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Australian

Property Investor

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FOR HOMEBUYERS, INVESTORS & PROPERTY PROFESSIONALS

BUYERS' AGENT

BRIEF

Our hypothetical brief

John and Lisa want to purchase their first investment property. Aged in their mid-forties, they've been thinking about buying an investment property for years and are ready to take the first step. Their main goal is to set themselves up as comfortably as possible come retirement age. They have \$400,000 in equity on their principal place of residence and can comfortably stretch their investment property budget to the \$450,000 mark. Being new to the property investment game, they're open to advice on which areas in Perth's market they should be investing, and what property type they should acquire to help secure their nest egg.

Buying with the advice of three local experts certainly makes investing less stressful. Exclusively for API, here's the insight into where and why you should take a look at Perth's property market.

DINAH LEWIS BOUCHER [[@DinahBoucher](#)]

If buying counter-cyclically is your thing (the "buy when everyone else isn't" move) then Perth's subdued property market may be worth another look. The slowdown in the resource sector has been well documented and as a result Western Australia's property market has been ticking along a bit slower than usual, although it may pay to remember that some bigwig property players have built up fortunes making bold moves during market downturns. And without all that extra competition in the market,

(no elbow shoving at open homes or annoying "multiple offers" scenarios to contend with), it might be that much easier to sift through listings and separate the ordinary from the extraordinary for that next property acquisition. So, how do you do that?

Cue experts Damian Collins, Ben Lamers and Trevor Dunkley to enlighten us. Our three buyers' agents share their insights and years of experience on what Perth's current market has to offer, and you may be surprised by what they've got to say.

DAMIAN COLLINS

Managing director, Momentum Wealth



Given the information we have available, we'll assume John and Lisa have decided to invest in property to build their retirement nest egg over the next 20 years. Capital growth is what makes you wealthy, so they would want to purchase a high-growth property. Being in their forties, the best strategy would be to purchase a long-term growth asset that

“Perth’s focus is shifting from mining to previously neglected areas such as tourism and infrastructure.”

TREVOR DUNKLEY

within the location identified unless the property is well positioned in that area.

In assessing the brief provided, John and Lisa have \$400,000 in equity and can borrow to a budget of \$450,000. Although this brief is some \$90,000 below the median house price in Perth, there are certainly some great buying opportunities, particularly in this softer market.

Perth is experiencing a significant infrastructure investment phase, with the state government investing heavily in major projects throughout the city. In addition, there are major planning changes and commercial precincts planned over the next few years that will add substantial amenity to certain areas and, as a result, we expect these changes to positively affect property values.

We’re closely tracking many of these changes, both planned and those already under way. For example, the Midland Town Centre infrastructure development; Tonkin Highway redevelopment; major expansion of Perth Airport; Gateway WA project; Innaloo Shopping Centre precinct; City of Joondalup and Shire of Kalamunda proposed rezoning of certain pockets in strategic locations; Elizabeth Quay development; sinking of the railway to

connect Perth CBD to Northbridge; the rail extension to Perth Airport and Forresterfield; the revitalisation of Scarborough Beach and surrounding area... to name just a few.

These are all positive projects for a growing city and investing in and around these locations has merit. The brief of \$450,000 would allow us (on behalf of our client) to purchase where these infrastructure projects will have a positive impact on capital growth. For example, purchasing a reasonable quality home with future development potential located in Forresterfield would provide a good holding income, a large piece of land and access to good infrastructure.

An alternative would be to purchase a villa in a small group of say four to six within the inner suburbs of Osborne Park, Tuart Hill, Yokine and some parts of Joondanna. These are always reliable for renting – with a lack of supply of new villas, there’s a constant demand for low maintenance properties in these areas where there’s easy access to the city, good rail and bus services, employment nodes in and around the Osborne Park industrial/commercial area as well as cafes, shopping, schools and sporting facilities also being within close proximity.

TREVOR DUNKLEY
Director, Property Wizards



Investing in property for the first time can be daunting, but John and Lisa have options available in Perth to help them secure their nest egg.

Perth’s focus is shifting from mining to previously neglected areas such as tourism and infrastructure, and billions are being invested in drawing people to the city to grow the economy in new ways. This puts pressure on an already undersupplied housing market and makes Perth an exciting place to be investing in property. Not all areas and property types are equal and it’s critical to choose the right strategy, location and property type to drive your investment.

As first-time investors, John and Lisa may be considering a “set-and-forget” strategy focused on cash flow. Finding a property that will attract a good rental yield is a popular approach for investors who are beginning to build their confidence in real estate investment.

Many investors’ first step would be to purchase a house and land package in outlying suburbs. We don’t recommend these because they are a long way from desirable growth drivers and most of the investment is paying for bricks and mortar.

Investors in the \$450,000 price range looking for a buy and hold property should consider older villas closer to Perth’s CBD. The right property, with some land component and close to good growth drivers, can provide a decent rental yield while benefitting from capital growth. For example, in suburbs such as St James and Maylands, John and Lisa’s money is going into the location, not bricks and mortar. Over time these properties have potential for greater capital growth while still attracting a reasonable yield.



Apartments on Davidson Tce, Joondalup



The entrance to Cockburn Central Station, around 20km from Perth

For John and Lisa's goals, we recommend a capital growth strategy and, depending on their appetite for risk and involvement, to combine that with an add-value strategy.

Investors with experience or confidence, who want to accelerate their progress, can maximize capital growth in a shorter timeframe by finding a property where value can be added through renovation or subdivision. We recommend John and Lisa adopt this plan. While an add-value strategy demands more involvement and attracts a lower rental yield, the greater potential for growth makes this an excellent wealth building strategy.

For John and Lisa, we suggest an add-value property in an area proposed for rezoning to a higher density. These areas have been targeted by local governments as desirable for infill housing, opening up new properties to development that usually have relatively lower prices than those already zoned for development. Historically in Perth, demand for these properties increases rapidly as the proposed rezoning nears adoption, dragging up property values with it.

Investors who purchase one of these properties to buy and hold have the opportunity to either hold until their equity allows them to carry out the development, which may be to subdivide and add a house behind, or bank the land to sell to a developer when the full development value of the property has started to pay dividends.

With John and Lisa's budget, suitable properties will be scarce and they would need to be prepared to act quickly when the right property arises.

We'd be looking in proposed rezoning areas with other strong growth drivers, such as Heathridge with its easy access to shops, schools, public transport and the beach, or Forrestfield and High Wycombe, which are close to shops and the airport and will soon be more accessible with construction of the Forrestfield-Airport Link train line. However, care needs to be taken in Forrestfield and High Wycombe, as the final guidelines of the new policy aren't yet available. We'd conduct thorough due diligence on the properties found to ensure John and Lisa are protected in this strategy.

We know that creating and accumulating wealth in property comes down to time spent in the market. Assuming they will retire in 20 to 25 years, John and Lisa have made an excellent decision by starting building property wealth now. 



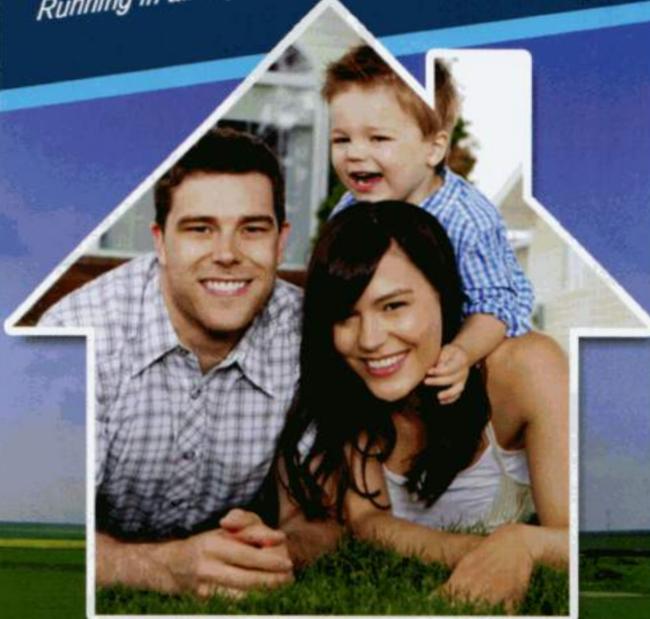
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What Attendees Said

"Very enjoyable and engaging. Very comprehensive session and covers many different aspects."
 - Andy, Sydney (May, 2015)

"Excellent. Very informative. I would recommend to every one who wants to get ahead and reach goals."
 - Linda, Toowoomba (May, 2015)

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