Herron Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Western Australia

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

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5.5%, and long term growth prospects remain strong based on easy access 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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Western Australia

On the back of improved economic figures, Western Australia's previously depressed property market appears to be picking up. This is positive news for first home buyers and investors, with affordable properties in the outer suburbs of Perth and elsewhere in the state experiencing attractive rental yields and capital growth. Some have called the bottom of the market, with future prices anticipated to be higher.

Perth

Perth has passed the bottom of the market and is now starting to climb with the local economy showing strong growth, low unemployment and increased wages. The strong influence of mining continues to draw workers to the city. It might sound clichéd, but with these factors taken together, there has never been a better time to buy into Perth's property market.

First home buyers

High costs for established (already existing) housing in the Perth metropolitan area continue to be a stumbling block for first home buyers. With the median price for established Perth houses around $450,000, it is difficult for first many home buyers to build a deposit and obtain finance from a bank or government assisted program.

Due to high established home prices, first home buyers should consider buying a new home, or having a home built to order, instead. With a current oversupply of vacant land in Perth's new suburbs, developers and builders are offering incentives for the purchase of new lots. These incentives will put first home buyers in a better financial position, from a value point of view, than by buying an established dwelling.

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First home buyers should select good quality estates in good locations, such as the suburbs of Butler, Ellenbrook, Southern River, Munster/Spearwood and Baldivis. Look for lots in close proximity to local parks and located in quiet streets, and don't be shy to embrace the cheaper, smaller cottage lots. Entry-level buying for lots can be as low as $275,000, well below the median house price. There is plenty of room for future price growth for home buyers who start low and wait for the suburb to build up around them.

Presently, there is a very tight rental market and low vacancy rates in metropolitan Perth, and rising rents are daily news. This has resulted in first home buyers being squeezed out of the established home marketplace by investors savvy enough to have called the bottom of the market, and being ready to buy.

Investors

Investors should be looking for properties between the $400,000 to $700,000 price range in near city locations.

Northern suburbs such as Leedervile, Subiaco, Tuart Hill, Joondanna and Mount Lawley have a good range of dwelling types from small, one bedroom flats to villas and townhouses as well as free-standing residential dwellings.

Southern suburbs including South Perth, Como, Victoria Park, East Victoria Park and Manning offer good infrastructure and close proximity to Perth's CBD and Curtin University, both of which provide a plentiful supply of potential tenants.

With upward pressure on rents, investors can expect returns closer to 5%, up from the more common 4.5% of the last few years. If investors are buying an existing rental property, be sure to check when the last rent review was completed, as there may be some grounds for an increase.

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Regional Western Australia

Busselton/Bunbury

The best buying for first home buyers and investors in Busselton are established properties on the north side of the Bussell Highway (i.e. close to the ocean) in the suburbs of Abbey, Broadwater, West Busselton and Busselton. Many properties in these locations are situated on larger lots and have development potential. Entry levels in these areas are between $400,000 and $500,000, and are currently very affordable with capital growth expected to be greater in these locations than elsewhere in the Busselton region.

South Bunbury and East Bunbury also provide good buying in the $400,000 to $500,000 range for established homes. Smaller three bedroom, single bathroom homes in these areas are available from the mid $300,000s.

Tourism has increased in the Busselton region due to the upgrade of the Busselton airport to interstate standard. This also has the potential to increase the number of 'fly in, fly out' workers moving to the region.

Another factor affecting the property market in the Busselton region is the forecasted population growth, which is estimated to rise above the state and national average. In addition, Busselton will receive the National Broadband Network (NBN) in 2015.

Capital growth is expected to be slow and gradual in contrast to the market's pre-GFC boom. That said, a lack of available new land and housing is likely to put upward pressure on property values as rents continue to rise due to limited rental stock in the region. Investors are expected to return to the market once the global economy stabilises. Currently, yields in the region are generally between 5 - 6% but this is likely to return an average of around 4% in the medium to long term once housing development returns to more normal levels.

Source: Herron Todd White

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