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## Renovation Teleconference

### Answers by Dean Parker

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#### What are the features and services within an area that you look for when starting out?

**Barry:** One of the things that interested me a little too, Dean, was obviously you've got a lot of experience now and looking for an area of interest is pretty much second nature but in getting started, when you're doing research, what are the features of a perspective area that interest you most in terms of investing and such. For example, is it universities, is it access to hospitals, shopping centers or some other thing?

**Dean Parker:** Well, again, if you're looking for long-term growth, those are the sort of things you definitely need to be looking for, also access to freeways. You can see over the years that all those sort of things, proximity to services and being close to cities and all that sort of stuff, that over the long-term that definitely has an effect.

For shorter term, I think it's less important. To start with at the very high level just having variances in prices within the area. The thing with Melton, because all the houses were very similar, there was a very similar price bracket across the whole board. So it was easier to tell what a property price would be worth. Like, you drive down a street and all the houses are brick veneers and they're all 20 years old and you drive down the next street and they're all the same. So there might be slightly different ones like one's got three bedrooms, one's got four bedrooms and one's got dark brick and one's got light.

But in an area like that where almost all the housing was the same, that made it...I wouldn't say harder but there was a longer time in between potential properties showing up. So to wait for that one that was priced right, took longer.

So in an area like Ballarat where there's higher or a different range of properties like there's weatherboards, there's brick veneers. Like I said before, they're 120 years old and there's a house brand new right next to it. There's a real range in the type of properties and the prices of those properties. You've got more potential to add value to something I think. So that's one thing.

Now, I'll be doing a lot more research...or not research but a lot more documentation on this moving forward because we're actually going to be moving to Queensland in the next year, so we're going to have to start from scratch. I know nothing about Queensland or any of the

suburbs or anything at the moment. So we're definitely going to be going through this process.

But to start with, we're going to be looking obviously at price brackets based on how much money we want to make from a project. So the actual money, the buying price will be a starting point but then again, the variances between the most expensive property in the area based...as compared to the cheapest property in the area so that we know we've got good room to move there.

**Barry:** Okay, and that was just done on something like realestate.com and see multiples of properties?

**Dean Parker:** Yep, if you have a look in the checklists... the Price Range Analysis on page 4 of the Area Due Diligence checklist, that's something that essentially what we do.

Let's say we pick any suburb and we just list all properties and we do it by price. And we get the cheapest property and that might be \$200,000. Then we get for the dearest; it might be \$1.2 million for example. And then what we do in between the cheapest and the dearest is then to break it down into the different price brackets. So you might break it down to every \$150,000 or every \$100,000 or whatever it is based on what the difference is between the cheapest and the dearest. And then from there, you figure out how many houses are in each of those brackets and then you can start getting a picture of where the most of the property suits and all that sort of thing.

So from that point of view, that's how we come up with how much scope there is in between the high and the low end. So if there's only two or three properties worth that really high price in that market, that really high range then that might limit you. But it's really interesting to start doing it because if, for example, if you do it on Melton, you'll find that probably the cheapest property in Melton is probably, I don't know, I haven't done it for awhile but it's probably \$150,000, \$160,000 there now. And the most expensive one could be...oh look, it could go up over a million but you'd find that most of the high end houses in the area would probably be that \$600,000, \$700,000 range.

But in Ballarat, for example, it's probably slightly cheaper. There's probably more houses in the \$180,000 to \$240,000 bracket. And then there's another big bracket in \$400,000 to \$700,000 price range and there's quite a lot of houses in there and that's because in the closer area around the lake of Ballarat, there's a lot of higher end properties. And then as you get out around, they start getting less expensive and the majority of houses are more in that lower price bracket. So from that point of view you can really start painting a picture and then comparing suburbs to see which one had the most opportunity based on the variances in pricing.

But when you start doing it, you'll see that, for example in Melton, almost, about 80% of the prices will be within \$40,000 of each other and that's not ideal because that's going to limit your opportunity to get into that next bracket for example.

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**Barry:** So effectively, what you are attempting to do is to find an area where there's a large variation in price...

**Dean Parker:** Correct.

**Barry:** ...and take something that's of low value, present it in a manner that's similar to a higher value and...

**Dean Parker:** And go from there.

**Barry:** People perceive that what they're buying is equivalent to the high valued properties is the game you're playing.

**Dean Parker:** Correct, yeah. Or getting something that is priced in that lower value essentially. And then adding enough value that you make it appear like it is worth like the other ones, exactly right.