

VIC [NEWS]

Melbourne median house price falls

The Melbourne median house price for the March quarter was \$565,000, according to the Real Estate Institute of Victoria (REIV). This represents a six per cent reduction from the revised December quarter median of \$601,000.

REIV chief executive officer Enzo Raimondo says Melbourne and Victoria have entered into a different phase of lower transaction numbers and reduced price growth, but the median usually reduces in the March quarter due to lower activity in January.

"These results show that prices in most suburbs in Melbourne have plateaued and this will be welcome news for buyers looking to buy this year," Raimondo says.

"Suburbs that have experienced good capital growth over the year have been recorded predominantly in affordable suburbs in the southeast in Langwarrin, Mount Martha and Mornington; in the west in Footscray, Caroline Springs and Werribee; and also in Malvern East and Kew."

The REIV says the median price for a unit in Melbourne was more stable, with a 4.2 per cent drop in the quarter from \$480,000 to \$460,000. Melbourne also recorded its first suburb with a median price of a unit or apartment over a million dollars in Brighton, where it reached \$1,060,500.

New development approved for CBD

Two residential towers have been approved in Melbourne's CBD in Franklin Street.

The 29-storey (88-metre) and 45-storey (143-metre) buildings will house 810 residential apartments and accommodate up to 1500 people, as well as ground floor retail space and parking.

Victorian Planning Minister Matthew Guy says the CBD is undergoing transformation and the development will provide more housing choice.

"This development responds to the needs of the city community by providing for an architecturally designed development, with ground level laneway links and active street frontages," Guy says.

"It's also close to excellent facilities such as the Queen Victoria Market and Melbourne Central shopping complex."



"It's also low risk, because given the suburb you're in, you're likely to get a decent family or a nice couple living there."

You're also likely to get a better price in the current market, Pabst says.

"There'll be some areas that were over-bought that will see negative 10 per cent growth and other areas will still outperform that market and will show rises, around five to 10 per cent in growth," Pabst says.

Another benefit of buying an older, period-style home is that it's likely to be on a large block, Cashmore says.

"Even if you wanted to rent it out and live in it down the track, the best investment is to buy on a block of land," she says.

"Now there's lots of subdividing of land and building luxury townhouses. Because of the parks and surrounds, it's a very friendly suburb and it's more outdoorsy than Toorak or Brighton."

For those seeking capital growth, try to find quieter pockets, she says.

"If you go and buy something on a busier road... even Wattle Street is quite busy and obviously it's not one of the better areas. Monash Freeway is very noisy and any properties close to the freeway won't sell."

"The really good areas are in residential pockets, close to shopping but in a beautiful tree-lined street. They're wide roads as well, not like narrow roads you get in Prahran or Albert Park."

Cashmore adds period homes will also sell better than modern ones.

"They're the ones that get the most growth because a lot of people are emotionally led to period homes that can be easily updated and renovated. A period home is like an antique, it never goes out of fashion and it's always appealing, because that type

of home just isn't built now. If you can pick up a period home at a good price, now is a very good time to pick one up, because demand isn't as high as what we've seen in the past and it can really get those 'boom' results later."

MORE AFFORDABLE APARTMENTS

Given the fact that most homes cost more than \$1 million in Malvern, apartments probably offer a more realistic opportunity for most investors.

Pabst says there are "fantastic opportunities" for one and two-bedroom apartments, especially because rental rates are poised to increase over the next few years.

"We've had a period over the last 10 years where rental yields have been low, but that's been offset by high capital growth. Over the next 10 years, we'll see flat capital growth, but an increase in rentals that's going to increase rental yields to a level we haven't seen for 30 years."

"Don't be surprised if you start to see rental yields rise quite considerably. People

will still want to rent there because of the lifestyle considerations. It's a strong position for landlords to be in."

Prices for a one-bedroom apartment start from \$450,000, Pabst says. Further out from Malvern gets cheaper, "but you'll be making a compromise on location". He says a two-bedroom apartment would rent for around \$400 per week and Cashmore estimates the cost of a two-bedroom apartment would start from \$500,000. Pabst believes two-bedroom units would probably get a better rental yield in desirable areas with a "villa-style feel" around Paxton Street and Coppin Street and Beaver Street near Malvern East.

"Don't go past Darling Road or Malvern Road," Pabst says.

"Narrow down what works in a street and why it works. I wouldn't buy an investment property on a main road. Also you want to be sure it's a certain distance from schools and rail lines."

He also suggests buying something with a carpark.

"It's getting harder and harder to get a

carpark spot and the value of a carpark is rising quite dramatically. If you go back five years, a carpark had a value of \$15,000. Now its value is from \$30,000 to \$40,000. It's a valuable asset and in 10 years down the track, even more so."

Another advantage of buying an apartment in Malvern is that the rental yield will tend to be better, Nichols says.

"It's a very affordable price range for people receiving a rental yield of approximately 3.4 to 3.9 per cent yield," he says.

"What we're seeing now is a more realistic market. The outer parts of Melbourne are dropping in price, but the Malverns, the Armadales, the Hawthorns, have all held their figures comfortably."

Apartment buyers in Malvern should look out for major cracks and dampness, Nichols says. Also look for something with a balcony in a small building of up to 20 apartments.

"Pick the position where capital growth will be the highest," he says.

"If you buy it unrenovated and bring the property up, you'll get a better tenant." **api**

CASE STUDY [VIC]

Going for growth

It's an exciting time for 46-year-old Robert Camilleri. The production operator is just about to settle on a two-bedroom apartment in Malvern, which he bought through a buyers agent a few weeks ago for \$446,000.

Like many investors, Robert is buying properties to help him through retirement. He's always bought in Melbourne but only recently turned to Malvern, after years of investing in Werribee and Melbourne's west.

"I think I lost track of the right direction to take," he says.

"The first couple of properties I bought weren't the properties for my end goal. The population growth in Werribee is great but capital growth hasn't gone up with the rest of Melbourne. As a result, I eventually

Name	Robert Camilleri
Lives	Werribee, Melbourne
Invests	Malvern
Properties	4
Strategy	Buy and hold

sold two properties in Werribee and moved to the other side of town."

Robert now thinks it's better to buy a less desirable property in a more expensive area. He owns three investment properties - one is still in Werribee, but the other two are in St Kilda and Malvern. He's confident the latest pad on his portfolio will rent for up to \$370 per week once it settles.

"The prospect of getting a tenant should be pretty good," he says.

"It has a car parking facility too and the whole area is neat and tidy."

PIA – Property Investment Analysis Software

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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