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# Property Investor

DECEMBER 2015

FOR HOMEBUYERS, INVESTORS & PROPERTY PROFESSIONALS

# OPEN FOR INSPECTION

Both in the sunshine state and far out west, what will our buyers' agents have to say about this month's property choices' potential? **ANGELA YOUNG**

**C**hoosing between a unit or house, strata or freestanding, is half the challenge when it comes to selecting the ideal investment property. So much depends, of course, on location, and this month we've asked our experts to look at listings a little further out of the box than unusual, with the Logan region of Brisbane a focus for Queensland, and the Perth suburb of Murdoch in Western Australia. But what will our experts make of the properties and their suitability for investment?

## CRESTMEAD, QLD

\$305,000 NEG.

 3  1  1



The area of Logan, just south of Brisbane, is a fast growing and diverse one, popular with many investors. It's faced stigma challenges in the past, with its demographic tending to sit in the lower socio-economic group, but as an investment destination it has much to recommend it. The property in question is a three-bedroom brick and tile home on 659 square metres in the suburb of Crestmead. It has a fully fenced and landscaped back yard, and built-ins in all bedrooms. It also comes with six solar panels on the roof.

### BRYAN LOUGHNAN

Buyers' agent,  
Propertyology  
Verdict: **WALK**



### KAREN YOUNG

Director,  
Property Zest  
Verdict: **TALK**



#### ■ DOES THE RENTAL RETURN LOOK RIGHT?

**BL:** Based on comparative data, \$320-\$330 per week does appear realistic in the current market. Vacancy rates in the area are currently low (just under two per cent) but they have nearly doubled in less than 18 months; I feel this is a reflection of the extra investor stock that has hit the broader Logan market.

**KY:** Yes, rental yields around Crestmead are around 5.5-5.8 per cent. A three-bedroom, one-bathroom home like this

would rent at around \$320-330 per week quite easily in the current market, particularly as it has air conditioning, ceiling fans, outdoor entertaining and solar power.

#### ■ WHAT ARE ITS PROS AS AN INVESTMENT?

**BL:** Sub-\$300,000 for a solid house in a capital city has obvious appeal. The property appears to be structurally sound and low maintenance. A "stock standard" property such as this will appeal to a wide market and is suited to the mid- to low-income demographic of the Logan area.

**KY:** Low-set '90s-style brick and tile homes are often seen as a good, low maintenance option. It's in a tidy looking state with features that tenants would like - air conditioning, ceiling fans, outdoor pergola area and solar power. The kitchen and bathroom both look clean and tidy, and it has a good-sized fully enclosed backyard. Its location is close to local schools and it's an easy walk to the bus along Julie Street. It's an affordable, low-budget property. The single garage under the roof-line is an asset in this sort of area as one option is to "build in" the garage area to make a second living area or bedroom to improve the yield.

#### ■ WHAT ARE ITS CONS AS AN INVESTMENT?

**BL:** With a predominant blue-collar family demographic, detached houses are the most suitable property for this location; however, this particular property appears quite small (kitchen and living areas). I'm also aware that the *South East Queensland Regional Plan* has flagged the Logan district for decades of large-scale land release as part of a broad strategy to attract a growing population. History has taught us that where supply leads demand, price growth is contained.

**KY:** The yield for this property is a little on the lower side for Crestmead as it's only three-bed, one-bath. The kitchen and lounge look a bit on the small side and, location wise, Crestmead isn't on the train line. It's a bit further out from the CBD than other Logan suburbs that may be a good target location (though the pricing reflects this). Looking at historical growth in the area the last 12 months have been quite good, but longer term the growth is modest. One could argue that it's typical of an outer suburban area having lower

## MURDOCH, WA

FROM \$550,000

3 1 1



Our Western Australia pick is a well-presented villa in the university suburb of Murdoch. Located within proximity of not only the university itself but also the Fiona Stanley Hospital and the train station, the house offers good size, immaculate gardens and courtyard, built-ins (or walk-in) in all bedrooms and a compact but well-designed layout. It sits on 345 square metres in total. So, does it have investment potential?

### LIZ STERZEL

Managing director,  
Property Wizards  
Verdict: **WALK**



### BEN LAMERS

Director, Hegney  
Property Advisers  
Verdict: **TALK**



amenities, this property should appeal to tenants. Additionally, it appears to have been well maintained and should require little upkeep. There may be potential to rent individual rooms to students (though this brings its own issues such as higher vacancy rates and maintenance). It offers an opportunity to get into a good suburb with great potential at a low cost.

**BL:** Murdoch's a well-regarded suburb and has good potential. The property's within close proximity of major employment nodes in the Murdoch Activity Centre (Murdoch University, Fiona Stanley Hospital, Challenger Institute of Technology and St John of God Hospital Murdoch) as well as the Port of Fremantle. It offers easy access to transport links, including Murdoch train station, and is only a short drive to shops and schools. In terms of the property itself, it's a neat and tidy, well presented street front duplex in a cul-de-sac, which are all attributes a prudent investor seeks. Approximately 28 per cent of properties in Murdoch are currently tenanted and with a limited supply currently listed for rent, this indicates strong demand for well-presented properties in and around this area.

### ■ WHAT DO YOU THINK THE RENTAL RETURN OF THIS PROPERTY MIGHT BE?

**LS:** This seems to be well priced. Over the past financial year, houses in Murdoch attracted a median rent of \$400 per week, lower than the \$430 per week median for the overall Perth metropolitan area. This house should perform similarly, as other three-bedroom, one-bathroom houses in the area are currently advertised between \$380 and \$420 per week.

**BL:** In this current market the property is likely to achieve between \$420 and \$440 per week. At \$430 per week, based on an asking price from \$550,000, this represents a 4.07 per cent gross initial yield, which is about right in the current market.

### ■ WHAT ARE ITS PROS AS AN INVESTMENT?

**LS:** Properties to rent in Murdoch are scarce, which may make finding tenants easier. Located on a quiet street close to shops, Murdoch University, Murdoch train station and other

### ■ WHAT ARE ITS CONS AS AN INVESTMENT?

**LS:** The biggest drawback is the lack of potential to add real value and accelerate capital growth. Although there's potential to refurbish and upgrade, it may not be commercially the best move. The unit seems in great condition and it would take a while to get a return on the upgrade investment, both in rental return and in extra value. This type of strata property has limitations on what you can do on the land and you're really tied to the existing home size and configuration, another limitation to adding value. Being a smaller strata property, the land to building ratio is probably not as high as we like to see but a small piece of land in a great location can hold more investor potential than a bigger block with fewer attractions.

**BL:** While the property appears to be neat and tidy inside, the fixtures and fittings are a little dated. It'll likely require a facelift within the next five or so years in order to maintain

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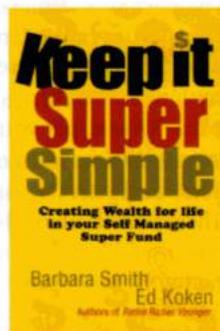
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its rental appeal. It only has a single carport but with ease of access to public transport and tenants likely to be studying or working in the local area, this is unlikely to be a major issue.

#### ■ WHAT ADDITIONAL QUESTIONS WOULD YOU ASK?

**LS:** Are there any known defects in the property?

**BL:** We'd want to see a copy of the strata plan to have a clear understanding of the land component attributed exclusively to this unit and whether there are any common areas for which the owners of unit one and two are jointly responsible.

#### ■ HOW HAS THE MARKET BEEN PERFORMING HERE?

**LS:** The suburb of Murdoch has a very small residential area, tightly held and predominantly attracting owner-occupiers. While Murdoch's growth has been in line with Perth's overall market over the past 10 years, historical suburb growth figures for Murdoch aren't reliable indicators because (a) too few properties change hands each year to provide reliable growth figures, (b) the past performance figures relate mostly to higher value houses and (c) increasing accommodation demands aren't reflected in historical figures.

**BL:** Overall, the property market in Murdoch has delivered capital growth, which is on par with the average for the overall Perth metro area for the last five to 10 years.

#### ■ WHAT'S THE MARKET OUTLOOK FOR THIS LOCATION?

**LS:** It's an "A-Grade" location for buy-and-hold type investments because of the proximity to so many employment and university student needs. However, for accelerating growth, properties need to tick more add-value boxes.

**BL:** Given the recent growth in amenities in the local area, the suburb should continue to deliver steady long-term growth. In fact, we expect slightly above-average growth rates over the next few years as demand for housing increases from people who want to live close to their place of employment within the Murdoch Activity Centre.

#### ■ WHAT SORT OF INVESTOR WOULD IT SUIT?

**LS:** Someone looking for a property they can "set and forget", who has a low risk profile and has confidence in the location.

**BL:** It would most suit an investor looking for medium- to long-term capital growth with a consistent yield. They'd need to be prepared to spend some money on renovations within a few years' time but with historically low interest rates, which aren't expected to move significantly upwards in the short to medium term, it would be close to a cash flow neutral investment.

#### ■ AT THIS PRICE, WOULD YOU "TALK" OR "WALK"?

**LS:** We'd walk. While the property meets many of our investment criteria in terms of proximity to amenities, employment and study opportunities, the lack of add-value potential for the property itself makes it a less attractive investment than other opportunities currently on the market.

**BL:** I'd talk. At slightly above the Perth metro area median house price, it represents a good, entry-level investment in an area with strong prospects for capital growth. With limited supply of similar properties in the area (for sale and rent) and a reasonable 345-square-metre land component in a small group of two, we think this is a good, low-maintenance option. The property's been on the market for about six weeks, initially at a higher asking price, so there may be room to negotiate. **API**

#### PROPERTY UPDATE

Here's an update of properties previously analysed in Open for Inspection

Issue	Suburb	State	Expert 1	Expert 2	Status	Price point
Aug-15	Moorooka	Qld	Talk	Walk	Under contract	Price reduced
Aug-15	Rockdale	NSW	Talk	Talk	Sold	Above range
Oct-15	Newton	SA	Walk	Walk	Sold	Within range
Oct-15	Frankston	Vic	Walk	Talk	Sold	Above range

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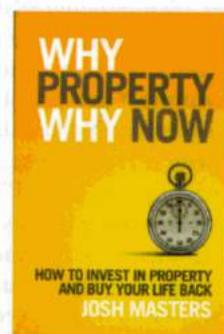
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