

# FIRST HOME INVESTMENT PROPERTY REPORT

SCOTCH COLLEGE MONEY & INVESTMENT YEAR 9 - HAWKINS



Ahl Property Consultants

For: Mr & Ms Smith

*A young couple looking for the  
perfect first home*

PROPERTY ADVICE SUBJECT TO CONDITIONS. SEE INSIDE FOR DETAILS.

April 30, 2020.



**AHL PROPERTY**

**CONSULTANTS**

# THE TASK: YEAR 9 PROPERTY ASSIGNMENT 2020

The task assigned to Ahl Property Consultants was to research and compare two potential properties, of which a young couple, who we will call Mr & Ms Smith, will choose one to be their first home.

There were a number of restrictions on the properties we could choose. For example, the first property had to be in the inner Melbourne Suburbs - within 15km of the CBD. The second property, on the otherhand had to be located in Ballarat or surrounding suburbs, and below \$650,000.

The couple came into this scenario with a strong financial basis. They had a \$200,000 deposit already saved, and were earning a combined income of \$180,000.

When approaching this assignment it was important that we not only looked at this as a first home, but also as an investment opportunity, investigating the investment potential of each property. Also, we had to take into account that while we did not know where the couple's jobs were located, the home chosen could affect their future job prospects.

There were a number of assumptions we would've had to make throughout this report. For starters, we had to assume that the interest rates over the next 30 years, while the couple was paying off the mortgage, did not change too drastically, as this may affect the liveability of each house.

We also assumed that since they had a combined income of \$180,000, they were both working, and most likely in the city.

Our primary tool for gathering information and choosing a property was Realestate.com, however when

investigating capital growth we shifted to Domain. Realestate.com not only had a easy interface but also a convenient calculator at the bottom of the property listing.

Domain was valuable as its suburb profiles were more detailed than that of Realestate.com. When choosing properties, research was done to first locate the best areas to invest in the city (while also choosing an area with a good reputation).

When choosing a bank, we went with Citibank as in the uncertain times we face today, I felt it prudent to stay with the bigger, stronger banks rather than the smaller ones. While ANZ has a low interest rate of just 2.19% compared to Citibank's 2.79% which we used, Citibank actually had a lower comparison rate, making it far more attractive.

Another assumption we made was that give they are a young couple, they are most likely to have children. This was another significant factor when choosing a house as the quality of education between both places was considered.

External research, especially into the relatively unknown Ballarat property market, also played a role in choosing a property. For example, while Ballarat grew 6.6% in 2018, its nearby suburb, Alfredton, had a major growth as it welcomed 700 residents. Hence the decision was made to search for properties in this area.

For calculating monthly repayments, bank calculators were used as well as the inbuilt one on Realestate.com, and when calculating Stamp Duty, both Realestate.com and the State Revenue Office calculators were utilised.



5/40-44 EDGEVALE ROAD, KEW, VIC  
3101

# PROPERTY A

Ronan Ahl 5299 955



# PROPERTY A

Surrounded by some of Melbourne's elite private schools while also being a short walk to all the retail and restaurant delights of Glenferrie Road, this considered, versatile, and well-appointed 3 bedroom, 2.5 bathroom townhouse should be at the top of your property short list.

Small families and young professionals will be taken by this double storey property. A newly landscaped front garden enjoys fantastic privacy from the street, while inside and just off the entry, you get to enjoy the light-filled and spacious lounge and dining zone which can be used for a number of different living situations. A family/meals area also delivers superb light and shares a space with the stylish kitchen.

Three bedrooms are all positioned upstairs and enjoy striking arch windows, which includes the master bedroom with a mirrored walk-in robe and private ensuite. Upstairs further boasts a quality bathroom with timber vanity and a separate toilet. Other property features include a downstairs powder room, laundry, reverse cycle heating and cooling, additional panel heating, under stairs storage, rear garden courtyard, and a double garage accessed via a rear laneway.

Most importantly this townhouse fulfills the three golden rules of property: Location, location and location. This townhouse is located moments from some of Melbourne's elite private schools - Carey Grammar School, Melbourne Ladies' College, Ruyton Girls' School, Trinity Grammar - as well as many recreational facilities, such as Kellet Reserve and Lido Cinemas, Auburn Village, Kew Junction and Hawthorn Aquatic and Leisure Centre, just to name a few.

This doesn't even include the seemingly countless eateries on Glenferrie Road nearby. It is also very practical, close to a number of Glenferrie Road supermarkets, with excellent access to buses, trams and the Glenferrie/Auburn Stations. However, if this is not your taste, rest assured that there are 2 parking spaces in the double garage, accessible via a rear laneway.

This is important as our couple has a combined income of \$180,000, implying both are most likely working, clearly showing the need for multiple car parking spaces. This townhouse clearly appeals to the renters of all sorts, due to its supreme location.



***"Spectacular townhouses in this supreme location like this rarely become available. Move fast to secure it!"***

5/40-44 EDGEVALE ROAD, KEW, VIC  
3101



# PROPERTY A

Ronan Ahl 5299 9SS

## FINANCIALS IN FOCUS

The price of this property is \$870,000. The couple, have already saved up a deposit of \$200,000. This means that they will need to pay some LMI for as they only have an 17% deposit.

They are then taking out a loan of \$729,010 from the bank. In this case, we have gone with Citibank, which is offering a low interest rate of just 2.79% for 5 years fixed rate. While this is not actually the lowest out there, it has the lowest comparison rate of 3.21%. We have fixed it for 5 years because we currently have extremely low interest rates. However, for this assignment we will assume that the interest rate over the next 30 years (length of loan) will not be too variable. This leads to monthly repayments of \$2,884 during the 5 year fixed period. (Note the difference between the Citibank calculator and the Realestate.com calculator is most likely due to the purpose of the loan (live in/investment) which was assumed on the Citibank calculator.

The couple's salary is 180,000, and if we assume they are the average Australian couple (i.e. they have monthly expenses of \$4118), they will have an easy liveability scale, with 53% of their monthly income left over after repayments. The stamp duty, as calculated on the State Revenue Office Victoria, is \$47,270.

### Assumptions:

We will have to assume there is no heritage overlay on the building as it has a modern,

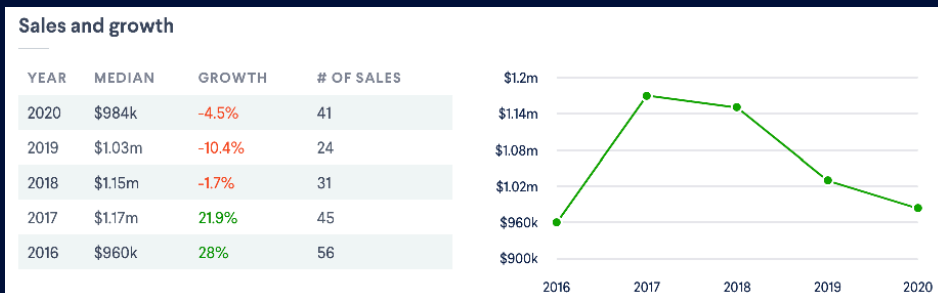
open plan inside. We must assume the interest rates do not vary considerably throughout the 30 years of the loan, after the 5 years.

Located on a suburban road, new developments do not seem to currently be a problem, however this may change in the future; again, this is an assumption we must make with many properties. We can assume that the building is well maintained, based on the photos.

### Investment Potential:

In December 2019, 7/40-44 Edgevale Road Kew, an extremely close and similar townhouse (part of the same set of townhouses) sold for \$900,000. This sets the current price for 5/40-44 Edgevale Road (\$870,000) as good value. Moreover, we see that 4/40-44 Edgevale Road (the townhouse next door), is and has been renting out from June 2017 at \$650 per week. These townhouses only were on the market for 5 or 7 days before being snapped up. We are currently buying at near bottom prices as seen in the capital growth chart below, so in the long term we can see prices rebounding. The capital growth is roughly This equates to a rental yield of roughly 3.88%, higher than the current rental yield of 3.21%, positioning this for very good rental prospects.

The capital growth is about 358% since 1990 - this would have been higher if not for the recent falls which allow us to buy at a cheaper price.



Estimated repayments	\$2,844 per month
Your savings	\$200,000
Stamp duty	- \$45,470
Transfer fee	- \$2,056
Government fees	- \$111
Available deposit	\$152,363
Listed price	\$840,000
Deposit (18%)	- \$152,363
LMI estimate	+ \$5,321
Loan amount	\$692,958

Liveability Update EASY

You've told us you [are a first home buyer](#), looking for a property to [live in](#).

These calculations are based on a [principal & interest](#) loan with an interest rate of [2.79%](#) and a loan term of [30](#) years.



**Duty payable**

**\$47,270.00**

Fixed Monthly Repayments **\$2,991.59**

Pros	Cons
High rental yield & investment prospects	Old front exterior
Excellent location	Limited development prospects
Perfect first home	
Accommodates children, should the family choose to have them	
Two car spaces with rear laneway	

40 LAWRIE DRIVE, ALFREDTON, VIC  
3350

# PROPERTY B

Ronan Ahl 5299 9SS



## PROPERTY B

Looking for a relaxed, spacious and open lifestyle? Then look no further than this spectacular 4 bedroom and 2 bathroom modern house in Alfredton, just west of Ballarat. Located just a 7 minute drive from the beautiful Lake Wendouree, and only an 8 minute drive from Ballarat central, this house is perfect for young couples looking to start a family, to well established families looking for a pristine, peaceful environment to relax in regional Victoria.

This young dwelling has superb room sizes, a multitude of living areas and a yard space that is not met with recent estates. Each of the 4 bedrooms with take the larger suits and the master bedroom boasts a walk in wardrobe and a full ensuite.

The formal lounge has recently been transformed into a larger office area, and had built in bench space added. The rumpus room at the rear has lots of potential such as a vast fifth bedroom or even a fantastic theatre room.

The casual living area is open plan and compliments the kitchen and dining, and of course opens to the outdoor entertaining area. The pergola makes entertaining a breeze. The kitchen (as can be expected in a house of this calibre), has stainless steel appliances, great

bench space, lots of cupboards and incredible aspect, with north facing natural light flooding in. The entire family will appreciate the yard space that is so hard to come by in the crowded cities.

Needless to say the home is in the highly sought Ballarat High School zone, close to parks, sporting clubs, shopping and the Ballarat Golf Club.

The perfect aspect of this apartment, allowing for light to flood into the North-Eastern side of the house, filling the Rumpus room, Dining Room and on the Eastern Side allowing the Living room and Master Bedroom to be bathed in light - the perfect scenario.

Specifically, this property is perfect for our young couple as they most likely will seek to start a family - what better place to raise a family of young, excitable toddlers than in a large backyard and vast living areas?



***"This house is perfect for young couples looking to start a family in the pristine, picturesque environment of regional Victoria."***

DISCLAIMER  
ALL DIMENSIONS ARE FOR INFORMATION PURPOSES ONLY. ALL DIMENSIONS ARE APPROXIMATE AND NOT TO SCALE. THEY ARE SUBJECT TO SURVEY AND RECORDS AND NO LIABILITY WILL BE ACCEPTED FOR ERRORS OR OMISSIONS UNLESS THEY ARE IDENTIFIED.

40 LAWRIE DRIVE, ALFREDTON, VIC  
3350

# PROPERTY B

Ronan Ahl 5299 9SS



## FINANCIALS IN FOCUS

The price of this property is \$515,000. The couple, have already saved up a deposit of \$200,000, a significant portion of the cost. This means that they do not need to pay LMI as they have well over 20% of the price in their deposit.

They are then taking out a loan of \$729,010 from the bank. In this case, we have gone with Citibank, which is offering a low interest rate of just 2.79% for 5 years fixed rate. While this is not actually the lowest out there, it has the lowest comparison rate of 3.21%. We have fixed it for 5 years because we currently have extremely low interest rates. However, for this assignment we will assume that the interest rate over the next 30 years (length of loan) will not be too variable. This leads to monthly repayments of \$1,278 during the 5 year fixed period. (Note the difference between the Citibank calculator and the Realestate.com calculator is most likely due to the purpose of the loan (live in/investment) which was assumed on the Citibank calculator.

The couple's salary is 180,000, and if we assume they are the average Australian couple (i.e. they have monthly expenses of \$4118), they will have an easy liveability scale, with 64% of their monthly income left over after repayments.

Due to the fact that the property is below \$600,000, there is no Stamp Duty.

### Assumptions:

We can safely assume there is no heritage overlay on this house as it is a relatively modern development.

We must assume the interest rates do not vary considerably throughout the 30 years of the loan.

While we cannot be certain, at this point in term we can assume there are no developments or highrises set to pop up nearby - these would most likely appear in Ballarat Central first.

We can assume that the building is well maintained, based on the photos.

Ballarat has been a national star in terms of property investment over the past twelve months, with its 6.6 per cent price growth making it the third strongest regional city nationally. Ballarat has recently from the capital city funding with new improved rail and bus links to Melbourne.

In particular, in 2018 Alfredton welcomed 700 new residents - a massive total for the regional suburb. This demand poises it for some excellent rental prospects as it continues to grow into the future.

Similar properties include 15 Bannister Street Alfredton (joined townhouse) renting for \$310 per week, and 2 Kalliota Street Alfredton (3 Bathrooms) renting for \$450, however this house is next to the highway and not as modern as this house, so we can estimate a rent of \$430 per week for this property. This is a rental yield of 4.3%, which is higher than the average of 4.1%.

It is important to note that while units have a higher rental yield of 5.9%, over the last 5 years, Alfredton has seen a compound growth rate of 6.4% for houses and -0.2% for units. Hence it is wiser to invest in the rapidly growing house rental market. The capital growth of the property has so far been 381% since 2008. I chose this particular property as, based on the property value estimators on Domain.com, it was one of few which were not overpriced.

Estimated repayments **\$1,278** per month

Your savings **\$200,000**

Stamp duty - \$0

Transfer fee - \$1,283

Government fees - \$111

Available deposit **\$198,606**

Listed price **\$510,000**

Deposit (38%) - \$198,606

LMI not required

Loan amount **\$311,394**

Liveability Update **EASY**

You've told us you [are a first home buyer](#), looking for a property to [live in](#).

These calculations are based on a [principal & interest](#) loan with an interest rate of [2.79%](#) and a loan term of [30](#) years.



### Duty payable

**\$0.00**

Average demand market

442 Visits per property

960 Visits per property



Alfredton

Average of VIC

Fixed Monthly Repayments **\$1,277.85**

Pros	Cons
Good rental yield & capital growth	Lower rental yield than units
Large house with open plan living	Located far from Melbourne
Excellent Aspect	Less job opportunities
Allows for a sizeable family to start	Limited education choices
No Stamp Duty or LMI	
Located near Lake Wendouree and Ballarat CBD	
Appeals to families and young couples	

# COMPARISON

Property Features	Property A	Property B
Type	Townhouse	House
Price	\$870,000	\$515,000
Bedrooms	3	4
Bathrooms	2.5	2
Parking	2	2
Location	Prime suburb of Kew, 10 km from CBD by car, near schools, Glenferrie road, etc.	Alfredton, 5.1 km from Ballarat CBD by car 4 km from Lake Wendouree.
Rental Yield	3.21%	4.1%
Capital Growth	Spiked then slowly declined, though the decline appears to be slowing. 358% since 1990	Strong Growth 381% since 2008
Aspect	Excellent	Excellent
Recreation Facilities	Glenferrie Road eateries & shops Various ovals & parks Social events & clubs Gyms, bars, restaurants, etc.	Large Backyard Lake Wendouree Various Ovals and Parks Kensington Creek
Schools	Several elite private schools nearby, offering excellent education prospects.	Within the sought-after Ballarat High School Zone.
Renovation limitations	Quite old exterior but limited renovation capabilities as it is joined. Location is still key supporting factor.	Quite modern, no need for renovations.
Upcoming developments	None but likely to happen.	Likely to only happen in the Ballarat Central suburb first before it spreads out.
Rear Laneway?	Yes	No
Long term home (kids)?	Yes (2 spare beds)	Yes (3 spare beds)
Public Transport	Close to Glenferrie Station, Trams, Buses, etc.	Buses, can drive a short distance to Ballarat Station by bus.
Office	No	Yes

## CONCLUSION

Both properties certainly have their advantages and strengths. However, unfortunately at this time, we can only choose one. One of the main considerations that formed this decision not included on the table above was the fact that the couple is a professional couple, young and working, and the job market in Ballarat is much smaller than in Melbourne, potentially compromising their \$180,000 combined income. Another major factor was a family & education. The average number of kids per family in Australia has consistently remained just below two, and in Melbourne it is obvious to see that there is a bigger variety of education sources. While the Alfredton property is quite spacious and modern, in terms of potential renters it only appeals to families and potential young couples wishing to start a family, while the Kew property is open to young independents, young couples and small families. The Alfredton house clearly has a higher rental yield, and strong capital growth, however we can see that the Kew property market has much higher demand than that of the Alfredton property market, potentially increasing the difficulty of renting out the house and gaining this

income. Moreover, while past performance cannot predict the future, the Kew property market capital growth has dropped well below the threshold a prestigious suburb within 10 kms of the city should hold, making this an excellent buying opportunity as the decline seems to plateau. There is the opportunity to snap up the property at its low price currently before renting it out in a few years when the market has (hopefully) recovered.

With all this taken into account, Ahl Property Consultants is hereby recommending the purchase of 5/40-44 Edgevale Road, Kew.



# AHL PROPERTY CONSULTANTS



Year 9 Money & Investment - Hawkins

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