

*The magazine by investors for investors*



# SmartProperty

Investment

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**"THE AREA OFFERS OPPORTUNITIES FOR BUY AND HOLD INVESTMENTS AND THE POTENTIAL TO GIVE AN OLDER HOME A COSMETIC UPGRADE"**

## In focus: Balga

● **THE WINDOW OF** opportunity for jumping into the northern Perth suburb of Balga is closing fast. Property prices have risen steeply over the past 12 months, driven by high demand from investors and homebuyer-investors searching for reasonably priced homes and development sites.

Although it underwent a government-funded upgrade about 14 years ago, Balga still has a way to go before it can be considered gentrified. It remains an affordable suburb in which to snap up an older property with development potential. As an added bonus, it is located less than half an hour from the CBD and situated on a direct and easy travel route to the city.

While a growing number of newer strata-title homes have been built in recent years, Balga still features many older brick-veneer and fibro homes that were built at a low cost. Many sit on development blocks suited to building two to three new homes. In time, as more new development occurs and most of the sites with development potential are bought, prices will go up even further.

The area offers opportunities for buy and hold investments and the potential to give an older home a cosmetic upgrade that will boost rental

returns, but - a word of warning - not all the cheaper, older properties are worth renovating. While Balga is already zoned to allow development, investors should make sure they check for all the possible hidden issues. Also, be sure the property isn't already overpriced, because there is a limit to the true value a home in the area can have.

Good development sites still exist. Investors who develop straight away to build three-bedroom, two-bathroom villas can expect to fetch around \$420 to \$450 a week in rent. Balga is home to a high proportion of lower-income renters due to its affordability and its location.

Balga's affordability is not only attracting the average developer or investors who have been priced out of the surrounding areas of Nollamara and Westminster, but a rising number of families wanting to buy an affordable home to live in. Many of these have also been impacted by the rising prices in other areas that have already experienced this development activity.

With more competition for properties in the suburb, investors wanting to take the plunge in Balga need to act quickly, but keep their wits about them and choose sites and homes that offer an investment edge.



### BALGA BY NUMBERS

Median unit price

**\$305,000**

Quarterly growth

**3%**

12-month growth

**27%**

Average annual growth

**11.7%**



## Top yields

● **WESTERN AUSTRALIA'S** RENTAL market has struggled in recent months, though some regions continue to deliver impressive returns.

The Real Estate Institute of Western Australia (REIWA) puts the metropolitan vacancy rate at 3.8 per cent, the highest in four years. REIWA president David Airey says a major challenge is tenants leaving the rental sector to become buyers. Research from the REIWA suggests up to 20 per cent of all vacancies are the result of broken leases due to tenants purchasing their own home.

A more detailed breakdown of vacancy rates from SQM Research shows vastly different patterns throughout the city. In the popular north east suburbs, vacancies are as low as 1.5 per cent, while the north west shows vacancies of two per cent. Results in the south are similarly tight, below 1.8 per cent.

In the Perth inner suburbs, on the other hand, rates are dramatically higher. SQM reports 5.6 per cent of rentals are standing vacant in inner Perth. By contrast, in January 2012 city vacancies were below two per cent.

These conditions are causing rents to plummet in Perth. SQM reports rents for houses dropped by 10.7 per cent in the last year; for units, rents came down by 7.4 per cent.

Regional areas have differing results. The Central Coast has tight vacancies, at 1.8 per cent, while the Goldfields has vacancies at 3.5 per cent.

### HOUSES

Suburb	Yield
Newman	10.6%
Kambalda West	9.9%
Kambalda East	9.2%
South Hedland	9.1%
Port Hedland	9.0%

### UNITS

Suburb	Yield
Newman	9.9%
Boulder	8.8%
South Hedland	8.4%
Bulgarra	7.8%
Piccadilly	7.7%



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Source: All data provided by RP Data