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Westpac

PROPERTY REPORT

Queensland

National overview

The Australian residential property market continues to deliver a 'mixed bag' of results. Regions supported by mining activity are experiencing strong property demand and rising rents, while many metropolitan areas are beset by sluggish conditions and poor affordability. Lower interest rates have prompted an uptick in buyer activity, and there is a sense in some areas that we may be at the low point in the residential property cycle. This points to the potential for future capital gains for buyers who choose wisely.

Reshaping outback Queensland

Nowhere is the impact of the resource boom more apparent than in regional Queensland. Investors in Gladstone, Emerald and Rockhampton are earning yields as high as 10%, and Toowoomba is expected to offer reasonable growth prospects, supported by mining activity in the Surat Basin. It's a similar story in South Australia where the Olympic Dam Expansion project could bring significant gains to Whyalla's property market.

The resource boom, and more particularly the planned Inpex LNG plant, continues to buoy Darwin's property market. Prices remain high though first home buyers can find value in outer suburbs like Milner, Stuart Park, Larrakeyah and Rapid Creek. An influx of workers over the next five years will increase rental demand in Darwin however today's high prices make any future capital gains highly speculative.

Western Australia's previously depressed property market appears to be picking up, and low vacancy rates in Perth are pushing rents higher. An oversupply of vacant land in Perth's newer suburbs is giving first home buyers the opportunity to take advantage of valuable developer incentives.

Apartments dominate buyer activity in Sydney

In Sydney, affordability issues are fuelling the under-$600,000 apartment market. Suburbs such as Crows Nest, Dulwich Hill and Gladesville are proving especially popular among buyers priced out of more expensive neighbouring suburbs, and the wealth of local amenities plus proximity to the CBD should underscore long term gains in these areas.

Apartments are also on the agenda for Canberra investors. Units in near-CBD suburbs like Braddon, Lyneham and Turner are delivering yields up to 5.5%, and long term growth prospects remain strong based on easy access

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to the city centre. First home buyers are tending to focus on the more affordable outer suburbs of Gungahlin, Bonner and Casey where prices can be $120,000 below the Canberra median.

State government initiatives revitalise Victoria's market

Victoria's property market has picked up slightly supported by state government initiatives like the $200 billion Growth Corridor Plan, which provides for the construction of up to 350,000 new homes in Melbourne plus a substantial overhaul of infrastructure networks. Regional centres will benefit from improved accessibility, and a key beneficiary of the Plan could be Geelong which remains more affordable than Melbourne.

Tasmania's property market remains in the doldrums reflecting the state's weak economy. First home buyers can pay prices as low as $270,000 for freestanding houses in Launceston, while in Hobart investors can secure rental yields as high as 7%, albeit potentially at the expense of long term capital growth.

Good buying calls for great research

Lower interest rates are always welcomed by investors and first home buyers, however the current market demands thorough research for anyone hoping to make capital gains over the next few years. The important factors to look for include sustainable population growth with proximity to lifestyle features and employment centres. These features may be found in many metropolitan centres but they can be a lot harder to find in regional locations. Even in regions where mining dominates, long term price growth hinges on the prosperity of a single industry sector, and in today's current global financial climate nothing is certain. In such circumstances it pays to keep in mind two time-honoured investment fundamentals, the first being, 'Don't put all your eggs in one basket', the other being, 'The higher the return, the higher the risk'.

Brendon Hulcombe
CEO, Herron Todd White

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Queensland

Queensland's historically larger industries of tourism, construction and retail continue to experience challenging conditions though this is being partially offset by the growth of the state's gas fields and coal industry. The resource sector is having a positive flow-on effect on the residential property markets of many regional areas and even Brisbane, however today's lower property values are giving first home buyers and investors the opportunity to pick up properties at prices well below the market peak.

Brisbane

The Brisbane property market appears to have reached the bottom of the current cycle though a rise in the sales volumes over the past two months – particularly among first home buyers, points to an improvement in conditions.

The market as a whole is likely to remain steady over the next one to two years followed by a possible return to growth. The driving force for the city's economy at present is a range of infrastructure projects, and the construction of tunnels and bus transit ways is expected to have a positive impact on property values in areas impacted by these transport links.

The city's new Eastern Busway for instance is currently being constructed through Buranda, Stones Corner and Coorparoo. Along with these suburbs, the Busway is expected to boost values in Coorparoo, Holland Park and Greenslopes. At present 2-bedroom apartments are available in these locations for less than $350,000, making them affordable for first home buyers. Investors will benefit from strong, local rental demand and yields in the order of 5% to 5.5%

In the city's south, first home buyers can find good value in Tarragindi and Annerley, where 3-bedroom post-war houses are priced below $550,000. Typical lot sizes are around 607sqm however larger lots are more likely to experience longer term gains. Buyers with a preference for the city's north may consider Nundah, Gordon Park, Mitchelton and Kedron.

For investors, Brisbane apartments are delivering yields of around 5% in near-city locations, rising to 8% in outer suburbs. Yields on detached houses are typically less, ranging from 4% in the inner city to 7% in outer ring suburbs.

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Gold Coast

The Gold Coast property market has seen significant reductions in value over recent years, and sluggish conditions have made vendors much more realistic about asking prices. This has encouraged buyers back into the market and there are excellent buying opportunities at present, particularly in the under-$400,000 price bracket. A few years ago many of these homes would have sold for considerably more, and improved affordability has made the lower end of the Gold Coast market appealing for first home buyers, while providing healthy yields to investors.

The suburbs of Southport, Labrador and Parkwood have particularly strong potential for price growth over the next five years as they will benefit from the light rail system currently being constructed ahead of the 2018 Commonwealth Games. The new Gold Coast Hospital will add further support to long term price growth.

Older style, high rise units in Surfers Paradise and Broadbeach offer good buying, and 2-bedroom apartments with views are now selling for as little as $340,000 – down from the $500,000-plus price tags seen during the market peak. Buyers should be aware that excessive body corporate fees, which can be as much as $200 per week, may apply in some of these complexes.

Sunshine Coast

After five years of sluggish conditions where sales volumes fell by as much as 80 per cent, the Sunshine Coast market is finally experiencing increasing buyer interest, most noticeably in the under $500,000 price range.

Construction of the Sunshine Coast University Hospital has commenced and this will help to stimulate property demand along the coast, with the gains rippling out from the hospital's central location on the Kawana strip. Homes east of the Nicklin Way are likely to enjoy strong long term gains, especially those properties priced below $400,000. Rental yields are currently in the order of 4.5%, with tenant demand likely to pick up over time.

Caloundra, Mooloolaba and Maroochydore are worth a look for units in small complexes with proximity to the beach. Many of these apartments have price tags below $300,000, offering affordability to first home buyers, while investors can expect yields of 5% as well as the potential for capital growth over the next five years.

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Regional Queensland

Toowoomba

Toowoomba is expected to enjoy a flow-on effect from the mining boom taking place in the Surat Basin, where demand for accommodation is already reducing the affordability of housing in locations like Chinchilla.

Some sectors of the Toowoomba market offer excellent value for first home buyers with dwellings priced from under $200,000 in Harlaxton, Newtown, North Toowoomba, South Toowoomba, Mount Lofty, Rockville and Wilsonton. At the prestige end of the market, many homes are now selling for 20 per cent less than their market peak, and investors could enjoy significant gains in this sector once the market recovers.

Gladstone

Gladstone's residential market experienced strong growth between October 2010 and November 2011 however prices now appear to have stabilised. A large pipeline of accommodation is expected to be completed over the next couple of years to accommodate the influx of workers needed to complete major industrial projects. There is a great deal of uncertainty over just how much Gladstone's labour force will expand by, and the potential for a market correction once major Liquid Natural Gas (LNG) projects are completed cannot be overlooked. This is a risk that both first home buyers and investors need to consider when entering the Gladstone market.

It is still possible to find basic, 3-bedroom homes priced below $360,000 – albeit in Gladstone's secondary suburbs like Toolooa or sections of Barney Point. For investors, modern properties less than ten years old, offer decent yields of around 6% with the cost savings of lower reduced maintenance requirements.

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Emerald

Emerald's property market has experienced stable property price growth for the past 10 years supported by the city's role as an agricultural centre and the main hub for the resource-rich Bowen Basin region. Emerald is also expected to benefit from mining in the nearby Galilee Basin where the State government recently gave the green light for construction of the $6.4 billion Alpha Coal Project.

Yields on residential property in Emerald currently range from 8% to 10%, and houses priced at around $500,000 are achieving rents of up to $1,200 a week. These returns are likely to be sustained in the near term until more land is released and new homes are constructed – something that is likely to be at least 12 months away.

Rockhampton

In the Rockhampton region, the lower end of the residential market - priced below $350,000, offers the greatest potential for growth over the next five years. In particular the suburbs of The Range, Allenstown and Wandal, all located south of the Fitzroy River, offer affordability for first home buyers and consistently low vacancy rates for investors. Rents have been on an upward trend and gross yields in Rockhampton currently range from 5% to 7%.

Hervey Bay

A recent increase in mortgagee sales is driving prices lower in Hervey Bay, and new house-and-land packages are now available priced from $299,000. Typically offering 4-bedroom, 2-bathroom accommodation, these packages give both first home buyers and investors the benefit of larger homes in an affordable price range.

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Townsville

Townsville's property market is expected to receive a boost from the relocation of the Third Battalion, Royal Australian Regiment (3 RAR) to the city. Some of the best value is offered by properties within five to 10 kilometres of the city centre, with homes in the older suburbs of Currajong and Gulliver often priced in the mid-$200,000s. These properties give first home buyers the opportunity to add value through renovations, while investors can expect rental yields between 4% and 6%.

Cairns

The Cairns residential property market continues to favour buyers, and though capital growth is likely to be limited over the short to medium term, rental yields are strong at present. 2-bedroom houses priced at around $320,000 are returning yields of 5.6%, and tight supply coupled with limited construction activity is likely to see rents rise further in the future.

Source: Herron Todd White

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