth of 9.5 per cent in 2015.

REIV data shows apartment prices in Frankston were relatively stable in the year to December 31. The median price of attached housing was up 1.3 per cent to \$336,000.

Frankston’s median house and apartment prices also remain below the medians for outer Melbourne suburbs (those more than 20 kilometres from the city), which are \$599,000 for houses and \$425,000 for units and apartments.

Gross rental yields for Frankston in the December 2015 quarter were 4.6 per cent for one-bedroom units, 4.8 per cent for two-bedroom units, 4.3 per cent for three-bedroom units, 3.5 per cent for two-bedroom houses, 4.2 per cent for three-bedroom houses and 4.2 per cent for four-bedroom houses.

With the exception of two-bedroom houses, all yield figures were higher than their outer-Melbourne equivalents.

Four-bedroom houses performed the strongest, at 0.7 per cent higher than outer Melbourne.

“Frankston recorded solid capital growth in the year to December 31, up more than 16 per cent,” REIV CEO Enzo Raimondo says.

“Like outer bayside suburbs Seaford and Dromana, Frankston continues to grow in popularity with further capital growth likely in the coming years.

“[It] remains an affordable option for first homebuyers and investors with its median house and apartment price both below the median for outer Melbourne [and]... is also benefitting from improved infrastructure and amenities.

“Investors are currently seeing solid rental returns on a number of property types in Frankston as well as significant capital growth.”

### ■ WHAT'S FUELLING THE FIGURES?

This decade Frankston has been the centre of investments according to valuation expert Michael Piening of Herron Todd White.

Notable projects include:

- ▶ Purchase of the long-abandoned 10-storey Peninsula Centre by the Asian Pacific Group in 2013 and refit to include four levels occupied by Quest serviced apartments, leased office space, retail and cafes.
- ▶ Myriad mixed developments and multi-level apartment complex projects in and around Davey's Bay Road, which runs down to the Davey's Bay Yacht Club.
- ▶ The opening of the Peninsula Aquatic and Recreation Centre (PARC) in 2014.
- ▶ Gentrification and amenity improvement works around Pier Promenade precinct.
- ▶ An increasing range of medical facilities supporting Frankston Hospital.

“These have been the primary economic drivers in recent years,” Piening says.

“Demographically, it's always been a very Anglo-Saxon-heavy region and now is becoming a bit more diverse – still predominantly families and retirees mostly but with a broader blend of cultural backgrounds than it ever used to be.

“It still does have a stigma and I don't think that will go away any time soon, but it does have a lot going for it.

“It has a train line direct to the CBD, a beach, shops including Westfield, a range of schools and development.”

### ■ WHAT SHOULD YOU BUY?

Frankston is Melbourne's southeast bayside tail and the gateway to the Mornington Peninsula. It's literally the end of the metropolitan line, 26 stops from Flinders Station in Melbourne city, and almost exactly halfway between the CBD and Portsea, each of which are about 40 kilometres away.

Buyers' agent Cate Bakos, from Cate Bakos Property, herself bought two ex-commission houses in Frankston North in 2005 for \$167,000 apiece.

She stresses investors should not think of Frankston as one market but a collection of residential areas with differing housing styles, block sizes and price points.

“Frankston's a really large area that is really made up of a few distinct areas. There's not just one Frankston – some areas are really desirable and some are really rough,” Bakos explains.

“Long Island and Olivers Hill, which have amazing views, are really sought-after bay-front areas offering big blocks and many large, upmarket houses.

“Frankston City also has some views and Frankston South has views, too, down towards the peninsula, very similar to Mount Eliza, and offering big land blocks making it popular with owner-occupants and retirees.”

Bakos says Frankston South is well positioned for easy access to “a range of good schools” including public primary schools Frankston Heights and Overport, and private schools Toorak College and The Peninsula School in more salubrious neighbour Mount Eliza.

“What holds it back is it's a drive away from the train station,” Bakos says.

Some investors mistakenly see it as a good investment option because of its waterside location and fancier houses, but further analysis reveals Frankston South is a suburb with a high proportion of owner-occupiers and a relatively high buy-in price point. In fact, the Frankston area's biggest disadvantage for investors is it's a long way from the city, which will deter professional rental families.

It's common for investors in Frankston's more upmarket areas to struggle to find tenants, which means they end up with big cash flow burdens.

“[Frankston South] is not an investment-grade area. The yields just aren't there to make it work for investors,” Bakos says.

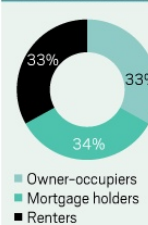
However, she does see investor

### FRANKSTON SOUTH FACT SHEET

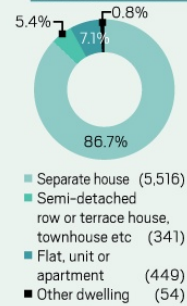
Frankston South has a low supply to demand situation. There are few rental properties available to tenants and there's an undersupply of for-sale listings. Discounting has been muted. Incomes in Frankston South are growing slightly faster than the Victoria average. The proportion of renters to owner-occupiers is below average for Victoria. Stock for sale levels are down by 22.3 per cent year on year.

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

#### OCCUPANT TYPE<sup>3</sup>



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



#### VACANCY RATES<sup>5</sup>



#### KEY DRIVERS

- ▶ Accessibility
- ▶ Infrastructure
- ▶ Affordability.

#### POPULATION<sup>4</sup>

17,612

#### WALK SCORE<sup>6</sup>: 38

Frankston South has a Walk Score of 38 – most errands require a car. There are about 34 restaurants, bars and coffee shops in the suburb and people can walk to an average of 0.5 restaurants, bars and coffee shops in five minutes.



Source: APIM and SQM Research; Source: realestate.com.au; Source: SQM Research; Source: APIM; Source: ABS 2011 Census; Source: FPM; Source: www.walkestate.com.au; H = houses; U = units; IY = year on year IYR = statistically not reliable



“This area has been stigmatised unfairly in many ways and that’s slowly starting to change, but it will take time.”

CATE BAKOS

opportunity worthy of exploration in Frankston’s northerly, albeit less wealthy, reaches.

East of Frankston CBD is Karingal estate, with its mix of mostly 1970s developer and government housing, popular with first homebuyers who want to buy near the station and Peninsula Link freeway south.

“It’s come off a lower base than these other areas and is showing some good capital value growth,” Bakos says.

With a budget between the high-\$300,000s and low-\$400,000s, you can still buy three-bedroom houses in this area. A very impressive figure, particularly for those looking to acquire a bit more land at a reasonable price.

“You don’t have small blocks, either, so there’s some subdivision activity in there for the right blocks.

“This area has been stigmatised unfairly in many ways and that’s slowly starting to change, but it will take time.”

Finally, welcome to Frankston North, still heavily populated by households funded by social security, commission housing and owners who’ve been slow to invest in capital works, but Bakos says there are signs this is changing.

“Yes, it has been stigmatised over the decades, but the biggest change in the past 10 years has come from the launch of EastLink and Peninsula Link, because local residents can now commute to a wider range of employment hubs.

“A lot of ex-housing commission properties have been renovated. Ten years ago, you saw no evidence this was going on.”

#### ■ WHO’S THE BEST FIT?

Asked which investors are best suited to the Frankston area property market, Piening says “probably mums and dads”.

“It comes down to affordability. You can still buy a lot for your money under \$500,000 and I’d be looking for houses in the estates.

“Anything in the Frankston High School zone is desirable, as is the Frankston to Frankston South area heading towards Mount Eliza.

“The older units/apartments tend to be found around the centre, closer to the station.

“Beach Street [near the station] tends to be a bit rougher and you have a few different estates to consider; Lakewood Estate, around Heatherhill Drive;


Whistle Stop, north of Skye Road, you’ll find houses with three or four bedrooms and 4.5 per cent yield.”

In Frankston’s estates you’ll find housing stock is mostly circa 1980s brick veneer; some 1970s housing, and its older units are either 1960s built in rows attached on both sides or 1970s villa units.

Renovation to boost capital value and rental return is becoming more prevalent in Karingal and parts of Frankston North, Piening says.

However, Bakos thinks buying an older unit as an investment in Frankston North or Karingal is a poor choice “when you can buy a detached house in those areas for under \$400,000”.

“My advice to any investor buying in Frankston is talk to your property manager (PM) and make sure you have their full support as it’s an area that largely relies on a lower socioeconomic rental base and you’ll need a strong PM with experience in this area,” she says.

Piening adds: “As with any real estate investment, while we’ve had a bit of a run [lately], to get your money back you really should be taking a five- to 10-year view.” 



Houses on Oliver’s Hill, Frankston

**INVESTOR SNAPSHOT**

Victorian investors Joanna Baker and Darren Fulford are patiently waiting for their Frankston North nest egg to hatch.

When it does and its value wings finally extend, its owners will almost certainly watch their humble ex-commission house's market price take flight on a sharp accent.

"Looking back, I wish we'd bought in Frankston rather than Frankston North because it's moved quicker than its northern neighbour," Joanna says.

"[Property value growth] has been slow going – comparable properties have only just pushed over \$300,000 but there's been a lot going on in Frankston, lots of development and families moving to the area, and here's Frankston North sitting there screaming for medium-density zoning, which is why we bought there in the first place.

"Our strategy is to try to pick up areas where we believe [land] values have to catch up to the surrounding area, which is why we like freestanding properties where there are strong possibilities for capital growth and/or subdivision potential."

The hard-working Melbourne couple bought their simple weatherboard house on its 608-square-metre block in 2010 for \$282,250 after "a Dutch auction" against three rival buyers, Joanna recounts.

Since then the property has been vacant no longer than two weeks in the past five years. It's currently tenanted and returning \$275 a week.

The home is also near a school, two parks, and is about 3.5 kilometres from Frankston rail station "so it ticks all the boxes".

"After we bought it we did some renovation works to boost its rental return and it was the best house in the worst street," Joanna says.

"But since then many other ex-commission houses in the area have been bought and their owners have invested in capital works – new kitchens, bathrooms, polishing the floors, etc. – and now ours is the worst house by comparison and it means we can't command much more in terms of rent in the current market."

The couple's long-term plan is to hold the property.

Speculation continues over whether local council will revise residential zoning to allow more subdivision. If and when this happens, Joanna says the couple may decide to develop a pair of properties on their block or, if zoned to the higher medium-density, "look at moving it on to another developer".

"We have a property manager but you do have to chase rent and garden maintenance is often neglected... we get a lot of applications but we have to say no to a lot of them," she says.

"There are other areas that are easier [as investments] but then of course there are not too many areas in Melbourne where you can buy a house for under \$300,000."



**Name:** Darren and Joanna

**Live:** Mount Eliza

**Invest:** Melbourne and surrounds

**Number of properties:** 5

**Strategy:** Buy and hold/subdivide.

## bestreads:

# THE ARMCHAIR GUIDE TO PROPERTY INVESTING

The Armchair Guide to Property Investing is a comprehensive book. Readers are given all the fundamentals about investing, money and risk management, as well as the tools to get them started in the first two parts of the book. In the third part, the authors share the 18 investment strategies that in their vast experience have worked for thousands of their clients – and themselves – over the years.

The last section discloses six case studies where you will discover how six very different investors – a young single, a couple who started investing early, a couple who left it a bit late (luckily it's rarely too late), a single parent and a couple with no kids – all built portfolios which will deliver \$2,000 income in their retirement.

**By Ben Kingsley & Bryce Holdaway (Australia, 2015)**

**\$32.95** Item: KIN-2



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