



Patrick Bright points us to a unit block that is more than its façade suggests

GROUND TRUTH

with **EPS Property Search, House Search Australia and Oasis Property Group**

Last month we headed to three different regional areas. This month, we ask three expert buyer's agents to show us how they uncover their ground truth in the bustling city of Sydney. Jennifer Duke reports

NEUTRAL BAY

PATRICK BRIGHT, EPS PROPERTY SEARCH

OUR FIRST trip, with EPS Property Search's Patrick Bright, begins at his office in Neutral Bay. He puts a folder of documents onto the table where we sit. "These are just unsolicited emails from agents saying 'These are properties we've got' and vendors themselves," he says. Half a dozen come through every week – some worth pursuing and others not. Part of the decision as to whether they are worth considering is numerical.

Mr Bright is a conservative investor and his focus is in and around the Sydney CBD, but not "directly in it" – that is, not postcode 2000.

He looks for what he refers to as "Grade A" properties. It's part of a simple system his company and team put in place to help shortlist properties. With four different categories – A to D – for different macro to micro aspects (city, suburb, street etc) it provides a "language" they

can use in the field when assessing properties and areas.

He explains that A-grade property will not suffer in the same way as other property types in a downturn, as tenants will always want to rent these properties and vacancy rates are more attractive as a result.

While the best areas and cities can be picked using online and other data tools, picking the properties and micro locations is a case of hitting the streets.

THE SUBTLE CLUES

Mr Bright drives to Sydney's Mosman, where he hopes to explain how properties on one street can vary wildly – in appearance, livability, desirability and, above all, price. A-grade properties and D-grade properties can exist on the same street, within walking distance of each other in an A-grade area.

Driving around the streets, he quickly points out that the more elevated side of a busier road is the more desirable side – there is more natural light and sunshine on the properties. This equates to a \$20,000 difference in some cases, something he has found out by attending numerous opens and keeping his eyes peeled for the prices the properties sold for.

Less than one minute around the corner, the opposite applies – the lower side of the road receives more light and is more expensive as a result. In real estate photos, these properties would look identical. He notes that it can be hard for investors to see the differences, especially when dealing with smart vendors and property owners. Owners often sell in this area during the summer and spring, which makes it harder to tell which is on the better or worse side.

Driving on further, there's an apartment pocket sandwiched between busy roads, making it undesirable. Yet just two minutes on and the



It's worth considering million dollar views and which properties have them



Part of preparing for ground research is knowing how to categorise what you find

street widens with the houses becoming more attractive once again.

“Can you feel the air?” he says. There’s a definite chill as we’ve started heading down the valley. “It’s just changed. It’s still the same street but a lot of these properties only see three or four hours of sun a day, and they’re only metres from properties that get a full day,” he explains. For the same house on the same block, people would pay 10 per cent more to be on the sunny side, he says.

“You learn this over the years – it’s not dead obvious from day one. By buying in the area and looking at sales data and going inside a lot of properties, you work out ‘I’d rather be in this part than there,’” Mr Bright explains. He also listens out for the noise as he drives around, noting which streets are quieter.

“Data reports won’t pick up these subtleties. The older capital cities are where this process is most relevant,” he says, referring to Melbourne, Sydney, Adelaide and Brisbane.

Heading down to the water at Cremorne Point, he points out a large unit block that from the ground you might ignore. However, once inside the unit, there are incredible views worth a substantial sum.

Mr Bright previously purchased two units in this block for his clients – a one-bedroom unit and a two-bedroom unit. Although not always the case, for this particular block, the higher up you buy, the better the views.

PROPERTY-SPECIFIC ANALYSIS

Being aware of the boundaries of a suburb right down to the street level is absolutely crucial, particularly in these inner-city areas where a change in name can severely affect the price.

“Through here it’s Mosman on one side and Cremorne on the other,” says Mr Bright. “I’ve seen properties advertised as being in Mosman

when they’re not – it’s the psychological premium.” The place to check for the true area is the front page of the contract.

The other aspect, says Mr Bright, that is crucial to explore with real life research is the true value of a property. While an investor can buy a cheap report online, it won’t necessarily feature true comparables.

He urges investors to look more closely at elements such as:

- The shape of the block
- The slope of the block
- The position of the house on the block

- The type of parking available
- How private the property is
- Any views
- The building material (brick, fibro, etc)
- The status of renovations
- Floor plan
- Room sizes

Investors should be heading to properties with comparables in mind. These factors can have a 10 to 20 per cent variance on the value you may have been provided with by automated valuation software.

CASTLE HILL

JACQUE PARKER, HOUSE SEARCH AUSTRALIA

Ground truth is about more than just walking the streets; it often involves entering the properties and really getting involved in the area as well. House Search Australia’s director, Jacque Parker, with buyer’s agent, Cathy McGowan, took us on an in-depth tour of Castle Hill in Sydney’s north west.

A tight schedule is planned.

She wanders around the property, ticking off to ensure the oven is still working, the pipes are all functioning and other aspects are in the correct condition. Ms Parker has the photos on her iPad and flicks through them comparing each room to ensure that nothing highly visible has been altered.

09.30: FRENCHS FOREST PRE-SETTLEMENT INSPECTION

The first people at the site in Frenchs Forest is local real estate agent Rod Cousins, director of Skyline Real Estate, along with the vendor. The property, a large block on a leafy road, is in pre-settlement stage. Ms Parker and Ms McGowan show up soon after for the inspection. Holding a clipboard with a checklist, Ms McGowan explains that part of this process is to ensure the property is the same as it was when contracts were agreed upon.

11.30: APPOINTMENT AT A CASTLE HILL HOUSE

Taking a step back to the beginning of the process, we’re attending a first inspection of a property for another client. This time, we’re looking at whether the property can be knocked down and rebuilt for a profit.

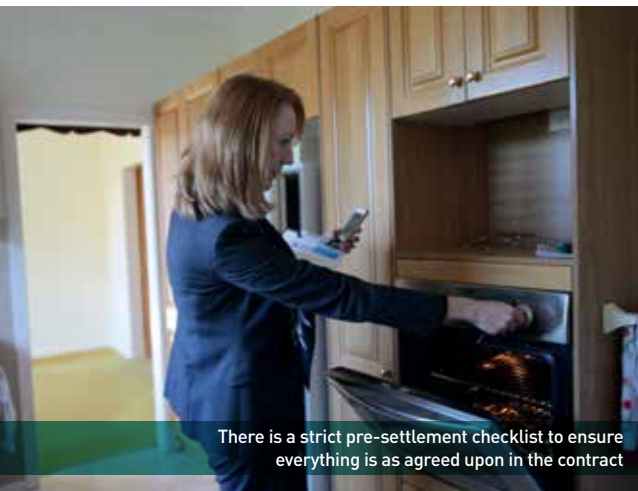
“When I go through a house I have a good look at all the rooms,” she says. “I’ve seen the floor plan and then we evaluate based on what the client wants. This client is looking for a possible ‘knock-down’ and



Jacque Parker and Cathy McGowan discuss the settlement with the real estate agent and vendor



Walking through each property quickly reveals whether or not they are comparable



There is a strict pre-settlement checklist to ensure everything is as agreed upon in the contract



Outside the North West Rail Link information booth, they discuss the impact of the new infrastructure

my concern is that it might be too good for the purpose – just looking at photos doesn't make this obvious enough. When we go through any house we have a checklist of the main features."

Walking through with two real estate agents – including Ray White's Brian Caba – Ms Parker remarks that it's in good condition, which is bad news for her clients. The bathrooms have had some vanities replaced but have not been renovated, the kitchen is in fairly new condition and the bedrooms are large. The size and relatively decent condition means that a number of owner occupiers will be interested, potentially pushing the price over a reasonable amount.

They leaf through the sewage diagram supplied by the real estate agents, which is acceptable, and consider the slope on the block before heading out into the garden to take a look.

It's unclear how much the property will go for, so once back in the car, Ms Parker calls a local real estate agent who she is familiar with to ask about a nearby sale and get an indication of potential price.

12.00: VISITING A LOCAL REAL ESTATE AGENT

Heading to the heart of Castle Hill, we stop by the CENTURY 21 office to speak with principal Jane Booty about what she's heard about the market. She quickly prints out the latest statistics for us.

"We're so low on stock and today, as of five minutes ago, there are 61 houses on the market in Castle Hill, according to APM [Australian Property Monitors]. This time last year there were 440. This market usually runs at 600 to 700," she explains.

"I've been selling for 28 years in the area and we've had our business almost 20 years, and I've never ever seen this low level of stock.

"We did an open home recently in Britannia Avenue, which is bread and butter Castle Hill, right in the middle. We had 71 groups through on the Saturday [open home] and it only hit the web on the Thursday," Ms Booty recalls. "We had 28 people offering and I stood there to help our senior sales person – the line out the door was ridiculous." The first two pages



- Eight new rail stations (from the Epping line to Cherrybrook, Castle Hill, Showground, Norwest, Bella Vista, Kellyville, Rouse Hill, Cudgegong Road)
- 4,000 commuter car parking spaces across the stations
- A train every five minutes
- Work to prepare the Cherrybrook and Castle Hill station sites is underway
- Green construction fencing currently at the site of the Norwest station
- First tunnel boring machine will be in the ground next year
- Skytrain construction tender to be awarded at the end of 2013

Source: June 2013 Project Update – Transport for NSW

of names were Chinese names, she says, pointing to the strength of overseas buyers in the area.

The median price in the first quarter was set at \$816,000. Now, that number has rocketed to \$880,000. Ms Booty and a number of other real estate agents believe the area will see an eight per cent value increase over the next year, and part of this is due to a new rail line.

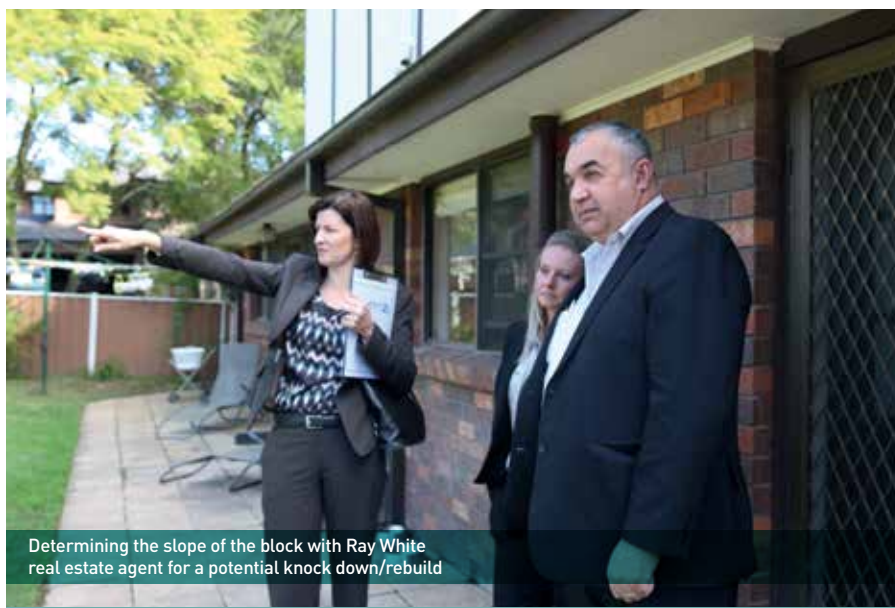
12.30: THE COMING RAIL LINE

One of the last places we visit is the North West Rail Link Information Centre, a government-run booth not far from the office of CENTURY 21 Castle Hill.

Within the centre, a huge map covers the back wall stipulating where each of the stations is going to be positioned. It's obviously a huge project, with some of the rail line underground and spanning across the entire Hills/north west area.

Picking up a leaflet from the centre, titled 'Green Light for North West Rail Link', we note that the operations contract is to be awarded in the second half of next year. Packed full of artist's impressions, it's clear the centre has been built and these pamphlets circulated to tackle some of the local opinions.

Ms Parker explains that depressed sentiment in the area has dampened its growth in the recent past, but now the fences are actually up and residents can see



Determining the slope of the block with Ray White real estate agent for a potential knock down/rebuild

“ THERE HAVE BEEN SO MANY JADED LOCALS FOR SO MANY YEARS THAT UNTIL THE FENCING WENT UP, THEY DIDN'T BELIEVE IT ”

properties being bought and demolished to make way for the development, the pickup is noticeable.

“There have been so many jaded locals for so many years that until the fencing went up, they didn't believe it,” she explains.

“It's going to be incredible for the area.

“The Epping to Chatswood link is a good example of what we're expecting here. When it

was built, prices around Epping went ballistic. Epping has continued to be a strong market.”

While we're at the information centre, Ms McGowan receives an email from the clients of the first property of the day. The settlement has gone through. Her client is excited, and already has tradespeople lined up for quotes to assess the renovations planned for the house.

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There are a number of one-bedders in this market, but not all of them are well-positioned



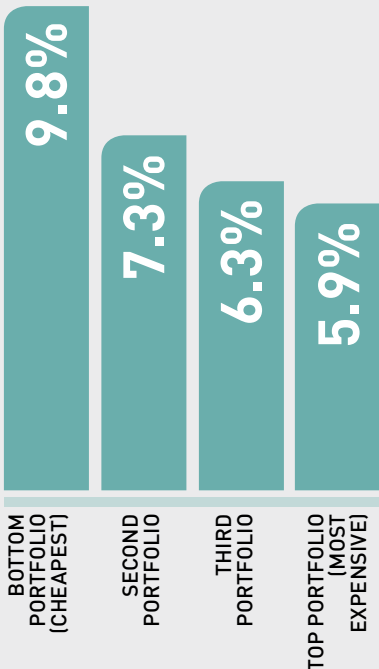
The number of real estate agents is evidence of the buying and investment interest in the area



A large variety of restaurants and cafes have sprung up over the past ten years

MASS MARKET APPEAL 2012-2013

Returns on cheap vs expensive properties Annual Capital Returns



Source: RP DATA, RISMARK INTERNATIONAL

NEUTRAL BAY

GAVIN MCPHERSON, OASIS PROPERTY GROUP

Before leaving the offices of Oasis Property Group with buyer's agent Gavin McPherson, he explains that 95 per cent of his research is done before going out to see the property or walk the streets.

With a strong local knowledge of the inner-city Sydney market and the north shore's Neutral Bay, many of the properties that pass his desk are in locations familiar to him, allowing him to make a majority of judgements before hitting the road.

THE SCIENTIFIC APPROACH

His choice for the purpose of this article, Sydney's Neutral Bay one-bedder market, is a calculated one. The metropolitan centre of capital cities is, across the board, his focus. Looking just at the top six cities in terms of population and with a three-to five-kilometre distance from the CBD, he then looks for anomalies or lulls in the data.

What he found with Neutral Bay was an anti-development, anti-population growth

council more interested in retaining and maintaining what they have currently than providing more properties for those wanting to get into the market.

Referring to the 'mass market appeal' graph, he explains that he tries to look in the cheapest price points for these areas – where most people will be able to purchase – in order to achieve the best price growth. Within Neutral Bay, the properties that have this potential to outperform other dwellings are one-bedroom units.

A CLOSER ANALYSIS

When Mr McPherson is exploring a suburb, he has a clear checklist in mind, although he explains that the criteria can be flexible if the property has the right potential.

This takes us on a 10-minute walk south west down Cremorne's Military Road where his Sydney office is located, to Neutral Bay's Grosvenor Street. It's a restaurant hub and clearly a favourite, being busy on a Saturday despite some hefty prices. Many of these

restaurants, cafes and shops have only appeared over the last 10 years, indicating a shift in the demographics.

Looking across the road at the units above the shops and restaurants, Mr McPherson explains that these are fantastic buys and are seeing strong growth.

However, the location is crucial due to the busy Military Road. “I would only buy within 100 metres right of here and 100 metres left of Military Road,” he explains. This sort of specific purchasing decision is not unique, with similar ‘buy’ and ‘avoid’ areas across the suburb.

Mr McPherson explains that “everything you need is within walking distance – what more could you want?”

He points out popular pub restaurant ‘The Oaks’ before explaining the clientele of the area. As we walk back to his office, he notes that many of the tenants are “young, hipster types,” before gesturing to a 24-hour cafe that’s continuously busy.

A mix of asset types here is also crucial. You should ensure that if you are buying into a block, all of the units are significantly different. Back at the office, he points to a floor plan of a unit block he has recently bought – every unit has a different floor plan, is a different size and has a different number of bedrooms. When looking at the street itself, he also ensures there is a range of houses, units and other dwellings.

“Some investors say that because there isn’t a train station here [in Neutral Bay], they won’t buy,” Mr McPherson says, explaining that this is a mistake. With regular bus routes that take under 10 minutes to get into the city, it’s still a well-connected area.

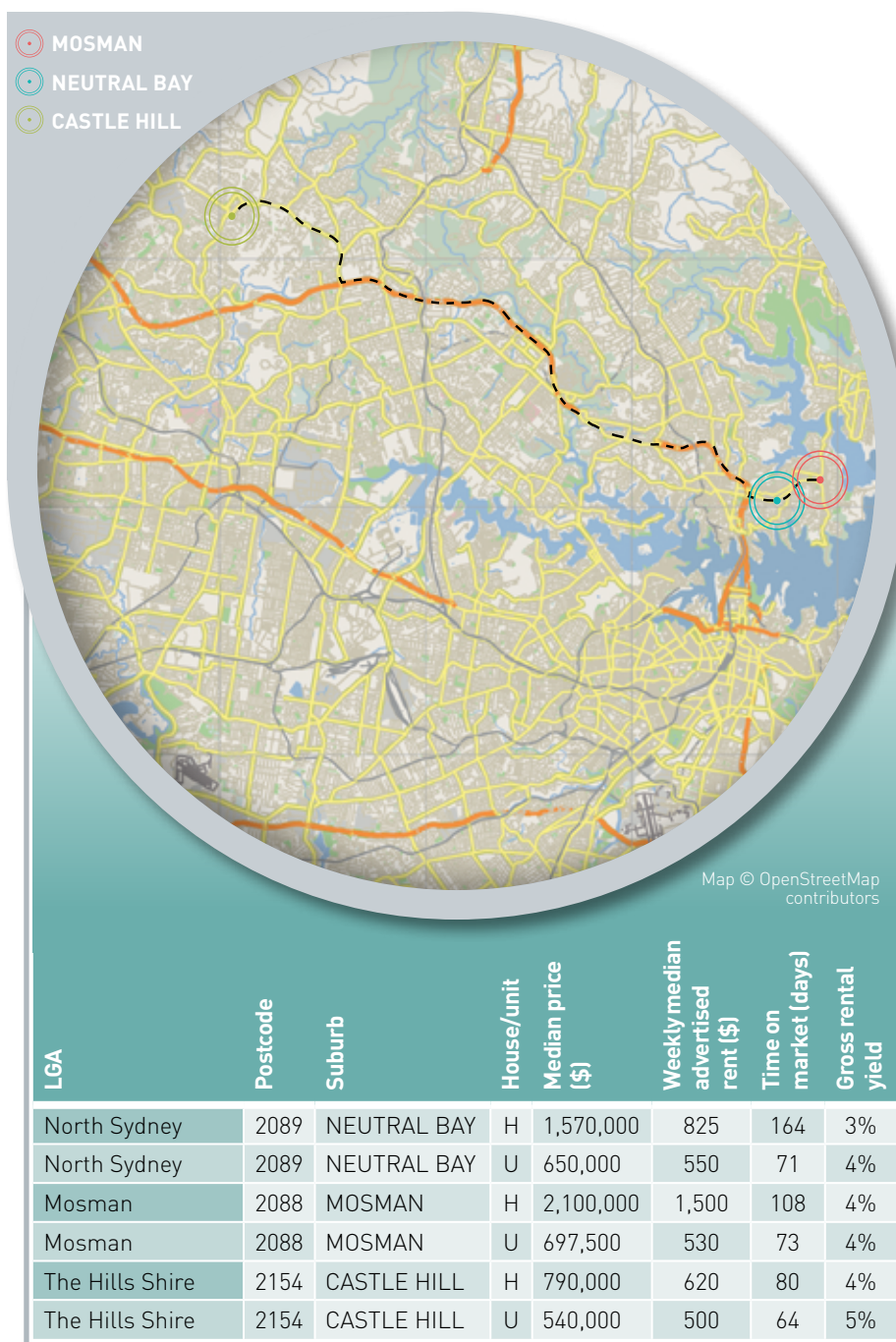
ELEMENTS TO CONSIDER WHEN ON-SITE

OUTSIDE:

- Where it is in the street (locational)
- Where it is on the street (situational)

INSIDE:

- Natural light
- Floor plan
- Structure
- Size of the building and how many in the building (This affects land value – aim for 85 per cent of the property value to



“ I WOULD ONLY BUY WITHIN 100 METRES RIGHT OF HERE AND 100 METRES LEFT TO MILITARY ROAD ”

be in the land. Each area has a different land value. This can be found by looking at sale prices for comparable blocks of land or land with insignificant property on it.)

- Condition of building (including strata report)
- Price (always look for 5 to 10 per cent discount up front) ■