

Limited value in new homes

Alex Tilbury

NEW house and land packages are not the best investments, according to a new analysis, with higher returns more consistent from properties in established areas.

Greenfield estates don't perform as well as established areas, when it comes to investment returns, 6 Point Property managing director Simon Pressley says.

"We're not talking about principal places of residence, which is an emotional decision about where you want to live," he says.

Pressley, a financial planner with a real estate licence, says because greenfield estates are generally released in stages, buyers tend to always buy in the newer stages, even if the price is \$20,000 or so higher.

"Just because an area is destined for population growth does not necessarily mean that it is an automatic investment property no-brainer," he says.

"Imagine you've purchased

your new property in stage one for \$450,000. A year later stage two is sold for \$470,000. What is your stage one property now worth?

"A further year and stage three is sold for \$480,000 and so on. The value of your property will always be a margin below whatever the new stages are sold at.

"Meanwhile, the market in built-up areas is probably growing quite nicely. Properties released en-masse or in stages, as happens with new housing estates, often creates an initial over-supply situation.

"For values to rise, we need competition and that occurs when there is under-supply."

Property valuers and investment buyers rely on recent sales data to determine what an asset is worth.

If there is a large number of similar properties, it is very difficult to say that one is worth much more, unless there is something compellingly different about it.

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