



OPEN FOR INSPECTION

Striking property gold can be easier than you think – just ask the experts to identify the best buys. And in our continuing series, API discovers what it takes for a property to be a ‘hot’ or ‘not’ investment. **DINAH LEWIS BOUCHER** [[@DinahBoucher](#)]

For some, finding that special property to add to your portfolio may be easy but for others, not so much. So what does it take to locate that elusive property that will be worth your time and hard-earned dollars? As they say there’s plenty of fish in the sea, but will the right property be bright enough to capture your attention? Buyers’ agents do this for a living, and with the right tools, research and due diligence they share what elements make a potential candidate have the equivalent of real estate’s X factor.

In this month’s story we’ve found another two prospects and have invited the experts to share their thoughts and opinions each step of the way.

After a complete analysis, they tell us if the property is a dud and you should ‘walk’ away, or if it’s a keeper and you need to ‘talk’ more with the listing agent.

We’ve kept the details of each advertised property anonymous for the purposes of this story as they’re currently on the market. The experts are provided with the full profile and location of each property to offer you an analysis, including what features and aspects they look out for, in narrowing down a quality investment.

So sit back, relax and enjoy the read. The following is a guide that just might give you the edge next time you’re about to take the property plunge.

BLACK FOREST, SA \$290,000 - \$320,000



Only four kilometres from Adelaide’s CBD and 10 minutes from seaside Glenelg, Black Forest holds prime location offering character housing and larger block sizes. They say houses don’t stay on the market for long in Black Forest and since profiling the suburb in last month’s issue of API we’re back for more to see what this area has to offer. The selected listing is for a two-bedroom, one-bathroom townhouse with single car accommodation. The unit is in a 1960s complex and while light and airy with character, the bathroom is in a dated condition. The property is listed around \$290,000 to \$320,000, with no rental estimate provided.

PAUL SIWEK
Buyers’ Agent
and Principal,
Logica Property
Verdict: **TALK**



CHRIS WATERMAN
Property advocate,
Waterman &
Waterman
Verdict: **TALK**



■ WHAT WOULD BE THE APPROXIMATE RENTAL RETURN PER WEEK?

PS: Based on comparable rentals the property in its current condition is likely to achieve approximately \$300 per week. There are

townhouses in the same group that achieve rent up to \$325 per week but they’re in better condition.

CW: \$290 to \$300 per week.

■ WHAT ARE ITS PROS AS AN INVESTMENT PROPERTY?

PS: For tenants, this is a central and very convenient location in terms of proximity to the CBD, universities, the coast as well as great transport links in all directions including both train and tram. The townhouse appears to be in good condition, rentable as is, but there’s also the ability to add value and increase rental income in the future by undertaking a cosmetic upgrade to kitchen and bathroom. It has a two-storey layout, rather than having neighbours upstairs, and a private outdoor space. The group of units appears to be well maintained by a proactive owners corporation and many have been internally modernised such as kitchen, bathrooms, floors. The combination of these factors should ensure its continuous popularity with tenants, thus providing investors with a good rental yield and low vacancy rates.

CW: The location and price range. This property features a nice tree-lined street surrounded by lovely character homes and it’s very close to the city of Adelaide. There’s great local facilities including shopping, schools, bus and tram transport which are within easy walking distance. This two-bedroom property is a very affordable investment with great returns considering its location and proximity to the city. It would also suit either the first timer or the experienced investor.

“Black Forest (and the rest of the 5035 postcode) is one of my favourite inner-ring Adelaide suburbs.”

PAUL SIWEK

■ WHAT ARE ITS CONS AS AN INVESTMENT PROPERTY?

PS: The townhouse is smallish and doesn't have a downstairs toilet, which may limit appeal to some renters. Built in the late 1960s, the ongoing maintenance may be above average, with higher strata fees.

CW: The age, as this was built in 1967, and is a middle unit in a block of four on an irregular shaped allotment with two blocks of four townhouses. It was built to a price but that's where the opportunity is for an entry-level investor to get a well performing investment.

■ WHAT ADDITIONAL QUESTIONS WOULD YOU ASK THE AGENT?

PS: My main inquires would centre on the asking price, which appears to be high and the owners corporation's documents. I would request the minutes and the financial statements to satisfy myself that the group is well managed and there are sufficient provisions to cover the ongoing maintenance and the future larger capital items.

CW: Because of the age I'd want to know more about the strata manager and how much is in the sinking fund. Also how many owners are occupiers?

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

PS: Units and townhouses are popular and a well-represented type of property in Black Forest, accounting for around 30 per cent of all properties. The annual change in median price of units in Black Forest over 10 years has typically been between six and seven per cent, i.e. slightly above the Adelaide average. However, at times Black Forest's capital growth has significantly outperformed the city average.

CW: This suburb has always done well, the median price for a unit has gone from \$84,750 in 2000 to \$310,000 in 2014. So this townhouse is a great prospect if the price is right.

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

PS: Black Forest (and the rest of the 5035 postcode) is one of my favourite inner-ring Adelaide suburbs. It's a part of the Unley council so it offers similar streetscape and character and many of the amenities of this upmarket area, yet it's more affordable. The combination of convenient location, quality and current relative affordability would, in my opinion, ensure good long-term prospects for Black Forest.

CW: This suburb is close to the city with a diverse range of accommodation with good local facilities and transport options so it will continue to perform.

Surrounded by character homes and situated in wide tree-lined streets in an underperforming suburb, this area has a very bright future.

■ WHAT SORT OF INVESTOR WOULD THIS PROPERTY MOST SUIT?

PS: The property would suit a long-term investor looking for an affordable entry point into a quality inner-city area with good long-term capital growth prospects, low vacancy rates and above average

rental yield, (which are typically about) five to 5.2 per cent for units.

CW: A first-time investor would suit this, as it would be easily managed. It will always attract tenants with its location.

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

PS: The main sticking point seems to be the high asking price. In its current condition the property is worth around \$290,000. However, the location, suburb and the property itself tick a lot of boxes. I'd therefore put it on my short list and I wouldn't walk away just because the asking price seems high. Instead, I'd aim to arrange a private viewing to firstly confirm the property is indeed suitable and then would use the opportunity to discuss with the selling agent the ways to bridge the price gap.

CW: Yes. We'd talk and we'd offer \$275,000. This property is worth no more than \$295,000. I believe the asking price is based on the breakeven point for the vendor. Up to \$290,000 we buy, if not we walk. If we buy for less we're very happy, if not, there's always another.

ALDERLEY, QLD \$390,000 - \$420,000

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Alderley is a centrally located suburb only seven kilometres northwest of Brisbane's CBD. The property in question is a top floor apartment in a boutique block of six. Offering scenic city views, an elevated leafy outlook and good street appeal, this contender is a tidy and well-presented property. The apartment is also walking distance to the railway, the local shopping centre and cafes. It has an asking price in the range of \$390,000 to \$420,000.

SCOTT MCGEEVER

Managing partner
of Property
Searchers
Verdict: **TALK**



BEN ANDERSSON

Director of
Property Chase
Verdict: **WALK**



■ WHAT WOULD BE THE APPROXIMATE RENTAL RETURN PER WEEK?

SM: \$360 per week. The market has dropped a little because of higher vacancy. This would have been \$380 per week last year. Many tenants in this price range have either been not renewing or breaking leases and buying property in this same price range and not necessarily in the same area.

BA: The property would rent for between \$375 and \$400 per week based on local rental evidence.

■ WHAT ARE ITS PROS AS AN INVESTMENT PROPERTY?

SM: A two-bedroom, two-bathroom unit with single lock up garage means it has good appeal. It's close to the train station and local shopping. It's a small unit complex (total of six units) with good size bedrooms, good size living/dining area. The grounds appear well kept which means an active body corporate.

“It would take a discount of around 10 per cent on the asking price to bring this property into line with our requirements even to do an initial inspection.”

BEN ANDERSEN

BA: When we're buying units for clients for investment we look for good internal layouts and finishes in tidy complexes that are well built and preferably low maintenance. The unit is around 70 square metres internally, which is a reasonable living area. The property was built in approximately 1997 and is well constructed out of face brick, which is a low maintenance finish and therefore cheaper for the body corporate levees. The complex is located in a reasonably quiet suburban street close to a train station, shopping centres and extensive parklands.

■ WHAT ARE ITS CONS AS AN INVESTMENT PROPERTY?

SM: The garage is separate from the main building. The unit is located on the top floor so access with furniture is a problem. It's left corner, which catches the western sun. There's no air-conditioning and there's no dishwasher.

BA: Despite the property being for investment purposes, we still look for aspect and breezes as these can ultimately decide whether a tenant will stay for one term and then vacate due to the property being a hot house or stay for a much longer period as it's comfortable to live in. In this case the unit is on the western side of the block which means that it could heat up a bit in summer. Despite that, it should still catch the prevailing breezes as it's got reasonable elevation.

■ WHAT ADDITIONAL QUESTIONS WOULD YOU ASK THE AGENT?

SM: How long has it been on the market? Have there been any offers? Why are the vendors selling? What are the body corporate fees and rates? What money is in the sinking fund? Who manages the body corporate and who is on the body corporate committee? Are the vendors negotiable on price? Have they done any recent improvements? What's the rental history of the unit, in the building and the general area?

BA: What are the rates and body corporate fees? How much money is currently in the sinking fund? Is there any maintenance or repairs planned in the future which would affect the sinking fund?

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

SM: The market in the surrounding area generally has been quiet over the past few years, which is the same as Brisbane in general. Late last year there was a pickup in activity and properties like this one have started to increase in value.

BA: This suburb has been ticking along over the past few years. There was a big run in the months leading up to Easter so available stock is fairly low at the moment. Two-bedroom, two-bathroom units tend to be the sweet spot of all types of property for returns.

■ WHAT'S THE MARKET OUTLOOK IN THIS SUBURB AND FOR THIS PROPERTY TYPE?

SM: The outlook for Alderley is positive due to its proximity to the city, transport and shopping amenities. There's a planned shopping centre to be built within one kilometre of the subject property anchored by a well-known supermarket. Off the back of that,

this property type will perform well as it's at the affordable end of the market.

BA: Alderley is a good suburb within seven kilometres of the city. It's close to schools, shopping and transport. I expect the market for properties such as this one to be reasonably stable in the foreseeable future.

■ WHAT SORT OF INVESTOR WOULD THIS PROPERTY MOST SUIT?

SM: This is an excellent investment for a first time investor who wants something that's low maintenance and low risk, which is circa 15 years old.

BA: I call them "set and forget" investments. Buy them and keep them tenanted forever with internal makeovers as required. They'll keep going up in capital value and rental value year after year.

■ AT ITS PRICE POINT/RANGE, WOULD YOU LOOK TO TALK TO THE AGENT FURTHER OR WALK AWAY COMPLETELY?

SM: It would be worthwhile talking to the agent to understand why the property is on the market, are the vendors testing the market or do they really want to sell?

The main reason why that is, there's very little reasonable quality stock on the market circa \$400,000 price range. It's usually the case that a vendor will price their property too high in the beginning, miss the market and then have to drop the price and sell below what they may have achieved in the first few weeks if the asking price was reasonable.

BA: We identified this property for a client. At that point the asking price was \$10,000 more. At the current asking price the gross return is 4.96 per cent, the net return (after body corporate fees and council rates) is 3.92 per cent, which is under the threshold of 4.2 per cent to 4.3 per cent (net) that we usually look for.

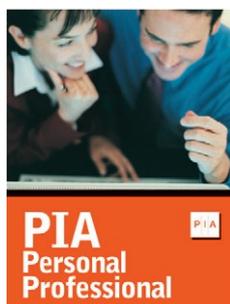
It would take a discount of around 10 per cent on the asking price to bring this property into line with our requirements even to do an initial inspection. We walked away. **API**

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-14	Cronulla	NSW	Walk	Walk	Sold	Well above price indication
Aug-14	Paddington	Qld	Talk	Walk	Under contract	Unknown
Aug-14	Norwood	SA	Talk	Walk	Under contract	At upper end of range
Sep-14	Hawthorn	Vic	Talk	Talk	Sold (Agents advice)	Well above range
Sep-14	Subiaco	WA	Walk	Walk	Still listed	Price discounted to below range

PIA. Property Investment Analysis Software

“Brilliant, logical and so simple you have to wonder why nobody thought of it before!”

Peter Layton, computer editor



PIA – Property Investment Analysis

Jan Somers' Property Investment Analysis (PIA) software was developed to help people answer their own 'what ifs' about property investment.

The PIA program comes in two versions, one for investors and one for professionals wishing to assist clients. PIA software is very powerful, yet very easy to use. Download the free trial version and see for yourself!

PIA Personal Professional (PIA-1)

The PIA Personal Professional program is designed specifically for property investors to help them calculate capital growth, cash flows and rates of return (IRR) on investment properties, taking into account the tax implications in their own personal situation. Apart from answering all their 'what ifs', it will help them work out their own specific investment capacity and budget. And once the investment decision has been made, the program can be used to prepare the appropriate detailed financial reports for the accountant and bank manager.

The program will compute cash flow projections for up to 40 years and has the facility for changing more than 100 variables including property price, rent, capital growth, inflation, deposit, etc. There's extensive online help with more than 50 simplified auxiliary data-entry screens, where the



variables can be broken down into their individual components. It is possible to compare the effect of interest-only versus principal and interest loan types and to examine the tax benefits of buying the property in single and joint names. There is also a provision for saving files, and there is the capacity to reset stamp duties and tax scales should the need arise.

\$245.00 Item: PIA-1

PIA Professional (PIA-2)

PIA Professional was designed for professionals such as accountants, real estate agents and financiers to enable them to demonstrate the financial aspects of property to investors. In addition to all the features of the Personal Professional version, PIA Professional has extensive client-related features such as client information fields and printed reports showing client details and professional disclaimers. This program is part of a package which includes two Building Wealth books. It also includes a site licence which enables the program to be used on more than one computer within the one office. PIA is a MUST-HAVE application for serious property investors and professionals!

\$495.00 Item: PIA-2

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