



investing

Left: Developments by Ventura Special Projects.
Far left: A development by Summit Projects.

TRUE COST

LOCAL accountant Nigel Plowman, who coaches property investors towards success, points out the importance of calculating the true cost of holding a property before making an investment.

Nigel, a partner at Joondalup-based firm McKinley Plowman, says investors should meet with their accountant to calculate how much capital growth is needed to cover the cost of the investment and if that growth is achievable.

He says it is surprising how little growth is needed to cover the cost of some properties. For example, in the case of Complete Living's \$375,000 turnkey house-and-land packages – in suburbs such as Butler and Baldivis – only 3.22 per cent capital growth is needed for a moderate income earner to break even.

Nigel says this figure is based on a rental income of \$340 a week, depreciation benefits on a new building, and income-tax concessions available to a person in a 30 per cent tax bracket.

After calculating the difference between expenses, income earned through rent and taxation benefits, the net annual cost of holding the property is just \$12,082.07.

Deductible expenses include bank fees, borrowing costs, interest rates, water rates, insurances, managing agent's fees, non-capital repairs, depreciation on the building and on capital works.

Nigel says a higher income earner in a 40 per

cent tax bracket will need to achieve capital growth of 2.48 per cent to break even.

People in this tax bracket who purchase one of Ventura Homes' \$339,000 turnkey homes on a narrow lot in Butler will need 2.34 per cent capital growth to cover their costs.

Investors who are in a 30 per cent tax bracket will require 3.06 per cent growth to cover their costs.

A Summit Projects development for student accommodation in Bentley will require 1.31 per cent capital growth for someone in the 40 per cent tax bracket.

This is based on an estimated purchase price of \$670,000 and a rental income of \$900 a week for the single-storey, six-bedroom, four-bathroom units.

An investor with a marginal tax rate of 30 per cent tax will require 1.85 per cent capital growth to break even.

In an analysis for Complete Living's turnkey house-and-land packages for \$420,000 in Forrestdale and Cannington, the capital growth needed for someone on a marginal tax rate of 30 per cent is 2.72 per cent.

This is based on a rental income of \$450 a week.

A higher income earner who attracts a marginal tax rate of 40 per cent will need to achieve just 2.06 per cent capital growth to break even on the investment.

Evelyn Duffy

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designed with investor needs in mind, and our staff specialise in working on the challenges that come with developing a site."

Among the Ventura Special Projects underway are a 12-unit site in Gosnells on survey strata titles.

A series of narrow-lot homes, now under construction in Butler, will go on the market for \$339,000. The turnkey homes vary in size and design, rent for \$325 a week, and are an excellent example of what can be built on a narrow lot.

Quentin Lau, sales and marketing manager for Summit Projects, says share market volatility is encouraging more people to consider reinvesting in real estate. Depreciation of the Australian dollar, along with our stable political and economic climate, is also encouraging overseas investment in new homes.

Summit Projects can provide design scenarios for both single and multi-storey units to comply with specific planning requirements, lot size and shape and the investor's budget.

Among its current development projects are two units in Marquis Street, Bentley, that are likely to sell for more than \$650,000.

Quentin says the two single-storey, six-bedroom, four-bathroom units will cater for students from nearby Canning College and Curtin University and will attract weekly rents of about \$900.

Another 10 single-storey unit site in Dor-

othy Street, Gosnells, offers affordable housing to investors and first homebuyers.

"With regular rental income, long-term growth potential and high borrowing leverage, property is definitely a reliable form of investment for the conservative investor in today's economic climate," Quentin says.

Peter Gobetti, sales and marketing manager for Broadway Homes, which launched its unit development division early in 2008, says his company is working on numerous development sites for property investors.

Projects include double-storey villa sites, single-storey quadruplex and triplex sites and house-behind-house developments.

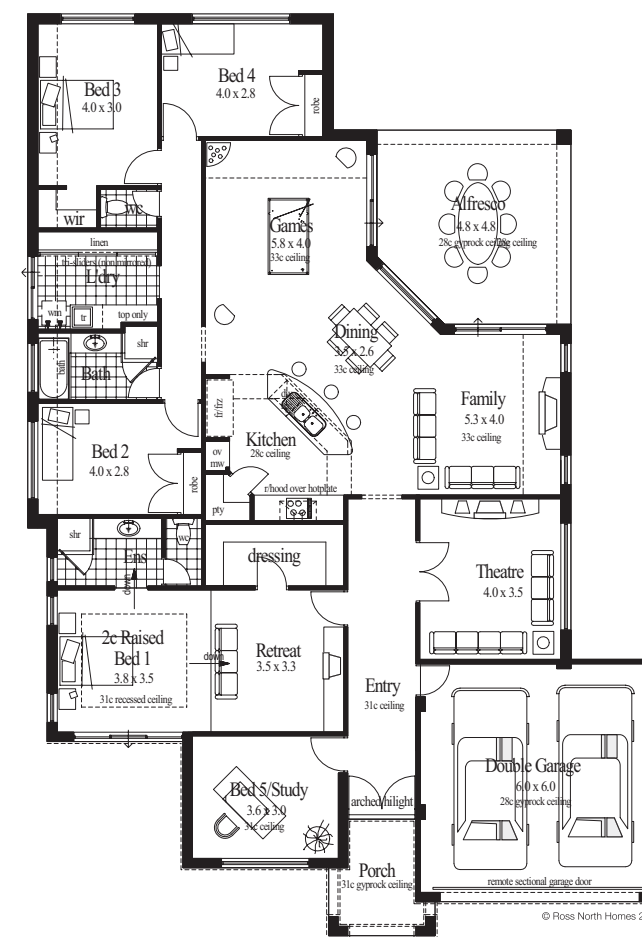
Peter says Broadway Developments tailors its products to suit the individual site.

Shane Casserly, sales and marketing manager for Goodlife Homes, says his company's project division offers a complete service for investors from demolition through to completion of strata titling.

Goodlife Homes' project division has more than 100 multi-unit sites in progress for investors from Dawesville right up to Two Rocks.

"Land has come down, but building prices won't come down, so astute investors are aware they will benefit by acting now," Shane says. "Investors who get into the market today will sew the seeds of success for tomorrow."

Evelyn Duffy



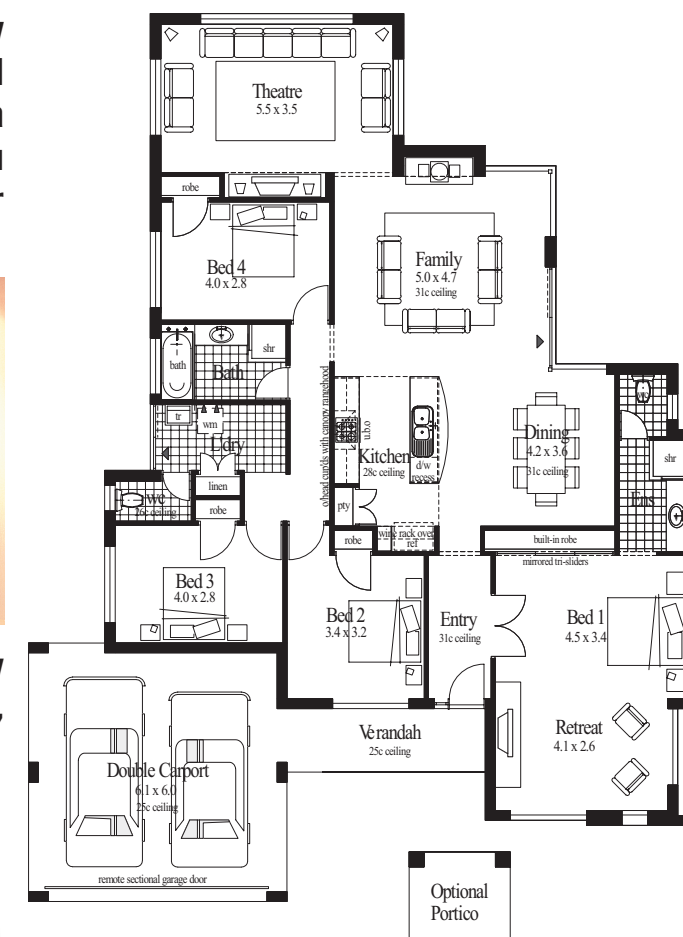
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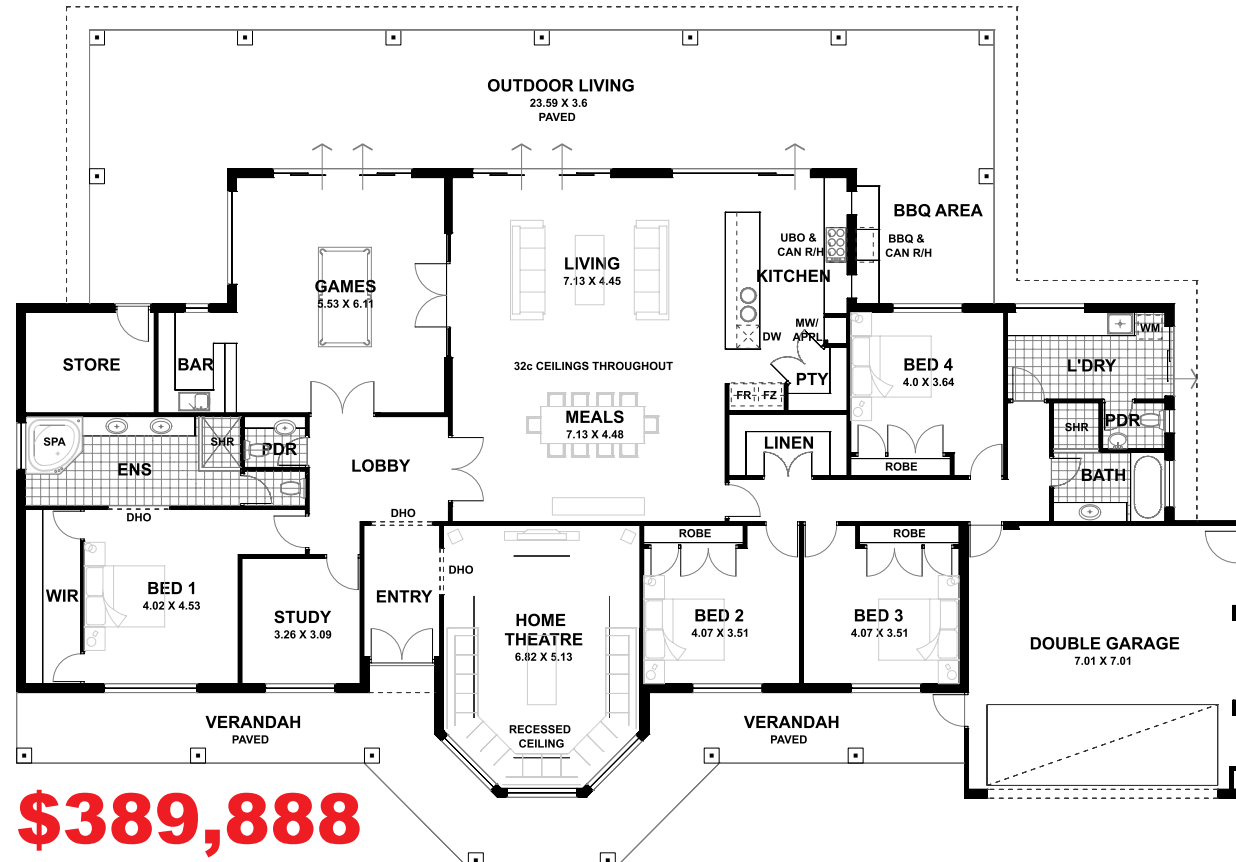
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