



Herron
Todd White

Independent Property Advisors



PROPERTY REPORT

Queensland



National overview

Looking back over 2011 it's clear that the Australian property market was – and in early 2012, still is – far from homogenous. Cooler market conditions in many areas have led to rising yields and more affordable prices, while in regional areas where mining dominates, spectacular price gains have been recorded. In other parts of the nation, structural changes are occurring that will hopefully bear fruit in the future.

Is now a good time to buy?

In a number of state capitals, the current market offers excellent buying opportunities. In Brisbane for example, an oversupply of listings, low demand and a growing volume of forced sales has seen prices of prestige properties fall by up to 30%. Even in outer Brisbane suburban locations, values have dropped by up to 20%. For investors, this is seeing gross rental yields rise to around 6%.

Although Adelaide hasn't seen such spectacular price falls, declining values have underpinned rising yields, with investors now enjoying gross yields as high as 5%.

In Sydney and Canberra, prices have also dropped in many prestige suburbs, and canny buyers are seeking value in alternative suburbs offering similar amenity with more modest price tags. Sydney's inner west Canada Bay for instance, is benefitting from its harbourside location, with prices that remain relatively affordable.

Perth too is offering good buying opportunities, for example, prices have fallen by up to 50% for some prestige beachside apartments. On the other hand, the commencement of the Perth Waterfront project in the CBD, should bring new life to the city and could underpin growth in the inner city apartment market.

Darwin has seen a cooling of values throughout 2011 though several new developments point to a potential upswing in the market. Among them, the recent announcement by US President Barack Obama of a semi-permanent US troop force in Darwin will create employment opportunities and ultimately, boost demand for new housing.

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Growth areas dominated by mining activity

While many capital city markets languished in 2011, regional towns and cities dominated by mining activity bucked the trend. Nowhere is this more apparent than in Queensland where the regional centres of Moranbah, Dysart, Emerald and Gladstone experienced price gains of up to 35%.

Structural change – short term pain for long term gain

In Tasmania, regional areas like Triabunna and Scottsdale have been negatively impacted by the decline of the timber industry. Nonetheless, approval of a \$400 million wind farm in Musselroe Bay in the northeast and the development of a \$70 million dairy project at Smithton, will create new jobs and provide support for property values.

Proceed with caution

Although Australia has been lucky enough to escape the worst of the global financial crisis, 2012 brings considerable uncertainty regarding the global economy. Until a workable solution is reached for the sovereign debt issues in Europe, the likely path of interest rates is unclear and buyers are advised to be especially cautious in terms of the debt they take on and their expectations for future capital gains.

Brendon Hulcombe
CEO, Herron Todd White



Queensland

The Queensland market overall is experiencing declining prices and low buyer confidence however pockets of strength are found in those regions dominated by mining activity.

Brisbane

Over the course of 2011, the Brisbane market saw a continual decline in property values as strong supply, limited demand and a steady stream of mortgagee in possession sales combined to limit any capital growth. In some prestige markets, price falls of up to 30% have been recorded, while in outer suburbs, values have dropped by as much as 20%. Suburbs located within five kilometres of the CBD such as Paddington, New Farm, South Brisbane and Kangaroo Point have at least maintained their value though selling volumes generally are at 15-year lows.

For investors, Brisbane properties are achieving yields of up to 6% albeit with wide variations. Near-city character homes in the \$650,000 to \$1,000,000 price range are achieving yields of around 3.5% – less than half the gross yields of up to 8.5% achieved by units in outer suburbs such as Woodridge and Caboolture.

Low levels of interstate migration into south east Queensland, poor consumer confidence and lingering affordability problems continue to impact the market with some relief likely to come from lower interest rates. Broadly, Queensland is also likely to benefit from several major construction projects involving mining and gas operations.

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Gold Coast

Throughout 2011, all segments of the Gold Coast residential market experienced falling values with prices in most sectors now back to 2004/05 levels. This has created good buying opportunities especially in areas such as Southport, Ashmore, Labrador, Runaway Bay, Palm Beach and Tugun.

Investors can find some of the city's highest yields among 1-bedroom units in centrally located areas such as Surfers Paradise. These properties are selling for as little as \$130,000 with achievable rents of around \$240 per week.

A number of developments should provide stimulus for the market in 2012, notably the construction of the light rail system between Parkwood and Broadbeach due to open in 2014, and the announcement of the Commonwealth Games to be held on the Gold Coast in 2018. The introduction of direct flights from China to the Gold Coast is expected to generate an uplift in tourism over the next few years, which will benefit the property market.

Sunshine Coast

The Sunshine Coast property market has been on a downward drift since 2008, and prices are now at 2004/2005 levels with price falls of up to 40% seen in the prestige market. The key drivers for the local economy – tourism and construction – remain weak though the construction of the new Sunshine Coast University Hospital project at Kawana should boost the building sector.

The Sunshine Coast rental market has been patchy and investor returns are now around 5% with higher yields found on units priced below \$250,000.

Looking ahead, the market appears to be nearing a turning point, and properties priced below \$400,000 east of the main coastal arterials like the Nicklin Way along the Kawana strip, offer especially good value with prices not far above land value.

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Toowoomba

The Toowoomba property market has begun to show signs of a recovery though values overall remain at 2009/10 levels. Suburbs such as Darling Heights and Kearneys Spring that surround the University of Southern Queensland offer the city's highest rental returns earning gross yields of up to 5.5%. The northern suburb of Harlaxton, an older area dominated by former Housing Commission dwellings, also provides reasonable rental returns supported by low prices. Rental vacancies across Toowoomba are tight at around 1.6%.

Real estate agents are still reporting reduced enquiries from first home buyers despite the state government stamp duty concession. Affordability, job security and financing hurdles continue to be the main impediments to activity in this sector of the market.

Central Queensland

The central Queensland towns of Moranbah, Dysart, Emerald and Gladstone are experiencing strong capital growth as a result of high employment in the local coal mining industry. Residential values in Moranbah have risen by about 35% over the last 12 months with the median sale price climbing from \$460,000 to \$620,000, and 3-bedroom dwellings achieving weekly rents of around \$1,500. Values in Dysart and Emerald have increased by approximately 10% since 2010.

The approval of a number of liquid natural gas (LNG) projects in Gladstone has boosted demand for accommodation and pushed up values in the surrounding suburbs. As a consequence, prices have risen by about 15% since the start of 2011. First home buyers have become priced out of these markets, and nearby hubs such as Rockhampton are a more affordable option providing potential for future growth in this region in 2012.

Mackay

Mackay's property market is a beneficiary of the Bowen Basin coal industry bolstered by the expansion of the Darymple Bay coal loading facility at Hay Point and the Jilalan Rail Yards, plus the construction of the new Base Hospital and Canelands Shopping Centre. Together, these projects will create new jobs in the region, and although the property market has remained fairly static throughout 2011, demand is beginning to rise.

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Townsville

Through 2011 Townsville's residential property market was generally lacklustre. Sale volumes and overall demand took a battering in the first quarter of the year impacted by record rainfalls, Cyclone Yasi and to a lesser extent flooding in the state's south. Over the six months to September 2011, the median sale price for Townsville houses fell by around \$18,000. The combination of lower median prices, tightening vacancy rates and the upward pressure being applied to the rental market could trigger renewed investor interest in Townsville. The market currently offers good opportunities for cashed up buyers but there is a lot of stock to clear before higher levels of turnover start impacting prices.

Cairns

The Cairns market remains soft with median prices for houses and established units both in decline. Over 2011 the Cairns median house price fell by 10.2% to \$333,000 reflecting the combination of heavy discounting to secure a sale and a market shift towards cheaper housing. This is indicative of the current fragile state of the market, which is also seeing high volumes of mortgagee in possession sales. Rising strata insurance costs post-Cyclone Yasi, are potentially making unit investment less attractive to investors and this too is creating hesitation among buyers.

The vacancy rate for Cairns residential property is currently around 2.5% for houses and 4.5% for units. Ongoing demand coupled with an almost zero increase in supply will see vacancy rates tighten, placing pressure on rents.

Source: Herron Todd White

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1300 880 489
htw.com.au
admin@htw.com.au