Herron Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Queensland

National overview

The warmer months traditionally represent one of the peak periods for residential real estate, and this year buyers are well-placed to take advantage of lower interest rates, a large volume of listed properties and improved affordability. However after a period of slow or no growth across many markets today's buyers need to look for areas with decent long term growth prospects – and location-specific factors must be considered to maximise long term gains.

Look for lifestyle

Inner city locations tend to perform well over time however lifestyle is a key factor in today's market. With careful research it is possible to combine amenity with affordability.

Adelaide suburbs within 5 kilometres of the CBD for instance are delivering consistent rental yields of up to 5% coupled with low vacancy rates.

In the ACT, near-city apartments in Griffith, Kingston, City, Turner and Lyneham are showing healthy rent returns of up to 6%.

The Hobart suburbs of Kingston and Moonah offer the strongest prospects for capital growth in Tasmania, based on a healthy local labour market. Units in Kingston can be purchased from the low $200,000s – well below the city's median unit price of $270,000.

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Infrastructure matters

Infrastructure is a key theme of several residential property markets at present.

In Melbourne's satellite suburb of Mornington for example, the completion of the Peninsula Link Freeway in early 2013 will significantly cut travel times to the CBD, and underpin long term price growth. Homes and units can be purchased for under-$400,000 making this area an option for first home buyers.

The affordable outer Sydney suburbs of Schofields and Riverstone will benefit from the widening of the M2 freeway, while values in two new suburbs - Oran Park and Edmondson Park, should be supported by the construction of a new train station planned for 2016.

On Queensland's Sunshine Coast property values have reduced substantially, however the construction of the new University Hospital will play a key role in bolstering future price growth and already rental vacancy rates are tightening.

Resource boom continues to impact growth

Mining activity is likely to support price growth across a number of markets, although reports of a slowdown in China may impact buyer and investor confidence in some regions.

That said, in Wester Australia the continued growth of the fly in/fly out workforce is expected to support growth in the Busselton area. The region is more affordable than Perth with many homes priced around $300,000.

In Queensland's north, Rockhampton continues to experience price growth in its role as gateway to the minefields of the Bowen Basin. Older homes are priced from around $300,000 and investors can secure weekly rents of $320 to $340.

In the Territory, high demand for residential property has impacted Darwin values. Units remain the most affordable option for first home buyers and investors, and in suburbs like Palmerston it is possible to pick up older 2-bedroom units priced from around $320,000.

In today's market the key to achieving long term growth is buying into an area where there is a clear factor that will support demand – and property values over time. A low price simply isn't enough reason to believe you will make a capital gain.

Brendon Hulcombe
CEO, Herron Todd White

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Queensland

Signs of confidence are returning to the Queensland market, and many areas are experiencing rising rents and low vacancy rates which will renew investor interest. First home buyers can take advantage of improved affordability in areas such as the Gold Coast, while key infrastructure projects will help to support values in other coastal locations. Regional mining activity is continuing to underpin values in areas such as Townsville and Rockhampton.

Brisbane

Brisbane offers investors and first home buyers a wide choice of suburbs with proximity to the city, a range of housing stock and good affordability. Among the best options, Stafford, situated 7 kilometres north of the CBD, comprises a mix of post-war detached homes and modern townhouses. Long term growth should be supported by the construction of the new Airport Link tunnel, which is improving commuting times.

Chermside is a well-established suburb 10 kilometres from the CBD. The area features a commercial centre and Westfield shopping complex, which provide job opportunities. A number of high rise developments have recently been completed though detached housing options offer the best long term growth prospects.

To Brisbane's south, Salisbury and Moorooka are more affordable than neighbouring suburbs, and values in Salisbury are expected to benefit from the inner city train line. Holland Park West and Mount Gravatt are also worth a look based on the quality of local infrastructure.

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Gold Coast

The Gold Coast residential market is now more affordable than it has been for almost ten years. In suburbs like Casuarina and Salt first home buyers or investors wanting to build can pick up residential land within walking distance to the beach priced from $160,000. Values are likely to be supported by the opening of the Sexston Hill upgrade of the Pacific Highway, and the construction of new shopping centres in Cabarita and Casuarina.

In Tugun and Palm Beach houses within walking distance of the beach are now priced at $400,000. These beachside locations are typically among the first to experience capital gains when the market picks up.

Values in Southport and Labrador are expected to benefit from the completion of the new light rail and Gold Coast Hospital. At present both suburbs are affordable for first home buyers with houses priced from $320,000 to $400,000.

Investors in the Gold Coast are experiencing healthy yields at present. As a guide, a 1-bedroom unit in the centre of Southport recently sold for $163,000 with a weekly rent of $235.

Sunshine Coast

Sunshine Coast property values have reduced substantially over recent years, and this has greatly improved affordability. Construction of the $2 billion Sunshine Coast University Hospital has commenced in the Kawana area and this will be a catalyst for a return of confidence. Decreasing rental vacancies and slightly improved rentals suggest the market is already gaining momentum.

The coastal strip from Currimundi through to Buddina will be an obvious beneficiary of the new hospital infrastructure though surrounding suburbs will benefit too. The Sunshine Motorway provides good commuter access giving locations from Coolum to Golden Beach reasonable long term growth prospects. Bargains are available in smaller unit complexes, which can have much lower body corporate fees than larger complexes.

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Toowoomba

A range of Toowoomba suburbs represent good buying for first home buyers including Newtown, South Toowoomba, Wilsonton, Rockville, North Toowoomba, Harristown and Harlaxton. First home owners can buy dwellings in these suburbs for as little as $150,000, and ongoing renovation activity is enhancing the appeal and value of these areas.

Suburbs surrounding the University of Southern Queensland have always attracted investors owing to low vacancy rates of around 1.3%. Attractive options for landlords include Darling Heights and Kearneys Spring. Further east of the university, Middle Ridge and Rangeville are also popular with investors.

Rockhampton

In the Rockhampton region the best prospects for both first home buyers and investors are in the sub-$350,000 price range in the southern suburbs of The Range, Allenstown, and Wandal; and the northern suburbs of Norman Gardens, Frenchville and Berserker. Key points of appeal include affordability and vacancy rates of around 2.5%.

South Rockhampton offers older homes priced from around $300,000, which can benefit from renovations. Rents are generally $320 to $340 per week, and the suburb enjoys easy access to the Capricorn Highway (leading to the minefields of the Bowen Basin) and the Bruce Highway.

North Rockhampton offers a few different options in the $300,000 price range including 3-bedroom houses, which enjoy median rent of $340 to 360 per week. Central Queensland University is located nearby, and rental demand from students contributes to the area's consistently low vacancy rates.

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Mackay

The Mackay region currently has one of Queensland's lowest vacancy rates – around 1%. Coupled with yields between 5.75% and 6.25%, this has seen a surge of investor interest in house and land packages priced between $450,000 and $500,000 especially in the northern suburbs and beach areas. The best areas for capital growth appear to be the older suburbs with close proximity to the CBD as well as North Mackay near the Goose Ponds. Older style dwellings in these suburbs can be found from low $300,000s for renovators to low $400,000s for better quality dwellings. Do note, declining affordability could limit near-term capital growth.

Hervey Bay

The Hervey Bay area is currently experiencing strong competition among developers in the sub-$320,000 house and land market. As supply of this product begins to decline, both new and established home values may benefit however supply is considered adequate at present.

Townsville

Townsville offers a variety of options for first home buyers. The established areas of Currajong and Gulliver offer original condition dwellings for $250,000. Or for around $300,000 buyers can secure homes in Railway Estate, Hermit Park or West End. Semi-modern homes in Annandale or Douglas are priced from $350,000. All these suburbs are within a 15-minute drive of the city, and long term growth should be supported by proximity to major shopping facilities, James Cook University, hospitals and the Defence base.

The above named suburbs are also suitable for investors. Vacancy rates within Townsville have tightened significantly over the past 12 months – down to 1.94% compared to 2.9% in 2011. The combination of lower median values, rising rents and tightening vacancies is improving investment returns in Townsville.

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Cairns

Cairns offers a wide choice of homes priced at around $200,000. However capital growth is not expected to be significant in the short term at least. The commencement of direct flights to the city from China later in 2012 should aid market growth.

Investors can take advantage of significantly reduced values plus rising rents to boost yields but be wary of rising strata insurance costs as a result of last year's flood and cyclone disasters.

Source: Herron Todd White

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