



## ■ COMMERCIAL

### Shift to new offices in Melbourne

The Melbourne CBD has reached a point of oversupply for "refurbished" office suites but new prime-grade stock remains in greater demand, consultants Charter Keck Cramer say.

**T**HE CBD market represented about one-quarter of Melbourne's total office suite supply but only 21 per cent of this market was prime grade. Charter Keck Cramer senior property analyst Frank Sorgiovanni wrote in a research paper.

On the other hand, about half of the city's office suite supply was located within the suburban market, with just under 50 per cent of this prime grade.

"While the CBD's comparatively small share of prime-grade stock is surprising, it is therefore expected that there remains a supported market for better-quality accommodation," Sorgiovanni said.

The office suite market had matured to a point where developers could no longer buy older secondary-grade buildings, undertake minor cosmetic improvements and successfully resell the project to investors, he added.

However, new buildings following in the style of Sydney's "more mature and highly developed office suite market" would find a greater demand.

"Charter believes that investor interest in the CBD has only diminished for 'refurbished' stock and that the foray into 'new' office suites projects has begun," Sorgiovanni said. However, he sounded a note of caution that the rents required to justify new construction were often well above market rates, making it difficult to attract tenants.

## ■ OUTLOOK

### What to expect in 2007

Valuers Herron Todd White (HTW) expect the property market in 2007 to continue on from where 2006 left off. What this means varies depending on your corner of Australia.

#### Sydney

HTW's February *Month in Review* report tipped steady prices for most parts of Sydney but added that the western suburbs were suffering.

"The western Sydney property market has experienced a steady to weakening trend over the last year (and) this is likely to continue through 2007," the report said.

In terms of infrastructure upgrades, the report noted the Epping to Chatswood rail line was under construction and due to open in 2008. The report tipped rents would continue to rise across the city.

#### Melbourne

The top end of the Melbourne market should perform the best during 2007, the HTW report said.

"We envisage steady market conditions for the inner suburbs throughout 2007 with moderate levels of capital appreciation for prime dwellings at the top end of the market (above \$1 million)," it said. "We expect the middle tier of housing to follow on from late 2006 to remain stable with a possible downturn in the lower-tiered market."

A continued shortage of rental accommodation would force rent increases and push yields higher, HTW said.

#### Brisbane

There are "no major blips on the horizon" for the Sunshine State's capital, HTW said, and subdued growth should be expected through 2007. Near-city suburbs could expect continued capital growth, while agents in the outer suburbs were reporting a particularly busy December to January period.

"Although the effect of this increased demand is yet to translate into substantial growth, many agents can't get listings and feel it is inevitable that the bottom price rung will elevate."

#### Perth

After remarkable capital growth during 2006, Perth started 2007 with a note of caution, the report said.

"There will... be a degree of caution in the market for the first quarter of 2007 as supply has increased, somewhat cooling demand." In addition, State Government hints of stamp duty concessions would see potential buyers stalling their purchasing plans.

"Notwithstanding these comments, economic fundamentals... continue to remain solid and should result in demand for properties underpinning current market values," HTW said.

#### Canberra

Residential property in Canberra should experience a strengthening during 2007, especially "those properties in quality locations providing superior accommodation", the report said.

With the rental vacancy rate reported at 1.1 per cent, HTW said Canberra rents would rise even though they were already the highest in the country.

#### Darwin

The supply side of the property market in Darwin was skewed, HTW reported.

"On the one hand, there are near-critical shortages of R1 land and rental accommodation; on the other, a great many apartment blocks are coming on stream," the report noted.

It said the price of vacant blocks had surged to such an extent that young families were struggling to afford a home. Those same families would also have trouble finding rental accommodation given the 1.7 per cent vacancy rate.

#### Hobart

Housing in Hobart would be susceptible to further interest rate rises, HTW said.

"Generally the market is running pretty flat in most areas but shows signs of weakness," the report said.

"Stock levels are still very high, particularly through the mid-range priced markets."

A mini mining boom on the state's west coast had seen prices take off in the town of Zeehan, with further increases expected until the speculation settled, HTW said.

# A property hunter's dream

It seems vineyards aren't the only things growing in the Hunter Valley. Property prices and rental yields are thriving too. **Ben Power**

**M**ENTION of the Hunter Valley immediately conjures up images of a rural area studded with vineyards operated by some of the nation's biggest and best wine makers, such as McGuigans and McWilliams Mount Pleasant.

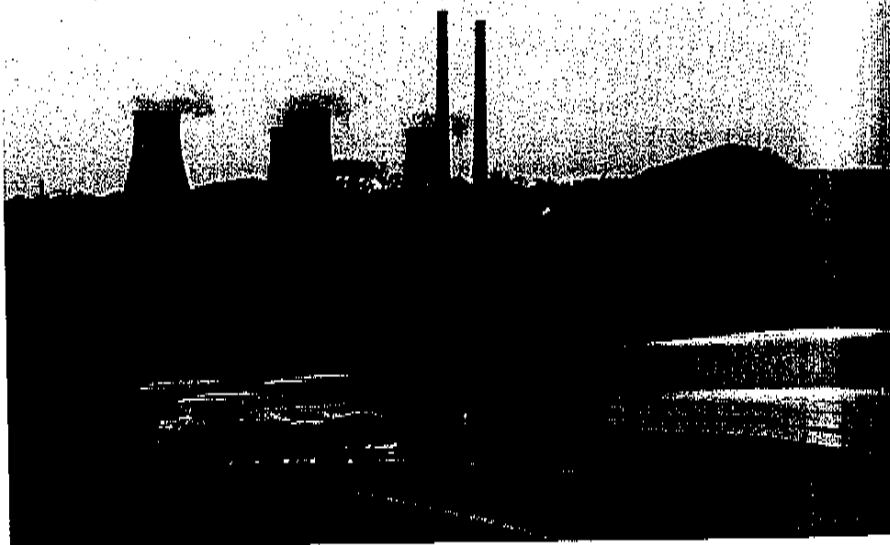
The lush area of the Upper Hunter in the north is also famous for its horse studs scattered around Scone, which produce top racehorses.

This combination of wine, horses and country living is making the area increasingly popular for retirees and those opting for a sea change from the bustle of Sydney. The valley's other major economic driver, coal mining, is less well known but is generating boom conditions in key parts of the valley, resulting in solid property prices and soaring rental yields.

"We're experiencing nothing but growth," says Ian Williamson of Sternbeck's Real Estate in Cessnock in the Lower Hunter. "The media talks about a downturn in the market but no-one's told this region."

Inland from Newcastle, the Hunter Valley is just 160 km, or two hours' drive, north of Sydney along the F3 Freeway. Part of the wider Hunter region, as the name suggests, it is essentially the valley area of the Hunter River, extending from Cessnock in the south to Scone in the north. It includes the substantial towns of Singleton and Muswellbrook.

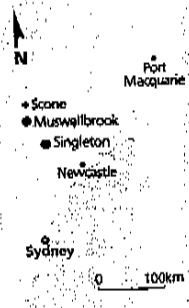
Like most parts of New South Wales, over the past year the Hunter Valley has been affected by the housing slowdown, but it has held up relatively better. Australian Property Monitors (APM) research director Michael McNamara says the Hunter Valley has proved more resilient than Sydney.



**MEDIAN HOUSE AND UNIT PRICES/RENTS**

	Dec 2005	Dec 2006	change	Median unit	rent/100
Singleton (H)	\$273,000	\$286,000	5%	\$210	22,500
Singleton (U)	\$200,000	\$202,000	1%	N/A	
Muswellbrook (H)	\$222,000	\$226,000	1.8%	\$165	15,149
Muswellbrook (U)*	\$117,000	\$190,000	62%	N/A	

Source: Australian Property Monitors, Australian Bureau of Statistics, NSW Department of Housing. \*Small sample size



"For houses in Sydney there's been something in the order of a 9 per cent decrease in property prices from the height of the boom to where we are now," he says. "The Hunter region is about 3 per cent off where it was at the height of the boom. That tells us the Hunter region is more resilient and less volatile than, say, the Sydney market."

McNamara adds that demographic and structural economic changes were factors in that strong performance and that Sydney, where prices have been flat for the past 12 months, "is more exposed to wider economic conditions".

The Hunter boomed from around 2002 to the start of 2006, with prices rising by as much as 25 per cent per annum, outstripping the rest of the state's heady gains of 14 per cent a year.

Nick Payne from the Newcastle office of valuers Herron Todd White (HTW) says the Hunter region kept growing strongly after the Sydney market stalled.

"Through 2005 things were starting to slow up but were still running a bit."

Payne says the Hunter market slowed down in 2006.

"The talk of where interest rates are

going at the moment has sort of put the brakes on."

Robin McDonald of Hunter Valley Research says in real terms prices in the Hunter have "fallen substantially" after "very, very strong increases".

But she says the situation in the region has recently started to improve.

According to figures for the September 2006 quarter released by the Real Estate Institute of NSW, median prices in the Hunter were flat at \$300,000, giving an annual increase of 3.45 per cent.

Meanwhile, prices in Sydney for the same quarter fell 0.9 per cent and rose just 0.34 per cent for the year to September.

But, as with many areas in the state, the sales volume in the Hunter fell 14.23 per cent in the quarter to 2074, giving an annualised fall of 12.04 per cent. Unit sales in the Hunter were also weaker, with the median price in the quarter falling 7.02 per cent to

bedroom brick and tile house, quite often with a double lock-up garage, established gardens and a pool."

The Hunter's economy has also improved since the painful days of the 1990s when its manufacturing industry was restructured.

"The region has moved away from manufacturing and steel production to being more dependent on other areas like tourism and wineries," McNamara says. "The Hunter's semi-rural and rural areas have outperformed because of the growth of towns like (tourist centre) Pokolbin."

#### **Behind the scenes**

Unemployment is now 5.8 per cent – still above the state average of 4.9 per cent, but well below the area's long-term average.

"With the restructuring that happened in the 1990s the region was forced to increase productivity, diversify and re-skill," McDonald says.

The Hunter Valley coal area has some of the best deposits in the world. The region produces 88 million tonnes of coal a year from 21 mining operations, which employ 4617 people directly and another 1500 indirectly. There are currently another eight mines proposed for the area.

The mining boom means that while the Hunter overall is proving resilient to the property slowdown, strong opportunities exist in particular areas.

"There are certainly areas in the market where there remains potential for growth, including Singleton and Muswellbrook," says Payne, adding that these locations haven't weakened at all in the housing downturn.

Payne says Singleton and Muswellbrook are "riding high" on the back of the resources boom.

"A couple of mines have had a resurgence," he says. "They're opening up new mines all the time, which are securing up to 25-year contracts."

McDonald adds, "With the resources boom they're laughing. There are lots of plans, lots of environmental impact statements happening and lots of projects in development trying to get approval."

KPMG demographer and business consultant Bernard Salt recently identified Singleton as one of the country's 'hottest towns'. In his ranking of the top 25 of the largest urban centres, Salt found that jobs growth significantly outpaced population growth in 2005 in the 'hot towns'.

"More job growth than people growth leads to more money sloshing around town looking for a home," he says. "It also leads to more people feeling sufficiently confident to bid up the value of residential property. But there's a lag effect to this process: strong job growth last financial year should translate into a surge in demand for property this year."

Salt says "the Upper Hunter Valley's Singleton is just such a town. Strong growth in this community is linked to

## **Nick Payne from the Newcastle office of valuers Herron Todd White says the Hunter region kept growing strongly after the Sydney market stalled.**

\$265,000, with an annual drop of 3.64 per cent.

The emergence of the sea change phenomenon is a major factor helping the area weather the property downturn.

"A lot of retirees are moving out from Sydney," APM's McNamara says.

Many are choosing to live in the Hunter Valley and commute to major centres on the central coast such as Wyong and Gosford.

The Hunter has also been popular because, despite the strong gains of recent years, houses remain affordable.

"Our average price would be around \$250,000 to \$280,000," says Williamson.

"That would get you a three to four-

"Now the benefits of that drama that occurred are flowing through. We've got a strong economy and more skilled workforce."

She adds that non-residential building approvals in 2006 were increasing fairly rapidly, which was providing a boost for the construction industry. Along with signs of an improvement in residential approvals "the economy is in a good position to move up a gear in 2007", McDonald says.

But perhaps the biggest economic impact is the mining boom occurring around Singleton and Muswellbrook in the Upper Hunter region, which is flowing through to the real estate market.

heightened activity in local coal mines as well as to an expanding army presence."

Singleton came second in Salt's 'hot towns' list, with jobs growth outstripping population growth by 11.9 per cent - well above the national figure of 2.4 per cent.

While house prices are growing solidly in these parts of the Hunter, the property boom is largely showing up in a tight rental market.

#### CASE STUDY

## Reaping the rewards

Ross Zuber's successful property investments around Scone in the Hunter Valley have allowed him to enjoy life's luxuries during retirement.

"With the allocated pension you get a fixed amount per week but it doesn't allow for the luxuries of life," Ross says.

But thanks to his property investments, he owns two nice modern cars and holidays three to four times each year.

Ross worked for Qantas for 40 years, ending up as duty maintenance manager for Qantas domestic. He retired about three and a half years ago on a healthy superannuation package, with which he bought an allocated pension through Colonial First State.

He began investing in the region 15 years ago after his mother and father-in-law bought a weekender in Scone, which Ross and his family regularly visited.

"We liked the area and bought a block next to theirs," he says.

He now owns three three-bedroom houses and one duplex and is buying another cottage. The Scone area has proved to be a good investment "primarily because it's got a broad spectrum of industries", Ross says.

"The mines have brought a lot of infrastructure into town. The horse industry has also boomed."

That growth flows into the town of Scone, through new workers who demand increased services, such as schools, which attract young professionals looking to rent.

As a consequence, rental demand in the region has boomed. The lack of

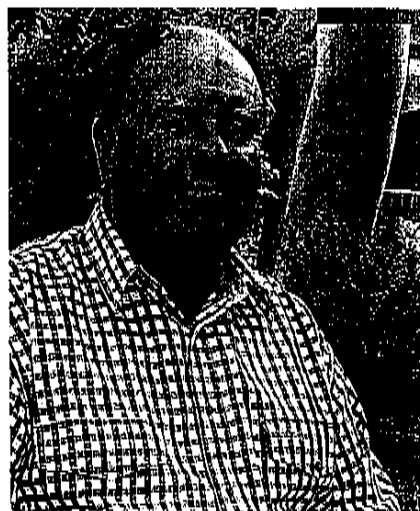
"The biggest reason for that is there's a shortage of rental property out in those areas," Payne says. "Yields are very strong."

#### Rental situation

According to figures from the NSW Department of Housing, rents in the Hunter in the June quarter last year surged 6.5 per cent for two-bedroom units, against a statewide gain of 1.4 per cent. Rents for three-bedroom

houses rose 3.3 per cent, against a 1.7 per cent gain for NSW. The median rent for a two-bedroom unit in the Hunter was \$199 a week, below the \$265 a week state average. But for a three-bedroom house, the median rent is \$239 per week, which is almost in line with the state average of \$245.

Don Gray, the economic development officer for the Singleton Council, says the housing shortage is a growing concern.



**"Because it's rural, the capital value of the land is so low you don't get hit with land tax."**

Ross also believes you have to be on the ground and get to know a market well to exploit it. The cottage he recently bought for \$107,000 was auctioned by the government just before Christmas. There were no other bidders except Ross. His first offer was rejected but his second was accepted. He had eyed off the property previously and knowing the market well meant he could seize the opportunity of bidding with no competition.

"You've got to have a relationship and a bond with an agent," he says.

Ross also believes it's important to be prepared with finance. The government "slapped a 28-day settlement on it and if I'd had to chase financing it would (have been) a real scramble".

rental housing has been exacerbated by the first homebuyer's grant, which young people have used as a deposit to buy low-income housing.

Ross recently bought a 730-sqm, two-bedroom freestanding cottage in Scone for \$107,000. He expects to spend about \$20,000 renovating it with a new kitchen, paint and air conditioning. But he's likely to rent it for between \$190 and \$200 per week - a healthy yield of 8 per cent.

"I don't go for the top end of the market," he says, adding that he buys three-bedroom cottages for families.

"(Families) tend to stay better as tenants."

Ross says colleagues at Qantas bought two-bedroom units in Sydney and he found they turned over tenants a lot more quickly. His turnaround in Scone is around five to eight years, compared with 12 months in Sydney.

"They tend to look after the houses as well because we don't get transients," he says.

The other benefit of rural investment houses is land tax.

"Because it's rural, the capital value of the land is so low you don't get hit with land tax," he says. "I own four to five houses and still don't pay land tax."

But he believes those looking to invest in country areas shouldn't be chasing high capital returns.

"The last three years we've had fantastic capital gains," he says. "Prior to that, we just had dribbles. If you're going to invest for massive capital gains in the country, don't bother."

"There are very few rental properties and very little land for marketing at this stage," he says. "Demand for our property is quite high and will continue to be so."

He notes that 1500 blocks are waiting for land to be rezoned so they can be put on the market, but he expects them to be snapped up quickly.

Gray estimates that 4500 people drive into Singleton alone every day to

between 2.5 per cent and 5 per cent with mining towns such as Singleton and Muswellbrook "showing the highest rates of return".

According to the report, vacancy levels are "minimal" at between 1.5 per cent and 2.5 per cent. Payne also says rental vacancies are continuing to tighten with demand for rental stock strong.

"If you're looking to buy a property

double that, so 6 to 8 per cent for houses and 10 to 12 per cent for units," he says, adding that the likes of Singleton and Muswellbrook are currently delivering these yields.

In the short to medium term, the Hunter Valley is throwing up good opportunities for those seeking high rental yields. And there are no signs that prices will weaken any time soon.

"I think the area is going to stay quite stable," McNamara says. "That's the stage in the property cycle that we're in at the moment."

Payne agrees and believes demand, helped by the mining boom, is strong enough to maintain present capital values across most areas.

But over the longer term there are solid trends that should drive capital gains.

"The average age of baby boomers is 52," McNamara says, and they're moving towards retirement at around 60.

"You're looking at a period of eight years between now and when baby boomers really start to retire in droves. A lot of people of that demography are going to look at places outside of Sydney, including semi-rural, beaches or lakeside.

"The Hunter area will have something to offer. It's strongly placed in that regard." ■

## KPMG demographer and business consultant Bernard Salt recently identified Singleton as one of the country's 'hottest towns'.

work "partly because there's very little rental".

The state of the rental market is showing up in demand for new housing.

"Residential building approvals have started to increase," McDonald says, adding that the September quarter saw the first increase in building approvals in two years.

In a report on the Hunter region, HTW's Payne says investors are looking at large, modern brick houses that, while not showing major capital growth, are generating high rental yields. Net yields are running at

in regional NSW you should look for areas with a strong local economy," McNamara says.

"Look for places that have mining, well-organised tourism, a university or agriculture."

He believes the Hunter region meets those criteria.

"Then you should buy properties that will no doubt give you excellent gross rental yields," he adds.

McNamara says average gross rental yields for houses in Sydney are 3 per cent, and 5 per cent for units.

"Excellent gross rental yields for areas outside of Sydney would be

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# LIGHTHOUSE INTERNATIONAL

# Revamp brightens Brookdale's prospects

Brookdale is undergoing a redevelopment that could help it leave behind the stigma of its past. **Tracey Joynson**

**B**ROOKDALE will undergo a massive transformation in the next 10 to 15 years as a new community for about 40,000 people is developed.

The suburb currently accommodates only a few thousand people in a largely semi-rural setting but is part of the Armadale Redevelopment Authority's (ARA) plan to revitalise the area as a strategic regional centre for the southeast corridor.

Brookdale, about 26 km southeast of the Perth CBD, is predominately a first homebuyer suburb comprised of younger families, according to Hegney Property Advisory residential valuations manager and research analyst Paul Sparta.

"It can best be described as true mortgage-belt territory," he says. "Brookdale is considered to be very interest-rate sensitive and any movement in direction of rates is ultimately replicated in the pricing structure. Many occupants and investors regard it as a stepping stone to other suburbs."

Residents are generally from lower socio-economic levels, Herron Todd White Perth managing director Brendon Ptolomey says, and "that's just as a result of the fact that it was originally cheap land".

It's almost a suburb in two parts with some single residential housing but mostly a large semi-rural zone, he says. The older housing would be 10 to 15 years old but there are also some newer homes, Ptolomey says.

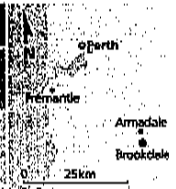
Most houses are predominantly brick



**MEDIAN HOUSE & UNIT PRICES/RENTS**

	2006	2007	Change	Median rent (per week)	Units per 1000
Brookdale (H)	\$205,000	\$305,000	48.8%	\$220	2.946

Source: REIWA, anecdotal information & ABS 2001 Census  
H=houses



and tile with basic accommodation comprising three bedrooms and one bathroom or four bedrooms and two bathrooms, Sparta says.

"Block sizes generally vary from 450 square metres to 750 square metres."

### New life

The focus on redevelopment in Brookdale has seen a slow demographic shift, buyers agent Liz Sterzel of Property Wizards believes, as newer homes attract residents in a higher socio-economic bracket.

The new development will increase diversity, Ptolomey predicts.

"It will just bring new life to the area, new homebuyers in terms of diversifying that socio-economic

background and the ages and diversifying the development as well."

About 15,000 housing lots are expected to be developed on the 1580-ha site in the biggest residential development in Western Australia to proceed under a single master plan.

Last year the Brookdale master plan was renamed the Wungong Urban Water Project because the Wungong River is the spine of the redevelopment area and water sensitivity is the focus of the plan, according to Armadale Redevelopment Authority executive director John Ellis.

WA Planning and Infrastructure Minister Alannah MacTiernan says the project area is constrained by high groundwater levels and environment-

ANTHONY FRANK

ally sensitive water-dependent ecosystems.

"Urban development must change if we are to meet the needs of our rapidly growing population and economy while also responding to climate change and our reduced rainfall," she says.

All new homes will be required to have water tanks and a third pipe system providing an alternative water supply is expected to be installed, Ellis says. Traditionally there are two pipes - one for drinking, or potable, water going in and one for sewage going out.

"There will be a third pipe of non-potable water drawn from the aquifers and that will be distributed to all houses and it will be internally plumbed to toilets and cold water in the laundry and it'll also be the garden supply," he says.

The strategy, which also includes water-efficient fixtures, is expected to save up to 75 per cent of scheme water - or 400 Olympic-sized swimming pools - according to the CSIRO, which is a partner in the development.

Stormwater will be managed to recharge the aquifer, according to the CSIRO, but Ellis says in some cases it may have to be artificially recharged.

"That will happen in the winter months when we'll inject water into the aquifer and reuse it in the summer months," he says.

The project is designed to showcase sustainable urban development and incorporates planning requirements for energy-efficient housing.

"It's a national demonstration project area in the form of the water sensitivity development and also in planning terms and built form hopefully," Ellis says.

To allow new residents to gain maximum northern exposure, about 90 per cent of the lots will optimise solar orientation, he believes.

An *Aboriginal Heritage Management Plan* for managing and preserving Aboriginal sites in the area is also part

of the master plan, which includes provisions for two high schools, eight primary schools, a town activity centre, neighbourhood activity centres, recreation areas, natural bush and avenues of trees.

"Because of its close proximity to the Armadale city centre and major transport nodes there won't be major shopping elements," Ellis says.

But the area includes about 350 landowners and although Ellis says about 90 per cent support development, "no-one will be forced to develop or move house and in many cases development can incorporate existing improvements".

"Some people have built quite substantial houses there and there's no reason why the future urban development of their property can't leave the house intact and build around it," he says. "We've been very conscious of ensuring we put the major avenues through on boundaries, so we haven't put roads through the middle of properties in most cases."

## **"...all the fundamentals are in place - shortage of supply, strong demand, strong employment and strong population growth."**

### **Waste woes**

One challenge for future growth is the stigma attached to the former Brookdale waste treatment plant, Sterzel says, which was closed in December 2003 after community protests about health problems.

The presence of the facility is still fresh in the minds of many West Australians due to the wide media coverage it received, Sparta adds.

Brookdale hasn't performed as well as expected in comparison to the adjoining suburbs of Armadale and Seville Grove.

"The issues surrounding the former waste treatment plant have probably contributed significantly to values being suppressed somewhat," Sparta

says. "As the stigma associated with this facility diminishes, Brookdale may well begin to show signs of noticeable improvement in values in comparison to adjoining suburbs."

There was never any contamination of land due to the waste treatment plant, Ellis says, but some people thought there had been because of some of the materials that had passed through it.

"The area that used to be the waste receive has been decommissioned and removed so all that sits there at the moment is a major sewer pump station that all the sewer mains in the area gravitate to," he says.

The pump station has a 500 m buffer where sporting and recreational activities can take place, Ellis explains, and he doesn't believe there is a lingering stigma from the waste treatment plant.

Further name changes are on the way, with Brookdale's boundaries to be redrawn so that two or three new suburbs can be created. The City of

Armadale has put forward the potential names of Wollaston, Neerigen, Hilbert, Gribble and Willows for public comment.

### **Infrastructure boost**

The master plan, which supercedes the state's *Metropolitan Region Scheme* and also the local government town planning scheme, is expected to be finalised by May or June, Ellis says.

The ARA anticipates development will proceed on three fronts at the same time - a Stockland joint venture with the State Government as well as projects by the Satterley Property Group and Peet & Co.

The \$450 million Stockland-government venture has the potential

to create 2600 lots, ranging from 170 sqm to 1000 sqm, for about 6000 people. One in twelve lots will be for public housing, including seniors and tenants with a disability.

"The government will work with Stockland to create a new community with a town centre, serviced commercial land, mixed business, schools, retail and medical centres," WA Housing and Works Minister Michelle Roberts says.

The first land is expected to be on the market around the middle of 2008.

Infrastructure upgrades, new facilities and population growth in the surrounding area will put pressure on property prices, Sparta asserts.

The improvements include a new Armadale train station, Tonkin highway extension, Armadale Road upgrade, an international rowing course, white-water facility and short-stay accommodation at Champion

Lakes, a business park at Forrestdale, an extension of the Armadale retail precinct and potential new tertiary educational facilities.

The pros of investing in Brookdale include affordability, close proximity to the Armadale town site, access to good regional roads and upgrades of facilities within the Armadale council area, according to Sparta.

Some properties have views to the Perth hills, Sterzel adds, and Brookdale is located near an industrial area providing employment opportunities. Demand for housing will rise as investment continues, she adds.

The green initiatives in the new development area, Ptolomey suggests, will attract people to the area and connections will improve with new local streets connecting with neighbourhood centres. He says transport links to the wider area have already improved with the extension

of the Tonkin Highway through to Armadale Road.

The Wungong Urban Water project will also bring better quality infrastructure and attract more people with more money.

But on the downside, Brookdale is predominantly known as a lower socio-economic area, historically the capital growth is below the long-term average and it carries the stigma of the former waste treatment plant, Sparta says. The distance from the Perth CBD is another minus, according to Sterzel, and rental increases have pushed many people away from the area and it will take time for the demographic profile to change.

If investors buy in the existing residential area, they risk missing out on the benefits contained in the new development, Ptolomey warns, and the area is also currently the fringe of the suburbs "and there's no reason for that to change".

"Traditionally it's been affected more severely than most other areas by employment," he adds. "If we've got a bad unemployment rate, you'd expect that a high percentage of people in that locality would be affected by that."

It's always been at the lower end of the market in terms of value with the median price well under the median for the Perth metro area, he says.

"In this upswing cycle it has been dragged up along with everything else," Ptolomey says.

But its relatively low prices provide a chance for investors looking for something much cheaper than the median house price to get into the market.

"I think it provides a good opportunity from that point of view," he says.

#### Adding value

The development trend has opened up good short-term investment openings in Brookdale, Sterzel says, and properties with development possibilities hold solid growth potential.

#### CASE STUDY

## A waiting game

Forrestdale resident Richard House was looking to buy an investment property three years ago when acquaintance and local real estate agent Sara Muir suggested neighbouring Brookdale.

"We were looking for somewhere to invest and she recommended Brookdale," he says.

Richard, who works in the tourism industry, wanted to get into the property market when it was on the rise to create a nest egg for retirement.

So in 2003 he paid \$128,000 for a three-bedroom, one-bathroom house with a carport and a shed out the back on a 622-sqm block. The house isn't far from shops, the train and other services.

Property values have since soared and similar properties in the area are selling for between \$300,000 and \$350,000.

"Forrestdale's been very good too lately," Richard adds. "There's good growth and I think that's got something to do with the redevelopment that's going on generally in the Armadale area.

"It's a good area generally for investment. Values are still going up although it may have perhaps slowed a bit since last year."

He says there's been no trouble renting the property which is currently let at \$190 a week.

"We've been pretty happy with that side of it - we've had two good tenants over the time," Richard says.

He has no firm future plans for the property.

"At the moment we're just going to see what's happening with the next interest rate (movement) - see if it goes up or down and see what happens with the market generally," Richard says.



"The average home may not provide maximum return on investment, so we believe investors should look for the properties they can add value to," Sterzel says.

"Properties with add-value potential can still be snapped up for around \$320,000 to \$400,000 in Brookdale and we would estimate the average rental return for a three-bedroom, one-bathroom home to be between \$200 and \$230 per week.

"Developments and investments in the area mean demand for housing is set to grow, so the right add-value property could set investors up for short-term gain as standards in the area continue to rise."

Sparta agrees the best buys would be older homes on larger blocks that can be renovated on a frugal budget.

"It's important not to over-capitalise in this suburb," he warns.

Sparta advises investors to expect more of a rental return rather than capital growth in the short term.

Ptolomey says there's limited opportunity for capital growth based on existing conditions although new investment in the area may lead to a spike in values.

"Over a five to ten-year, medium to longer term timeframe you've got to be relatively positive about the area as long as the government money comes

through, which it should," he says.

"Their prospects are certainly better now than they pretty much ever have been so from that point of view it's got to be positive as well."

But Sterzel believes investors in search of long-term growth properties in the area will need to be careful.

"The amount of government and investor spending in the area is giving it a new image and means short-term investment looks promising but the long-term outlook may be limited by Brookdale's location," she says. "Even though Brookdale is close to Tonkin Highway, its distance from the city is a factor which may limit the area's long-term potential.

"Investors should make sure they look for standalone growth drivers to avoid properties which may not perform as well when the area's peak growth period slows down.

"With the relatively high number of homes on the market, making poor decisions is not uncommon, so investors should be extra careful with their selection in Brookdale."

She says the redevelopment process will eventually lift the standard across the whole area, but until then many parts will still be left in need of a facelift.

Ptolomey says properties in the area were selling for between \$290,000 and

\$360,000 in the last six months of last year and rents would range from about \$175 to \$225 a week.

"The opportunities there in terms of rental growth are probably pretty good at the moment," he says. "There's plenty of pressure on rents in the whole of the Perth metro area."

Sparta gives a higher rental figure, estimating a range of \$250 to \$300 per week. Brookdale has a shortage of properties to choose from but this is because it's not a large suburb at present.

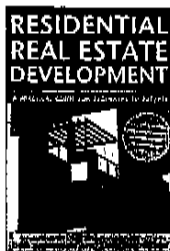
"We expect future growth in the short to medium term to be modest," Sparta says. "A sensible guess in the order of 4 per cent to 7 per cent would not appear unrealistic.

"In general Brookdale should progress modestly in terms of pricing structure, immediate infrastructure and the release of cottage allotments." For the overall Perth median house price, Herron Todd White has predicted growth of 0 to 5 per cent this year.

"I think there's probably going to be better value growth at the top end of the range than there is at the bottom end," Ptolomey adds. "I would expect that the bottom end of the market would probably get hit harder by any levelling or downturn in the market than the top end." ■

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