

FAST FACT

By June last year, 67.2 per cent of NSW's population was of working age (15-64), up on five years before (66.9 per cent). Last year, Sydney had a higher working-age proportion (69 per cent) than the state as a whole.

Open house | 05

COVER STORY

Opportunity: The past five years saw a 45.8 per cent rental increase in Illawarra



Investing in homes to rent? Get out of town!

BEN PIKE

writer,
open house



IF PROPERTY investment was like going out on a date, then most real estate experts would advise you to go for the girl next door rather than the one who lives far away.

Stick with what you know, they would say, and there won't be any nasty surprises.

Buying in an area you know can be an attractive prospect, given you have knowledge of its infrastructure, demographics and average property prices.

But with median house price in Sydney being \$580,000 (RP Data) and concerns about the global economic outlook, many investors are thinking beyond the usual advice and looking outside of Sydney to get more bang for their buck.

You only have to look at the rental rates for houses to see that certain areas outside Sydney have good investment prospects.

According to RP Data's June Quarter Rent Review, in the past five years the Hunter and Illawarra regions have seen a 38.2 per cent and 45.8 per cent increase respectively in their rental rates for houses.

Over the same period Sydney's rental rate for houses has increased 31.4 per cent. And not only have Hunter and Illawarra regions

outperformed Sydney over the past five years, they've each more than tripled Sydney's house rental rate in the past year.

The Hunter region in and around Newcastle has been a goldmine for professional property investor Jo Chivers.

Before she started her property development project management company Property Bloom, Chivers bought investment properties in Chippendale, Surry Hills and Collaroy.

She soon realised that she had a lot of negatively geared properties (the rental income was not covering the total repayments) and decided to look outside Sydney but within about two hours drive of her northern beaches home.

In 2002, she bought a three-bedroom home in Cessnock for \$150,000 and now she rents it out for \$290 a week. She has also purchased and developed properties in other areas of the Hunter for her clients, but says people need to do their research.

"You need to identify where an area is going to grow, if there is diversity in the local economy, employment prospects and look at vacancy rates," she says.

"Any suburb that has been experiencing capital growth of over 12 per cent for the last decade is a solid investment. Many Sydney suburbs are only hovering around 7-8 per cent.

"Newcastle is a major city in its own right and will keep expanding. It has the Hunter Valley wine region and beaches close by."

The median house price in

DO YOUR HOMEWORK IN ADVANCE

What to look out for so you get the best capital growth and yield from your investment:

- Higher median house prices in areas surrounding those you are researching. If people can't afford particular areas, they will look for the next best thing
- Suburbs or towns next to those that are already booming
- Scarcity of particular types of housing in an area
- An area with housing shortages, where demand is high and there are few available properties
- Infrastructure projects such as freeways, new railways, marinas or new shopping areas, as these usually draw more people to the area, resulting in

pressure on property prices

- Big businesses coming to town will mean more jobs and demand for houses
- A scarcity of land for future housing, either now or in the future
- Properties you can add value to which will give you instant growth – whether it means a wash down with sugar soap or a full-blown renovation
- Areas with a high percentage of renters. More demand means more renters
- Areas with caravans parks or temporary accommodation
- Areas with a low vacancy rate. Ask agents how many rentals are on their books and how many of those are vacant

Source: *Property Is A Girl's Best Friend*, published by Wrightbooks

Kurri Kurri, for example, is \$267,500. In 2001, it was about \$90,000.

Chivers says despite soft consumer spending in recent times, Kurri Kurri has had a new McDonald's, KFC and Aldi built. Because she looked at the local council's plans for the area and knew there was to be an interchange for the incoming Hunter Expressway at Kurri Kurri, she has been well placed to take advantage of increasing property prices.

"The top five suburbs in my experience for the Hunter region have been Cessnock, Kurri Kurri, Maitland, Muswellbrook and Branxton," she says.

"For \$650,000, you can get two three-bedroom villas in the Hunter region. In Sydney, that would buy you a two-bedroom unit in Dee Why."

And the figures don't lie: Muswellbrook has seen capital growth in the past five years of 28 per cent, while Branxton has gone up 30 per cent.

But while more are considering the advantages of buying outside Sydney, for Greenfield Park resident Kemal Yakup purchasing an investment property in the next suburb was a no-brainer.

The 36-year-old bought a three-bedroom townhouse in nearby Prairiewood for \$370,000 in April this year through L.J. Hooker, Fairfield.

Living in the area since 1988 meant he didn't need to do the exhaustive research to make sure he wasn't buying a lemon.

He knew the area has seen a lot of growth, is close to both large and small shopping centres, and is close to schools and other amenities.

Yakup says although he looked at properties in Brighton Le Sands, Cronulla and Parramatta, he chose to stick to what he knows.

"I'm comfortable with the area and know that it's nice," he says.

"Because I live in the next suburb I can also check up on it. I looked at another property in Roselands but they wanted \$700,000 for a property that would only get a return of \$650 per week on rent."

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Drawing a conclusion

ONE of the great mysteries of the universe is whether you should go to the expense of hiring an architect or whether the more affordable option of a draftsman is sufficient to add value when building or extending your home.

Purely from a cost point of view, of course a professional architect is going to cost more. And if they have a trendy reputation you can add even more to the bill.

But does that mean that for us mere mortals we can only consider the architect option after we've won Lotto?

An architect is more money, but do you get more benefit? You can, after all, try to cash in on that trendy name at sale time and ask for a higher price.

On the other hand, they say you save when use a draftsman service. A good draftsman is more than capable of providing not only the design but all the technical drawings you need for council and planning approvals and will provide the most amazing 3D and walk through images of your new build project.

Do note, however, that the more hi-tech your drawings, the more they cost.

Put simply, there are pros and cons in a decision to use either profession. So at the risk of offending both (I apologise in advance, but having been a real estate agent for 25 years, I'm used to people hating me) here is what I believe they are:

The architect: The pros are that architecture is a profession that combines both design and technical expertise. Architects are paid to be creative, so they should come up with out-of-the-box ways to solve problems. An architect is able to fully project-manage the build, and has the potential to add value, not just by association but by a stunning design.

Architects have knowledge of new and exciting building products and materials, meaning your new home can be more efficient and beautiful than others on the market.

The cons, however, are that being a specialised profession architects charge accordingly. Occasionally, clients feel their architect is expressing too much creative vision which is out of line with their needs.

The draftsman: Draftsmen are specialists at providing all the drawings and plans you need for tradies and planning and council requirements. They are a cost-effective alternative who have the technical knowledge to translate your plans into workable drawings.

A draftsman will listen to your requirements and only question items that will not work physically, or comply with related building legislation, and they are usually a quicker alternative.

A drawback, however, is that a draftsman is not paid to be creative.

He or she will design as per your concepts — they won't tell you whether or not it will look good.

As a result there is always a risk of aesthetic mistakes and this can sometimes mean that the full value of your project is not realised.

Considering the pros and cons of both professions is important when you consider your next project, but you should also take your personal circumstances into account.

The simple rule is that for small, or basic projects, go with a draftsman. But for a top-end scheme, consider an architect.

Having recently built our new family home, I have to confess we used a draftsman — but that is because I had done my own full set of scale drawings and we worked together perfectly.

However, when I consider just how many hours I spent sketching, throwing away and starting again — did I really save any money?

Who knows?

Andrew Winter is a real estate consumer champion and the host of Selling Houses Australia on LifeStyle.



Good sign: Construction of interchanges is a pointer to growth