



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Western Australia



2011 residential property outlook – national overview

For this edition of our quarterly residential property report, we have sought the opinions of Herron Todd White valuers from around the country on what 2011 has in store for the nation's property markets – and generally, they paint a subdued picture.

As we celebrate the start of a New Year, most major markets have an abundance of properties listed for sale. This is keeping a lid on prices and in some cases forcing values down, a situation likely to continue throughout 2011.

The interest rate hikes of 2010 forced many prospective and existing buyers to rethink their capacity to pay off a home. Recent months have seen rising numbers of forced or mortgagee in possession sales and this could become more commonplace over the next 12 months – especially if interest rates continue to rise.

However, rate hikes are only partly to blame for the current market cooling. In States like Tasmania the closure of key employers has undermined buyer confidence. In other areas, such as Queensland's Gold Coast, population growth is slowing as workers seek employment opportunities elsewhere.

Faced with plenty of competing properties and limited buyer interest, many vendors will be looking at two main choices in 2011 – lowering price expectations or accepting longer selling periods. On the flipside though, 2011 is shaping up as a year that will offer real opportunities for buyers.

Also, there are plenty of locations offering good prospects for longer term capital growth. Many of these enjoy the support of government infrastructure prospects, such as the new Fiona Stanley Hospital in the Perth suburb of Murdoch or the transit-oriented development taking place in the Adelaide suburb of St Clair.

The mining boom continues to support property values in other parts of Australia. Darwin will benefit if the proposed Inpex Gas Project receives approval, and in Queensland, the Gladstone area is the focal point of a number of proposed resource-based developments. In Western Australia, the government-funded Pilbara Cities Program will provide long term support for the State's northern mining centres.

Although 2011 is likely to prove challenging for vendors, it should be a year that gives many buyers – from first timers through to investors – a valuable chance to secure a residential property at a sharper price.

It would be remiss if we didn't mention the destructive floods in January. It's still too early to tell what impact they will have on the economy and prospects of a number of property markets in Queensland, New South Wales, Victoria and Tasmania.

Many of the floods in Queensland, for example, reached levels not seen for over 30 years, and in some instances, set all time records. With the passage of time memories fade, and the differentiation between flood-free and flood-prone property will grow smaller. However, these unfortunate events provide a timely reminder of the damage flooding can cause to property and belongings. As a result, we expect that buyers will be more likely to adopt a somewhat more cautious stance toward flood affected property and areas.

The floods could also have a significant impact across many businesses and sectors of the economy. However, it is likely to create strong demand for building services firms and provide a significant financial injection into local economies – although some regional towns may face capacity constraints.

Brendon Hulcombe

Chief Executive Officer, Herron Todd White

Western Australia

The Perth market, like so many in Australia, is experiencing an oversupply of properties and buyers can afford to take their time to hunt for bargains. Elsewhere in the State, resource-based activity continues to support property values.

Perth

Many parts of the Perth residential property market are significantly oversupplied. For example, at the start of 2010, 10,500 properties were listed for sale across all suburbs and price brackets. By the end of 2010 listings had risen to 17,000 homes.

This is forcing prices to drift lower and it's likely that we have not yet reached the bottom of the market. Perth residents are seeing prices drop in their local area, taking consumer confidence in the market to an all time low.

Vendors are starting to become more realistic with their pricing in order to achieve a sale, and this may reduce stock levels. Nonetheless, values could fall up to 10% in 2011 as stock levels peak and vendors realise their property's true market value.

For these reasons it's arguable there has never been a better time to buy in the Perth metropolitan area. However, it is essential for buyers to do their research and make informed purchase decisions irrespective of whether the property is a first home, an upgrade or an investment.

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Buying opportunities in 2011

The riverside suburbs of Shelley and Rossmore have already rebounded from the 2009 market correction, recording price growth of 31% over the last year. This consolidates average annual gains of 14% over the past five years.

Shelley/Rossmore offers a wide choice of property types from residential villas through to quality riverside homes on large parcels of land. The area also boasts a neighbourhood shopping centre and close proximity to Curtin University.

We can identify a number of Perth suburbs that we believe offer potential for future growth. Cottesloe is traditionally a strong performer, offering the lifestyle benefits so keenly sought after by Perth buyers. South Perth/Como was the first area to trend upwards when the market experienced a false start in January/February 2010, and it is expected to perform well again when the market recovers.

North Fremantle, Scarborough and Burswood are all experiencing an oversupply of luxury apartments, providing opportunities for investors and downsizers.

South of the river, Leeming, Bull Creek and Willetton will continue to perform well. Recent price retractions have eroded gains from the previous 12 months, especially in Willetton, yet the suburbs are well located, have sought-after schooling, good access to the freeway and public transport and are set to benefit from the construction of the new Fiona Stanley Hospital in Murdoch.

North of the river, coastal suburbs are consistent winners in the value growth stakes. Locations worth considering include Trigg, Sorrento and Hillarys. For more affordable options in the north, Craigie and Padbury are worth a look.

Oversupply of apartments in Mandurah

To the south of Perth, Mandurah – the State's second largest city, is experiencing a severe oversupply of apartments. This offers Perth residents a window of opportunity to acquire a well-priced holiday home, though again, good market research is essential to secure a property with growth potential.

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Regional Western Australia

The south west corner of Western Australia has suffered similar oversupply problems and property values have decreased substantially since the market peak. This will see 2011 offering welcome opportunities for anyone who may have harboured dreams of buying into this region.

In the north west of the State, property values in many regional areas continue to benefit from the mining boom. There is an undersupply of accommodation in towns like Port Hedland, Karratha and Newman. The State Government has become involved through the Pilbara Cities Program, which aims to develop regional cities into centres that can support a large workforce.

The result is that large developers are being drawn to resource-based towns to undertake medium density development and assist with the expansion and renovation of community infrastructure. The Government's \$358.5 million commitment to the Pilbara region will help to stabilise long term housing values in the area.

Source: Herron Todd White

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