



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Queensland



National overview

In this edition of the Westpac Herron Todd White Residential Property Report, we are putting the spotlight on the opportunities for cashed-up investors and self-managed super funds (SMSFs).

Softer residential property prices around the country are presenting opportunities for aspiring landlords and DIY superfunds, and we'll take a look at some of the stand-out investment real estate markets.

A buyer's market

With lending still tight and confidence relatively low, competition for quality homes is comparatively thin on the ground, particularly in the entry level markets that are typically popular with investors. While prices are yet to hit bargain basement levels, it's fair to say they have flattened out. This is good news for cashed-up investors and SMSFs looking for long-term capital gains.

Leading the way is the Western Australian market, which has stabilised after a booming period of growth. Similarly, there has been a slight drop in Tasmanian real estate values after 10 years of strong returns. Indeed some markets in and around Hobart, such as Sandy Bay, South Hobart and West Hobart, recorded growth of more than 200% over the last decade.

Property a long term investment

While buyers, particularly first timers, might be taking a wait-and-see approach, rental markets around Australia are still relatively strong. As a result, vacancy rates are low and this is keeping rents steady, which is good news for investor cash flow.

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Location, Location, Location

A resounding message from around Australia is that the investment properties with the best prospects of long term growth are located close to city CBDs, regional centres and infrastructure. Melbourne is a case in point. A wave of building activity and apartment development applications continue in suburbs close to the city, defying the national slowdown. It seems it's a classic case of 'build and they will come', as there appears to be strong demand for new apartments in the inner city, and steady sales.

Regarding the impact of infrastructure and employment on housing prices, it is also worth keeping an eye on Australia's resources sector, especially in South Australia and the Northern Territory. In Adelaide, market watchers are anxiously awaiting the announcement about the future of BHP Billiton's multi-billion dollar expansion of Olympic Down, the world's largest known uranium deposit. Likewise in the NT, it seems that Inpex's multi-billion dollar Ichthys LNG Project is getting closer to reality, with the issuing of pipeline licences.

We expect the Adelaide and Darwin real estate markets will experience major boosts when these initiatives come to fruition and the projects start employing workers – both in terms of sales activity and rentals.

Queensland finds its feet

After a rough start to the year, Queensland is slowly getting back on its feet. We are pleased to report that the town of Toowoomba is experiencing slow but steady growth and a stable rental market. About 400 kilometres away in Gladstone, 2011 is also shaping as a very 'robust' year. The rapidly developing coal seam gas industry has fuelled residential development and growth across the board – in terms of real estate values and rents. Vacancy rates have shrunk below 1% and tenant demand appears to be increasing. It is truly pleasing to hear some good news coming out of the Sunshine State.

Brendon Hulcombe
CEO, Herron Todd White

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Queensland

Brisbane

Australia's sunshine state has had its fair share of bad luck in recent months and this has impacted confidence in the property market. However, softening real estate prices have created good buying opportunities for investors and self managed super funds (SMSFs).

Brisbane house market

We have chosen four suburbs that share similar characteristics and offer strong investment opportunities. These are known as 'mid-ring' suburbs that are within about 10km of the Brisbane CBD.

Upper Mount Gravatt

This suburb has plenty to offer the investor thanks to its proximity to the CBD, the nearby Griffith University, two TAFE campuses, several state and private primary and high schools and two shopping centres. Upper Mount Gravatt has a dedicated busway that provides direct CBD access. Its median house price is \$455,000.

Carina/Carina Heights

Carina and Carina Heights are older Brisbane suburbs, established in the 1940s, and there is little land left to develop. Today it is a flourishing area known for its many walkways, bikeways, parks, waterways and sporting facilities. The median house price for Carina is \$505,000, while it's \$485,000 for Carina Heights.

Everton Park

This suburb has long been popular among families and retirees, but is attracting an increasing number of young professionals seeking affordable housing close to the Brisbane CBD. This has resulted in the redevelopment of older housing for units and townhouses. The suburb's median house price is \$500,000.

Kedron

Kedron is a family-oriented area that, like our other chosen suburbs, has become popular for its affordability, proximity to the CBD and community infrastructure. Public transport is one of Kedron's major strengths, and it is also close to major and local shopping centres. Kedron's median house price is \$545,500.

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Brisbane apartment/unit market

When looking for a solid apartment or unit investment around the city of Brisbane, consider established areas with popular attributes such as restaurant and retail hubs, as well as other major infrastructure. These four suburbs tick these boxes.

Dutton Park

About half of all housing in this suburb is made up of units, and it is highly sought after by young professionals wanting fast access to Brisbane, and students who attend the nearby University of Queensland's St Lucia campus. The median unit price for Dutton Park is \$314,375.

South Brisbane

You can't get much closer to the Brisbane CBD than South Brisbane. Made famous by the 1988 World Expo, it is also home to Southbank Parklands and the Queensland Museum. The median unit price for South Brisbane is \$447,500.

Paddington

Paddington is located just 2km from the Brisbane CBD and has become known for its character-filled heritage homes, public transport, street café and restaurant strips and village precincts. The median unit price for Paddington is \$419,000.

Brisbane CBD

The Brisbane CBD residential surge has gathered momentum in the past two decades. It began in the mid-1990s when two commercial buildings were converted to residential apartments, and led to several others following suit. The median unit price for Brisbane is \$471,500.

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Regional House Market

The energy sector seems to be a major catalyst for rental markets in regional parts of Queensland, and investors can expect some strong growth prospects.

Roma/Dalby/Chinchilla

The growth of the gas and coal sector is underpinning these so called 'energy' towns. Rental returns are very strong, with all three towns reporting very limited available rental stock. The three-year outlook for this region is expected to be strong.

Toowoomba

As the main regional centre for the energy towns, Toowoomba has experienced slow but steady growth and a stable rental market. This is due largely to its role as the infrastructure, shopping and education hub for outlying towns.

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Gladstone

Riding high on the back of the rapidly developing coal seam gas (CSG) industry, 2011 could be a very robust year for the Gladstone region. Surging employment opportunities have fuelled residential development and growth in the order of 10%, with some market sectors achieving even higher growth. At the same time the rental market is also strong with vacancy rates below 1%. The Gladstone market has historically been volatile, with strong surges in activity and price growth during the construction phase of large developments. The surges are usually followed by periods of low buyer and investor demand.

Regional apartment/unit market

Cairns and Townsville are the standout performers in Queensland's regional apartment/unit market, and both should offer some good investment opportunities over the next five years.

Cairns

Rental vacancies are still at a comfortable 3.4% for units, but are showing signs of tightening – particularly as there is absolutely no new stock coming on line. This could lead to a major shortage of rental units by the end of 2011, and this will put pressure on rents. While the region offers good short term apartment rental yields, the prospects of immediate capital gains are minimal. The median price for new apartments in Cairns is \$300,000, while it's a very affordable \$185,000 for older units.

Townsville

Townsville's inner city unit market offers good opportunities for investors and SMSFs, due largely to the fact that prices have fallen significantly since the peak of the market in mid-2008. The median price for new apartments is \$330,000, while older apartments average around \$285,000. Also high stock levels favour cashed-up investors, while a number of developments are in the hands of receivers, which gives buyers more bargaining power.

Townsville city is also undergoing a major refurbishment phase. This includes the \$56 million redevelopment of Flinders Mall, while Townsville City Council recently announced incentive packages to lure new development to the town. In fact the Council's CBD master plan aims to have 30,000 people living and working in inner Townsville by 2030.

Source: Herron Todd White

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