

IN THE ZONE

Perth's northern suburb of Padbury could soon be undergoing major rezoning changes, paving the way for subdivision and capital growth. LAUREN CROSS

Padbury has never been considered "super sexy" according to Damian Collins of Momentum Wealth, but it's starting to do pretty well in the current economic conditions, especially compared to the rest of Perth. In fact, prices in the suburb could even start to move towards the end of the year.

"Over the next six to 12 months, the excess of supply will start to reduce and get back to a balanced suburb," Collins says.

"Prices in Padbury actually haven't dropped. While the overall market in Perth has dropped three, four or five per cent and a lot of fringe suburbs have dropped 10 or 20 per cent, for this suburb, we haven't seen prices fall. They've pretty much held their own, because it's an established family area with a low rental percentage."

For this reason, Momentum Wealth has picked the little pocket of Padbury, less than 20 kilometres north of Perth, as the city's future 'hotspot'. Collins is confident the area will soon catch up with more prestigious suburbs on the west side of the main road, Marmion Avenue, which have long been considered far superior.

"While we won't see good growth, the cheaper properties will start to diminish later this year. In 2012, better quality areas will start to see more demand and limited supply," Collins says.

One of the main reasons for an expected drop in supply is that Padbury could soon be undergoing rezoning changes.

Collins says the average investor isn't fully aware of the plans just yet, so those who have done their research can capitalise without paying the cost.

"We've been buying some properties in the proposed area," Collins says.

"In five to seven years the owners will be able to knock those properties down. Right now, they're only having to pay the price of what they would for a normal house."

REZONING PADBURY

Most properties in Padbury are currently zoned R20 but the rezoned properties could change to R30, which basically means it's possible to have two properties on one site.

The proposed higher density areas would be within 800 metres of railway stations and within 400 metres of high-frequency bus routes or public transport services. Council says the population of Padbury is currently 8000 and the City of Joondalup's population is 1.65 million, but that will increase to more than 2.2 million by 2031. This means the area will need another 328,000 homes.

"A home in a proposed housing opportunity area may have its R-Code changed to a dual coding, to allow for more than one home to be built on a block, depending on the size of the block," council says.

"Some areas adjacent to existing commercial centres are also proposed to be zoned mixed use in addition to possible higher density.

"It's only once the new planning scheme is in place that landowners can apply for development or subdivision approval in line with the new densities.

"It's anticipated that the endorsement of the strategy and the inclusion of its recommendations in the city's new *Local Planning Scheme* will be finalised in the next two to five years."

Even though council hasn't formally approved the changes, it says something needs to be done to cope with Padbury's growing population.

"In order to accommodate the permitted number of dwellings at higher densities such as R60 and above, development may need to take the form of three or four-storey apartments, rather than two-storey detached housing," council says.

In Padbury, proposed R20/R30 rezoning (previously R20, but would allow for both

R20 and R30) would occur from Birch Road and Brazier Road to Gilbert Road and Sullivan Road in Duncraig. Homes east of Parkhurst Road and Stonefield Circuit up to the Greenwood train station also qualify. In the north of Padbury, heading towards Craigie Plaza, homes north of Forrest Road, Gosse Road, Caley Road, Macquarie Avenue and Gregory Avenue would be rezoned to R20/R30. Properties along the major road of Whitfords Avenue would qualify for even higher density, up to R20/R40 (potentially four developments on one lot).

Council says, "Provided council endorses a final version of the draft *Local Housing Strategy* and the State Government then approves the necessary changes, homeowners in the proposed housing opportunity areas could choose to make the following lifestyle changes:

- subdivide their block and build other dwellings to generate income from rent
- subdivide their block, build a home more suited to their future needs and sell off or rent out the original property
- subdivide their block to provide independent dwellings for members of their family
- subdivide their block and sell, leaving them free to make changes."

Gavin Hegney of Hegney Property Group adds the rezoning changes put investors in a very good position over the next few years.

"One thing I've learnt in real estate is that if you can get a good performing area that has an additional reason to lift in value over and above the market growth, that's a key ingredient for successful property investing. You'll get a market growth plus a lift in amenity. It's the multiplier effect, I call it."

AMENITIES

Western Australia residential valuations manager for Propell National Valuers, Travis Coleman, says Padbury enjoys the amenities

CASE STUDY [WA]

Potential in Padbury

Nicholas Jones is only 24 but he already owns two investment properties. His latest purchase, a three-bedroom house in Padbury, was bought for \$430,000 in August last year.

"I didn't know much about Padbury, it's certainly not an area I've ever lived in, but I did a lot of research and discovered that properties in Padbury were very sought after and there was very little time they were on the market before they were snapped up," Nicholas says. "It was one of the best areas where properties sold within a week or even days and was also good value for money."

Nicholas used a buyers agent to find his home, mainly because he works overseas a lot as an offshore materials coordinator for oil rigs.

He was looking for something with subdivision potential and so eventually settled on a house, which hap-

Names	Nicholas Jones
Live	Palmyra, Perth
Invest	Melville, Padbury
Properties	2
Strategy	Buy and hold/subdivide

pens to have a 700-square-metre block.

"Through due diligence, we realised rezoning was happening in the area. Once the subdivision process comes through, I'll probably sit on it for a little longer and wait for everyone else (to build). Then I'll bowl it over and redevelop townhouses. At this stage, I'd only build two, unless I could procure one of the adjacent properties."

In the meantime, it's a good little rental property. Nicholas says it's in well-kept condition and rents for \$350 per week.

"It's an investment for the long-term and you're only five minutes away from the beach."



of nearby superior suburbs including Hillarys. "It's a fairly central location, close to schools, shopping and Hillarys marina, which is a tourist precinct with bars, restaurants and cafes," he says.

It's a short five-kilometre drive to the marina, called Hillarys Boat Harbour, which is the second most visited tourism attraction in Perth, as well as the Aquarium of Western Australia. From the marina, you can catch a ferry and take a nice day trip to Rottnest Island. Hillarys Beach Park is also close by, along with Glengarry Hospital. Parks include Hepburn Heights Conservation Area, Fernwood Park and MacDonald Park.

Further north, a planning application has just been lodged to double the size of Westfield Whitford shopping centre.

"They're obviously seeing that higher-income owners are coming in as they're getting priced out of other areas," Collins says.

He adds it's roughly 15 minutes to Perth's CBD in non-peak hour traffic.

Joondalup Mayor Troy Pickard says Padbury has good public transport too.

"Access to public transport is excellent, with many bus stops and two train stations in close proximity to Padbury," Pickard says.

"Major attractions and features of the Padbury area include Pinnaroo Valley Memorial Park, Hepburn Heights conservation area, Sir Thomas Meagher Lake, Mac-

Donald Park and Padbury shopping centre."

Managing director of Reamark, John Percudani, says until now everything has "stopped" at Joondalup. However, they've extended the freeway and the rail line goes well and truly past Padbury.

"Obviously the market is a little bit sluggish but areas such as Padbury are more likely to show an upside earlier in the cycle turnaround. It's the entry-point market and it's where the volume of transactions occur," he says. "Padbury is well located in relation to the main freeway spine, the train and bus depot. It's very close to the Joondalup sub-regional centre too."

Hegney adds Padbury is already benefiting from the growth of Hillarys, which is closer to the coast. But if you can't afford Padbury, the suburb of Heathridge about five kilometres further north is likely to soon be dragged along by the nearby coastal suburb of Ocean Reef.

"Hillarys already has its marina, but a marina is about to go to Ocean Reef," Hegney says.

"That's an additional kicker that will have an effect in Ocean Reef and back into Heathridge. All the plans for the marina are there; it's been talked about for quite a long time. It's just a question of when, not if. As a speculator you would buy there now; as an investor you would wait until it's going to be officially announced and then you would buy."

NEWS [WA]

Claws out for tenants with pets

Landlords who own investment properties in Western Australia can now charge a higher bond, if their tenant has a pet.

Consumer Protection Commissioner Anne Driscoll says the maximum pet bond has increased from \$100 to \$260.

"The cost of fumigation has increased over the years and it's appropriate that the pet bond also increase to adequately cover this extra cost," Driscoll says.

"It's important to note that the pet bond is in addition to the usual security bond and can be returned if the fumigation isn't necessary."

More infrastructure in the Pilbara

Seven infrastructure projects have been given the go ahead in the Pilbara region, as part of the State Government Royalties for Regions program.

The Port Hedland jetty will be given an extension, the Karratha Service Workers Accommodation will get a much-needed facelift and the Port Hedland Hospital will be redeveloped.

Regional Development and Lands Minister Brendon Grylls says the projects will receive \$20 million through the Pilbara Cities initiative.

"These projects support the delivery of the Pilbara Cities vision of creating modern, vibrant cities and regional centres," Grylls says.

R-codes under review

Residential design codes (R-codes) are set for a mini makeover in Western Australia.

The codes currently control all forms of residential development, from single houses to multi-unit developments, and are incorporated into planning schemes across the state.

Planning Minister John Day says the building industry is being encouraged to find new ways to provide a variety of housing.

"The R-codes need to be relevant and the review will ensure they're updated to suit choices," Day says.

HOUSING

Collins says a huge positive about Padbury is that it achieves "fabulous rental demand".

"They tend to be your long-term families, not your transient tenants," Collins says.

"They want their kids in school and they stay around longer, so we think Padbury will do well and outperform the market."

The other major benefit is that prices on the east of Marmion Avenue are 30 per cent less than on the west of Marmion Avenue (closer to the coast), according to Collins.

"Instead of the mid-\$400,000s, it's the mid-\$600,000s across the street," he says.

"We believe Padbury is undervalued relative to coastal suburbs, but a lot of families want to live in that area because they're closer to the freeway and still close to the coast."

Coleman agrees and says Hillarys, further east, has been hit particularly hard in recent times.

"Hillarys went through a big growth phase but Padbury's just a steady achiever. People look at it and see it as an affordable option. It ticks all the boxes," Coleman says.

"We've seen sales in Padbury level more (in the lower end of the market) than the upper-level. It's interesting, because it could be people buying into the market, or it could

be people moving sideways or downgrading."

Fewer properties are on the market in Padbury too. Collins says a "good balance" of about two per cent of properties is for sale in Padbury, compared with eight per cent in other suburbs.

"Good properties are selling if they're priced right," he says.

"People tend to stick there longer, so not a lot of stock comes onto the market."

In fact, Coleman believes even less stock will come onto the market down the track.

"In six months' time you'll still get a great buy, but you won't get that 10 or 20 per cent discount, because there'll start to be more competition," Coleman says.

"When you're the only offer, you can play hard. We'll slowly start to see that competing will get harder and you won't be able to get those great properties at great prices."

Coleman notes the downside for "great prices" is that some of the homes are a little bit dated and need a renovation.

Most homes are either three-bedroom and one bathroom, or four-bedroom with two bathrooms. Coleman says a three-bedroom home would rent for about \$350 per week, while a four-bedroom property might achieve up to \$400 per week. Three-bedroom

homes start from \$350,000, while a four-bedroom could cost as much as \$500,000. However, in many cases, homes with three bedrooms are actually bigger than homes with four.

"It comes down to the era of construction," Coleman says.

"At one stage in the '70s people were building bigger three (bedrooms) by ones (bathrooms). In the '80s it seems they built four by twos."

"You need to look at the size of the dwelling. More rooms might bring a bigger rental return but if you buy something with tiny little rooms, it's probably not going to be as desirable."

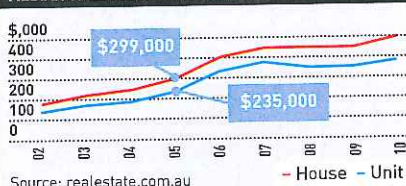
Hegney says Padbury is still within reach of the first homebuyer, but it should soon change to a second homebuyer suburb.

"A key criteria for first homebuyers is that the piece of real estate that you can afford to buy today, you shouldn't be able to afford in 10 years. In other words, your real estate should outperform your capacity to purchase," he says.

"For the last generation, Padbury hasn't been a good performer. But as it goes towards being a second home area, the first homebuyers now will do very well." **api**

API DATA FILE [PADBURY]

MEDIAN SALE PRICES: PADBURY 2002-10



Source: realestate.com.au

SUPPLY AND DEMAND: PADBURY



Source: realestate.com.au

MARKET ANALYSIS

Padbury has an undersupply to demand situation. 'Stock for sale' levels are unchanged year on year, which is different for the Western Australia trend of rising stock levels. Vacancy rates are at just one per cent, making for a very tight rental market where landlords are in control. Discounting is below state levels. The proportion of renters to owner-occupiers (at 22 per cent) is in line with the statewide average. Income levels are growing at the same rate as the statewide average.

Source: SQM Research, www.sqmresearch.com.au (accurate up to April 30, 2011)

MEDIANS

Location	Apr 11 (\$,000)	Apr 10 (\$,000)	12-month growth	Rent (\$)	Apr 11 total sold	Apr 10 total sold	Apr 11 average vendor discount	Apr 10 average vendor discount
Padbury (H)	480	463	3.7%	365	129	191	5%	6%
Padbury (U)	378	382	-1.0%	snr	snr	snr	6%	6%

Source: APM, SQM Research (accurate to March 31, 2011); H = houses, U = units, snr = statistically not reliable

LOCAL SALES IN PADBURY

Address	Type	Price	Bedrooms	Sale date
Hubbard Drv	House	\$470,000	3	05/05/11
Andrews Ct	House	\$570,000	4	30/04/11
Sweeney Wy	House	\$960,000	4	29/04/11
Giles Av	House	\$410,000	3	19/04/11

Source: rpdata.com

WHERE TO LOOK

Homes in the northwest pocket closer to schools and parks. Investors should avoid homes near Mitchell Freeway.

Source: Propell National Valuers

