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**AUSTRALIA'S #1  
MAGAZINE FOR  
PROPERTY INVESTORS**

**Australian**

# Property Investor

JUNE 2014

FOR HOMEBUYERS, INVESTORS & PROPERTY PROFESSIONALS



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# BOOM

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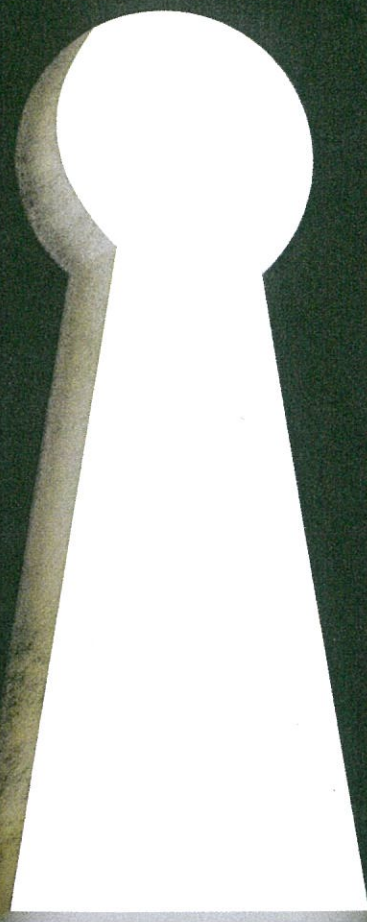
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ISSN 1329-244



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**STILL AUSTRALIA'S MOST TRUSTED AND WIDELY READ PROPERTY INVESTMENT MAGAZINE**

# OPEN FOR INSPECTION

In our continuing series on analysing the investment potential of property listings, API matches three new prospects with six seasoned experts.

Kieran Clair [@kieranclair](#)

In the same way gold prospectors need to shovel a lot of slurry to reveal a few nuggets, property investors must dig through listings to unearth investment treasures.

Property listings are your first source for real estate deals. It can appear like a heaving mass of well-honed advertisements all designed to stir the interest and get you calling the agent. Unfortunately, there will be a lot of well-dressed investment options that will crumble under scrutiny.

Property professionals, particularly buyers' agents, are looking for opportunities every day. Their clients require them to not only have an in-depth knowledge of market performance and investment expectations, they must be able to identify potential quickly. Time will be of the essence when the right property at a great price appears, so you need to move fast.

In this month's contribution, API has pitched three property options in the experts' direction and asked them to make a call on whether they'd 'walk' away from the deal, or 'talk' to the agent.

We've provided the details of each listing to two property professionals and asked that they use their own experience, and other resources at their disposal, to develop a strategy. It's the steps they take before they potentially pick up the phone to the agent we're interested in.

For the purpose of this piece, we aren't publishing the details of each property listing except the suburb and a general description. Our commentators, who've had access to all the property's details, have also been asked not to contact the agents as part of their deliberations. It's a fascinating look at how to tackle the options and decide which property prospect deserves more of your time.

## // BRUNSWICK, VIC

\$550,000 - \$600,000



2 bedrooms, 1 bathroom, - car spaces

At just five kilometres north of the Melbourne CBD, Brunswick offers an inner-city suburb where limited supply should result in big time capital growth. Demand for renters, whether they're city

commuters, students or those loving the facilities, should ensure low vacancy.

The selected listing is for a two-bedroom, one-bathroom Victorian home that's freestanding. The property is well presented and is listed around \$600,000 to \$650,000 with no rental estimate provided.



**PAUL OSBORNE**  
Founder, Secret Agent  
Buyers Advocate

VERDICT: TALK



**SAM LALLY**  
Buyers advocate, Buyers  
Advocate Victoria

VERDICT: TALK

within close proximity of the CBD, universities and the major hospitals. This property allows a tenant to be close to work as well as enjoy an area rich in lifestyle amenities.

SL: \$550 per week

### // WHAT ARE ITS PROS AS AN INVESTMENT PROPERTY?

**PO:** To purchase a house within five kilometres of Melbourne's CBD at the mid-\$600,000 range is a big part of the appeal. Its position is close to Lygon Street, as well as Melbourne University and the hospitals. The other big plus is the fact that it's freestanding, which allows for good ventilation and ease of access for any future renovations.

**SL:** Single-fronted Victorian period homes always have the edge over other homes without character appeal. From a capital growth perspective, it's all about supply and demand. As these properties are no longer being built, this will always limit the supply. While on the demand side these properties are very popular for first homebuyers, investors, upsizers and downsizers. With a large pool of potential buyers and with a limited supply this is a good recipe for success. These properties also appeal to tenants, so vacancy periods should be at a minimum. Brunswick is also well located to the CBD with great transport and amenities.

### // WHAT ARE ITS CONS AS AN INVESTMENT PROPERTY?

**PO:** The floor plan is challenged with wet areas at the rear.

### // WHAT WOULD BE A REASONABLE WEEKLY RENT FOR THIS PROPERTY?

**PO:** A figure around \$450 per week would be expected. It would perhaps even go a little stronger than this. The property is



Ideally the floor plan would incorporate a central bathroom with an open kitchen/meals area at the back. The preferred layout is open living and kitchen spaces opening up to an entertaining space at the rear of the home.

**SL:** Probably its upkeep and general maintenance. Yes, all homes cost money to upkeep, however it's the older style homes that have been built for years that require the most maintenance. Tenants aren't the type of people to keep the externals of the home in a great state of repair, especially if they're only planning on staying there for a year or so. The home, due to age, may need re-stumping or other renovation work done to it to make it a sound investment for the years ahead. The floor plan of this home may also hold it back as it's still in its original condition. The classic Victorian floor plan is more popular these days with the side hallway from the front entry, with bedroom, bedroom, bathroom/laundry, then open-plan kitchen/living zone at the rear with bi-folding doors opening out to a small, low maintenance courtyard garden. This property is, however, a very well-positioned home in Brunswick with a north-facing block and it should be competitive at auction.

**// WHAT ADDITIONAL QUESTIONS WOULD YOU ASK THE AGENT?**

**PO:** Why are the owners selling the property? Would they have a preferred settlement date? When were any works carried out? What have the interest levels been like thus far?

**SL:** (Casually) Large amounts of people through (gauging how well the marketing is going for the home)? What's the vendor chasing for the home (seeing how realistic they are price wise in the current market)? Have there been any offers made on the home (this can lead to more in-depth questions based on answers and where you want to go with it)? Are contracts in your office yet (asking for a copy to be emailed to me, gives the agent my details in full and registers my interest in the home to be kept informed and updated on in case an offer comes in prior to auction)? How many have you handed out (get a figure from the agent as this will give you a loose indication of the amount of other parties really interested)? Of those, what are the profiles of the top three buyers or two or one for that matter, as they'll be your competition come auction day. Knowing how these profiles work, and what profiles to ask for, puts you in a better position of being in front and working the auction the way you want it run. What sort of terms are your sellers after? Short terms can sometime mean the vendors have bought already. This can work in your favour if negotiating. Longer terms generally mean the seller needs to find something else to buy after they have sold.

**// HOW HAS THE MARKET BEEN PERFORMING IN THIS SUBURB AND FOR THIS PROPERTY TYPE?**

**PO:** Strong. This area gives as much bang for buck as anywhere this distance to the CBD. Also being period and freestanding, these scarce factors are highly sought after.

**SL:** Terrace homes will always stand the test of time due to the fact they don't date easily compared to homes that are built today. Period homes are appealing to the broader marketplace, however a lot of this is also dependent on its streetscape and the surrounding area. This street is consistent with period homes, which adds to the appeal. Mainly single and double-fronted Victorians, however there are also many Edwardians too. It's great the street isn't riddled with apartment blocks and new townhouses that compromise the streetscape and sometimes have a tendency to de-value the other homes in the area.

“This home over the seven years to 2007 went up in price around 125 per cent. From an investment point of view, with solid capital growth like this, you can't go wrong.”

Sam Lally

**// WHAT IS THE MARKET OUTLOOK IN THIS SUBURB AND FOR THIS PROPERTY TYPE?**

**PO:** Due to areas one suburb in (Carlton and Parkville) now being so expensive and low turnover, an area like Brunswick will reap benefits from the spill-over-the-border effect. The fact that it's freestanding with a north-facing backyard also makes it a popular choice for owner-occupiers down the track, which will aid capital growth.

**SL:** Brunswick has seen some extraordinary growth over the past 12 years, however in most cases it's still ideal entry level pricing for small family homes. I remember starting off in real estate in 1998 and you could buy a home just like this in Brunswick for around the \$180,000 to \$240,000 mark. If things continue the way they've been, this pocket of Brunswick will continue to grow and be very popular to every sub-market. You can generally tell how well a home in a suburb is going to travel in the future based on how it has performed in the past. This home over the seven years to 2007 went up in price around 125 per cent. From an investment point of view, with solid capital growth like this, you can't go wrong.

**// WHAT SORT OF INVESTOR WOULD THIS PROPERTY MOST SUIT?**

**PO:** The investor looking to purchase a freestanding property in a gentrifying area. The cash return will be below many apartment options so it's not for the investor chasing pure yield, however the ability to own a freestanding home will help with strong tenant retention as well a bigger pick-up in future growth of the asset.

**SL:** It's the sort of home an investor would buy if they were thinking they may move in after owning it for a couple of years. It might also suit the investor who's unsure over the long-term what they may do with it. You can always add value to these types of properties.

**// AT ITS PRICE RANGE, WOULD YOU LOOK TO TALK TO THE AGENT OR WALK AWAY?**

**PO:** I think this one is worth talking through with the agent. The value range should be around the \$650,000 for the investor. Unfortunately, this might sell well above this value point due to the scarcity of these types of homes – freestanding, north-facing rear, quiet street, character etc. The home might have some emotional homebuyers prepared to pay a strong price for the asset.