

Units stand tall

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Houses get run for money on value

Apartments offer better rental returns, cost less and you don't have to mow the lawn, writes property editor Michelle Hele

THEY are marketed with glossy brochures featuring sparkling swimming pools, landscaped gardens and a secure, maintenance-free lifestyle.

It's little wonder apartments span the generational divide, appealing to first-home buyers and empty nesters.

And while the cost of an average apartment in Brisbane's suburbs might not set you back as much as a house, luxury apartments are a different story. The great debate of what is better value, particularly for investment, between houses and apartments continues.

PRDnationwide's Adam Gray, who markets a lot of units, believes they offer a better rental return than houses.

But he says the one cost top of mind with buyers is body corporate fees.

"One of the questions buyers always ask is what are the body corporate and rates, especially (for units) off the plan," Gray says.

"In 20-odd years of selling property, it is only in the last six months that I have heard of body corporate becoming such an issue."

He says his agency recently had a deal fall through because the body corporate fees were \$5800 a year.

"When you are starting to get \$5000 a year for body corporate - that is almost \$100 a week - people are starting to balk at that. It is something that is just a sticking point."

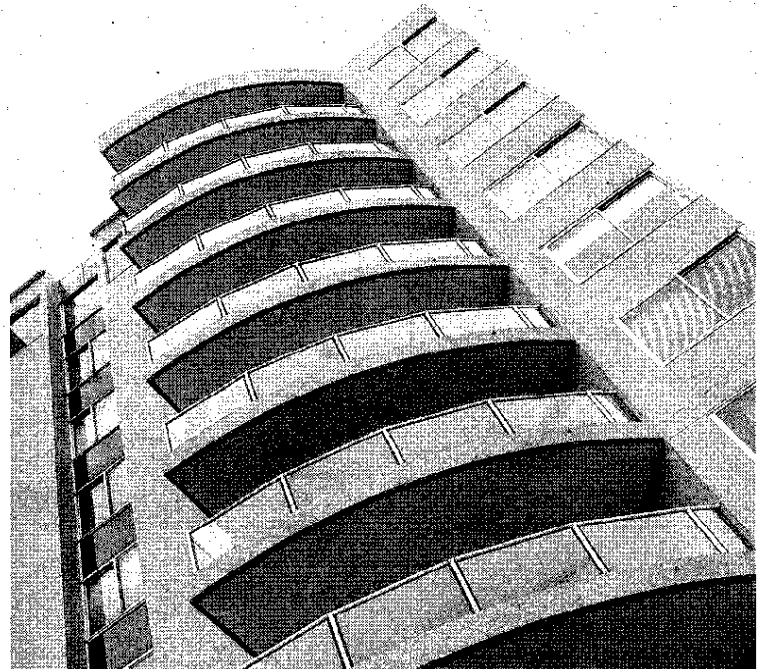
Many new - particularly luxury - developments would well exceed \$5000 a year, Gray says.

But he says buyers need to look at exactly what they get for that money. You never have to mow the lawn, weed the garden or clean the pool. Painting is done by someone else and someone else has to worry about balancing the pool chemicals.

And he says well-run body corporates have sinking funds, so if something major goes wrong it can generally be fixed quickly - there is no wait to save up or need for a loan.

Body corporate fees also include building insurance, so owners generally only need contents insurance.

Property and finance adviser Simon Pressley says many people assume houses are a better investment but he doesn't think that is the case.



HIGH HOPES: Some units are getting similar capital growth to houses.

"Some people feel that the ownership of a land component implies they have a precious commodity which will increase in value at a greater rate than an apartment," Pressley says.

"While I understand the logic, there is simply no evidence to support this."

He says a house has generally a higher buy-in price, which means a bigger mortgage to service.

Rental returns for houses are generally only marginally higher than units, meaning a bigger impact on investors' cash flow. For example, the median house price and rent for New Farm is \$950,000 and \$450 per week respectively.

Units in the same area cost around \$475,000 and attract \$420 per week rent.

"Units in the past were seen to lack capital growth potential but changes in modern lifestyles and housing affordability mean that in certain suburbs units now are achieving similar (or better) capital growth to houses and require less of the investor's capital to get into the market."

The latest Bankwest research shows in Brisbane it takes first-time buyers about 4.7 years to save a deposit for a house and 3.7 years to save a deposit for a unit.

Cameron Kusher of RP Data says units generally outperform houses for rental growth.

A growing number of investors are choosing to buy units over houses, according to PRDnationwide research. It shows that in capital cities, units are commanding high rents - a strong drawcard for investors.

Matt Wilkins from PRDnationwide Redland Bay believes older-style flats will appreciate faster than houses.

"They are the entry point to the market, have low body corporate fees and tend to be in good areas close to public transport," Wilkins says.

"Choosing apartments close to transport corridors, in locations where land availability is scarce, such as riverfront properties, and areas with desired amenities including schools and shops are the best ways to attract strong rental returns."