
THE NEW BLACK

Investors are turning their backs on the more prestigious areas of Sydney and searching the streets of Blacktown for good growth and stronger rental yields. LAUREN CROSS

You've probably been hiding under a rock if you haven't noticed something peculiar has been occurring recently in Blacktown.

While some Bondi and Mosman investors may scoff at even the slightest sniff of a fibro house, the three-bedroom, one-bathroom humble homes of Sydney's west have been quietly booming over the past 12 months – and even outperforming what some would consider to be their superior eastern and northern counterparts.

Who would have thought that the once stigmatised 'westie' part of town would literally turn from rags to riches, thanks to a few major road upgrades and easier access to the CBD? But there's no denying that Blacktown really is, well, the new black, with

exciting prospects for those looking for both growth and strong yields.

Laing and Simmons director Andrew Ienna says Blacktown continues to blitz the wider Sydney real estate market, with the Housing Industry Association listing the suburb as "the one to watch".

"A solid start to the year has translated into a total of 105 sales in Blacktown with a median sales price for houses in March 2011 of \$386,000," he says.

"We've seen price increases of between \$10,000 and \$15,000 for strata property – townhouses, villas and units – and between \$15,000 and \$20,000 for torrens title (or standalone) from the same time last year."

Australian Property Monitors also reports

a median house price hike from \$345,000 to \$365,000 in the past 12 months, while rents have risen from \$350 to \$360.

But if you're sipping your latte right now and reading this article at one of Sydney's eastern beaches, it's no good just lamenting to yourself, 'if only I'd bought in Blacktown when prices were cheap'. The good news is there's still room for growth.

Even better news is that unlike other parts of Sydney, rental yields are as high as seven per cent in some cases, especially for units, according to Ienna, which means repayments are much easier for investors who are sick and tired of negative gearing but still want to buy something close to the Sydney CBD.

PEOPLE ARE MOVING TO BLACKTOWN

Western Sydney continues to drive ahead as Australia's fastest growing economic region. According to Blacktown City Council, the current population is 280,613, but it will grow by at least another 100,000 people by 2031, with greater Sydney growth projected to increase from 4.5 million to six million in 2035.

Anderson Group valuer Patrick Anderson says Blacktown is actually the third largest local government area in Australia.

"Nearly 60,000 residents have joined the city during the past 10 years and that trend



is set to continue as more people discover Blacktown city offers the family lifestyle and education and employment opportunities they seek," he says.

Council adds Blacktown Local Government Area experienced the largest increase in population in New South Wales between 2008 to 2009 (6900 people).

"In the 2010 to 2011 period, 1326 new houses and residential buildings were approved in the area," council says.

"Council's also committed to forward planning and preparations for the city and works closely with developers to deliver results for our residents, while setting benchmarks for well-planned environmentally sustainable new housing areas."

Blacktown is incredibly diverse, with 184 countries and 154 languages represented in the community, according to council. Unemployment figures dropped slightly from 7.92 per cent to 7.67 per cent over the past 12 months and Blacktown continues to be a major focus for employment.

"Arguably the greatest influence on recent local economic growth has been the construction of the Westlink M7," council says.

"In fact, half of Sydney's industrial land development over the next five years is expected to occur along the M7.

"Blacktown City is home to over 30,000 businesses that provide over 71,000 jobs to the residents of western Sydney. The majority of this is in manufacturing, followed by retail and wholesale trade services, then health and community health services."

Ienna adds Blacktown is "well serviced" in the commercial, industrial and professional sectors. In fact, 17 of Sydney's 25 transport companies are based in Blacktown city and the area is also popular with distribution centres.

"Sites such as the old Australia's Wonderland site in Eastern Creek and the Prospect Reservoir are still rolling along to provide steady job opportunities," Ienna says.

One of the best things about Blacktown is that it's surrounded by an amazing network of roads, rail routes and rolling buses. There's a road to everywhere and everything, including the M4, M2 and M7. Blacktown is accessible via 10 railway stations on the Western Railway line and the Cumberland Railway line, while bus services provide shop-

to-shop services from Westpoint Shopping Centre and Westfield Mount Druiitt. All of these transport options are very attractive to professionals, says Ienna, and have drastically helped reduce travel times.

"We were heavy blue collar workers until about 2003," he says.

"Now there are a lot more white collar workers. It's brought more money into the area, more market activity. I know heaps of people that jump on the Blacktown train line and it takes just 38 minutes to get into Wynyard (in Sydney)."

He adds Blacktown city has "sub-suburbs" with their own train stations, but Blacktown itself is more popular with professionals, because all the fast trains leave from Blacktown station.

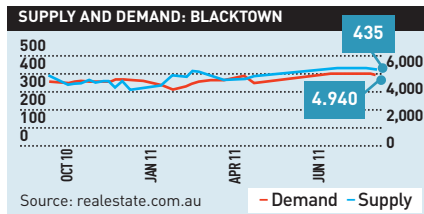
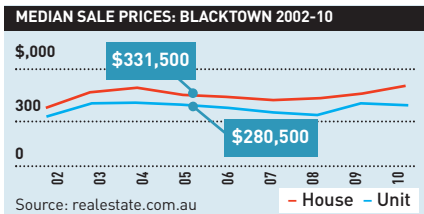
WHAT AMENITIES ARE ON OFFER?

Blacktown city features two major centres, Blacktown CBD and Mount Druiitt CBD, and both provide good opportunities, according to Anderson.

"Both regional centres offer well-designed residential and commercial areas," he says.

"One of the outstanding features of Black-

API DATA FILE [BLACKTOWN]



MEDIANS

Location	Jul 11 (\$,000)	Jul 10 (\$,000)	12-month growth	Rent (\$)	Jul 11 total sold	Jul 10 total sold	Jul 11 average vendor discount	Jul 10 average vendor discount
Blacktown (H)	365	345	5.8%	360	583	660	2.4%	2.9%
Blacktown (U)	280	285	-1.8%	340	306	596	1.6%	2.4%

Source: APM and SQM Research; H = houses, U = units

LOCAL SALES IN BLACKTOWN

Address	Type	Price	Bedrooms	Sale date
Kent St	House	\$375,000	4	20/08/11
Pollack St	House	\$330,000	-	16/08/11
Lancelot St	House	\$400,000	3	13/08/11
Glamorgan St	House	\$385,000	3	13/08/11

Source: rpdata.com

WHERE TO LOOK

Investors should look at: Areas closer to transport and amenities.

Source: Laing and Simmons Blacktown

MARKET ANALYSIS

Blacktown has a mixed supply to demand situation. There are few rental properties available to tenants, however there's an oversupply of 'for sale' listings. Discounting has been muted. Incomes in Blacktown are growing slower than the New South Wales average. The proportion of renters to owner-occupiers is below average for NSW. Rental vacancy rates are a very tight 0.8 per cent. 'Stock for sale' levels are up by 11.4 per cent year on year.

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

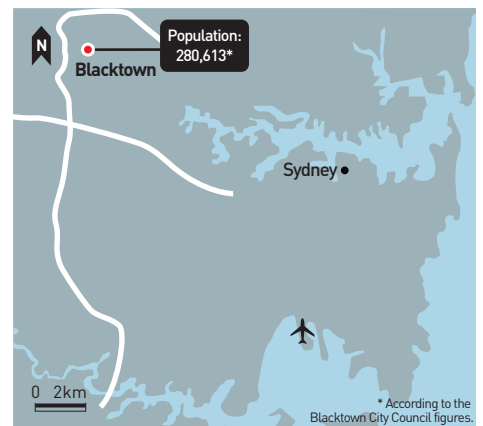


PHOTO COURTESY OF BLACKTOWN CITY COUNCIL

town city is its extensive road and rail infrastructure – the city offers 10 railway stations along two railway lines for commuters, as well as regional transport interchange facilities at Blacktown and Mount Druitt.”

Council adds Blacktown has plenty of sporting opportunities, noting that the “highly anticipated” \$30 million Blacktown international sports park was recently completed.

“Our strong partnership with the AFL has seen the establishment of western Sydney’s first AFL team – the Greater Western Sydney Giants, which will enter the AFL Premiership competition in 2012,” council says.

Western Sydney can get pretty hot in summer and plans for a new Wet’n’Wild theme park should certainly give the kids

plenty of beach action too. Village Roadshow is behind plans for the \$80 million park, which is expected to attract 900,000 people every year and bring \$340 million of tourism to Sydney in the first 10 years.

Council adds the Blacktown Showground is also being redeveloped.

“The Blacktown City Show is our city’s longest running event and is held over two days at the Blacktown Showground in late summer,” council says.

“This event is followed by the nine-day Blacktown City Festival in May, which concludes with a huge street parade.”

Work is also under way on the \$8 million Mount Druitt Community Resource Hub, a \$2.7 million rugby league development in Quakers Hill and a \$5 million village green

for the Blacktown CBD. The Featherdale Wildlife Park and the wave pool at Blacktown Leisure Centre are also popular.

STRONG YIELDS A BIG ATTRACTION

Strong rental returns are a huge reason why Sydney’s west is turning investors away from the traditionally stronger areas of the east and north.

Ienna says Blacktown has been “very much on investors’ radars” due to consistent strong rental returns.

“We currently have only one rental property available out of the 255 that we manage; that’s not even a 0.5 per cent vacancy rate,” he says.

“Landlords have responded by pushing rents up by \$20 to \$30 per week higher than this time last year to reflect market value.”

The Daily Telegraph newspaper recently reported that Blacktown was experiencing “a surge in prices” and that sales were nearly 10 per cent higher than in 2010, as the rest of NSW property market flatlines.

“While Sydney’s eastern suburbs experience price falls of up to 20 per cent, the western suburbs continued to rise – with Parramatta, Liverpool, Penrith, Bankstown and Fairfield increasing between two per cent and five per cent this year,” the newspaper reported.

Another newspaper article last August highlighted the fact that a lack of housing supply is turning Blacktown into a ‘hotspot’.

MacroPlan Australia manager of economics Jason Anderson told *The Daily Telegraph* that investor yields are much better in Blacktown than closer to the CBD.

“The math works out. Prices are lower in the west but the rents have grown substantially because we’re not building anywhere near enough,” he says.

“In the past, people may have seen that (the west) as a less desirable place to invest, because the capital gains expectations are maybe not as good, but now we’re in a world where prices are flatter, it’s more about yield than capital gain. The market should respond with people buying more in the west.”

Jacque Parker of House Search Australia adds another reason why Sydneysiders are opting for Blacktown is that the entry point is affordable, with prices from the mid to high \$300,000s.

While this price might get you a tiny unit or studio in the east or north, you can buy a freestanding house in Blacktown and add value to it.

“Areas of most interest remain those streets that are within a two-kilometre walk of the station and shops, or a good local primary school, such as Shelley Public,” says Parker. “South Blacktown has predominantly been

CASE STUDY [NSW]

Paying investments off one at a time

Kay* considers herself both a serious shopper and a serious saver. In fact, she’s so serious about saving, she follows an unusual investing strategy: completely paying off one investment property before buying another.

It’s helped her build an impressive portfolio of 10 commercial and residential properties in Blacktown, including her own home. Although the idea seems impossible, Kay says anyone can do it.

“It’s not about how much you earn, it’s about how much you save. If you can own one house, then you can use the rent from that one house to help you buy the next one with what you save also,” she says.

“You need to own your own home first, then you don’t have a mortgage to pay.”

Kay bought her first home in Blacktown back in 1977 for \$26,500. She took two jobs, working in an office by day and a cleaner by night, to make extra repayments and owned her property outright within six years.

She then saved a 50 per cent deposit for a commercial property in Blacktown and paid that off within two years. The third property was bought outright in 1989 with cash, using the rent from her second property, and Kay has continued to use this method for all her other investments.

Name	Kay*
Lives	Blacktown
Invests	Blacktown
Properties	10
Strategy	Buy and hold

“My husband and I use the rent with what we save,” she says.

“One income you can live off, the second income you can use to pay off the property. That’s the trick.”

Kay adds the sooner you start investing the better, because prices will just keep going up; most of her properties were bought in the 1990s for a much cheaper price at around \$120,000. However, she just bought a villa for \$235,000 last May and saves the \$310 rent per week it achieves.

Kay’s daughter and son have also bought in Blacktown and they too will pay off their own properties first, before they buy an investment.

“It’s more for security and to set themselves up,” she says.

“I’ve always felt comfortable with Blacktown. The city of Blacktown is a major western city with a residential and business centre. It’s a youthful city with plenty of parks, a shopper’s paradise and a centre for sport, dining and entertaining.

“With thriving educational, legal, health care and transport facilities, investors will receive high yields and good growth over the long-term.”

* Surname withheld to protect privacy

a preferred area with locals and investors, as well as the north side, bordering Kings Park and Kings Langley.”

Parker adds the beauty of Blacktown is that it's an easy entry point for first-time investors and you don't have to compromise your lifestyle.

“Given the high entry price of our most expensive capital city, it's not surprising that most will start their portfolio at the more affordable end of the spectrum,” she says.

“When you compare the average capital growth rates for the last 10 years, up until 2011 Blacktown housing has performed at 5.9 per cent for housing, compared to 6.4 per cent for Chatswood (in north Sydney), for example.

“With such a small difference between areas, it makes sense for the average investor to purchase two properties in a cheaper area that's kinder to the hip pocket.”

While the affordability of Blacktown makes sense for investors, LJ Hooker Blacktown agent Matt Lucas notes it's always been popular with first homebuyers.

“With a lot of western Sydney, it used to be a lot of ex-Department of Housing, but a lot of that has changed now,” he says.

But be warned – Opteon Property Group valuer Peter Lee says he's seen the unit market drop in Blacktown recently.

“I did a residential valuation for units bought off the plan in 2009 and 2010 and those units have dropped by as much as five to 10 per cent,” he says. “We've seen an artificial market driven by government allowances. It fuelled the market until mid-2010. Now that allowance has gone and that's significantly reduced buyers' sentiment.”

Meanwhile, Ienna advises “not to touch” new estates in Blacktown, because the blocks are smaller and you pay a premium, whereas

older homes on bigger blocks are actually cheaper. “I wouldn't go to new estates. Emotion has driven prices beyond what I would say is fair market value,” he says.

Lee believes the market in Blacktown is dampening at the moment.

“Whenever something happens in the financial markets, Blacktown and the surrounding localities are always the first to be hit,” he explains. “They traditionally have higher loan-to-valuation ratios compared to the inner west.”

Lee notes residential properties with land are still “stable” but haven't seen much of an increase in price since the first quarter of

“Prices are lower in the west but the rents have grown substantially, because we're not building anywhere near enough but the population growth has been strong.”

2011. However, tenants will always need a place to live and so Blacktown isn't dropping in price either.

TWO FOR ONE

Perhaps one of the most enticing ideas for investors in Blacktown is that one property can actually be turned into two, if you're prepared to use a garage and convert it into a granny flat.

Ienna says lots of investors are becoming “very savvy” with granny flats and either converting their garage to give them income while they live in their own house, or turning one investment property into two.

“There's a lot of talk in the pipeline with respect to council pushing higher-density development. That means more villas and townhouses in Blacktown,” he says.

But apart from the potential for higher-density development, Ienna says the two for one idea is more than plausible.

“If your house is 90 centimetres off the boundaries (to the neighbour's house) and the internal ceiling is 2.4 metres tall, suddenly you're in a position where if you can provide a decent bedroom, you can have another tenant in there.”

Ienna adds it's easy to install a second metre box for electricity and although it might cost about \$10,000 to create a granny flat, you'll earn up to \$300 per week and have all your money back within 12 months.

“That's how everything is turning now –

we're pumping the dual income and investors love it,” he says.

“But I don't recommend building a granny flat from scratch, where you're looking at \$100,000 for a granny flat. I would rather buy a three-bedroom home with a decent garage and spend \$10,000 or \$20,000 modifying it.

“Otherwise, I don't think it's viable for an investor to wait 10 years to break even for a granny flat. We also recommend you take double landlord insurance.”

However, while council says it encourages affordable housing options, it doesn't support the conversion of existing, unsuitable out-buildings and garages for dual occupancies.

“All applicants should discuss any plans for dual occupancies with council officers, prior to proceeding,” it says. **api**