



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Western Australia



Hotspots!

In this edition of the Westpac/Herron Todd White Property Report we focus on 'hotspots' – locations around the nation that offer strong potential for capital growth amid cooler market conditions.

Purchasing a property that delivers strong capital growth is the holy grail for both owner occupiers and investors. But it's a feat that's not easily achieved. History tells us that a well chosen, well priced property in a desirable location will grow in value over time. This is part of the appeal of bricks and mortar as an investment.

But 'hotspots' are quite different. They offer a chance to outperform the market, delivering turbo-charged returns and superior gains – often at a more rapid pace than the rest of the market. As this report reveals, even in today's quieter market, there are plenty of locations across the nation that can rightly be described as hotspots.

The Surat Basin and coastal Gladstone are two Queensland hotspots where extensive mining activity is expected to underpin significant population growth. We caution, however, that speculation about growth in these areas hinges on the completion of key mining projects, and as we've seen in the past these can be quickly shelved for a variety of reasons.

In New South Wales, Sydney's Norwest corridor is expected to enjoy significant price growth as families head for the amenities and lifestyle of the area. Further afield, several suburbs within Newcastle and the Illawarra are undergoing rapid gentrification, and together with strong transport links, these areas should perform well.

The Darwin market, which has experienced astonishing price growth in recent years, offers a different type of hotspot. Today's buyers are urged to look for areas delivering long term growth rather than the overnight gains of the past. We identify several Darwin hotspots including Bees Creek and Rapid Creek that meet this criteria.

And in Victoria and Tasmania, a number of inner city suburbs offer strong potential for capital gains supported by proximity to transport links and facilities, and in some cases strong demand from recent immigrants. In Melbourne, the suburbs of Noble Park and Broadmeadows are worth a look.

Heading south, inner city Hobart and Launceston provide strong opportunities for capital growth in Tasmania as the state's residents embrace cosmopolitan living assisted by developments of CBD apartments – a feature once lacking from these markets.

In Perth, key indicators suggest the market is poised for an upswing, making now a good time to buy. Suburbs like Cottesloe and Shelley satisfy the great Australian love of the water, and along with trendy Mount Lawley offer strong potential for future gains.

I hope this edition of the Westpac/Herron Todd White Property Report helps you identify a suitable hotspot.

Brendon Hulcombe

Chief Executive Officer, Herron Todd White

Western Australia

The Perth property market experienced a significant downturn in 2009, however, key indicators suggest we are approaching the bottom of the cycle and a number of metropolitan Perth suburbs offer potential 'hotspot' opportunities looking forward.

Perth's median house price currently stands at about \$490,000 and at present (October) there are around 14,500 properties listed on the market. It's a significant increase on the 10,400 homes listed for sale in December last year, and indicates the extent to which buyers lack confidence.

Although agents are reporting an increased enquiry rate across all price brackets and rising numbers at open home inspections, this is not translating into immediate sales activity. The upside is that this suggests we are potentially at or very close to the bottom of the market, and today's buyers are well placed to reap the rewards of an upswing.

Cottesloe

The beach lifestyle is very much favoured by West Australians, and coastal Cottesloe is a perennial favourite. The suburb experienced a correction through 2008 and 2009, however the suburb's outstanding location underpins future capital growth prospects.

Cottesloe has a median house price of \$1.9 million (down from the 2008 peak of \$2 million) though entry level prices can be as low as \$600,000. Cottesloe has delivered an average annual growth in the order of 13.5% over the last five and ten years, highlighting the consistent returns experienced by the suburb.

The beachside location ensures strong rental demand for Cottesloe, and investors in the area have typically enjoyed healthy returns.

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Shelley/Rossmore

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.

Hillarys

Hillarys is an oceanside suburb situated in the northern suburbs of Perth. Like many of the suburbs that hug the coastline from Scarborough onwards, it offers strong prospects over the medium to long term. Prospects for growth are especially strong in the newer sections of Hillarys where housing stock is of a very high standard and development is generally within walking distance of the Hillarys Boat Harbour, offering a variety of lifestyle facilities.

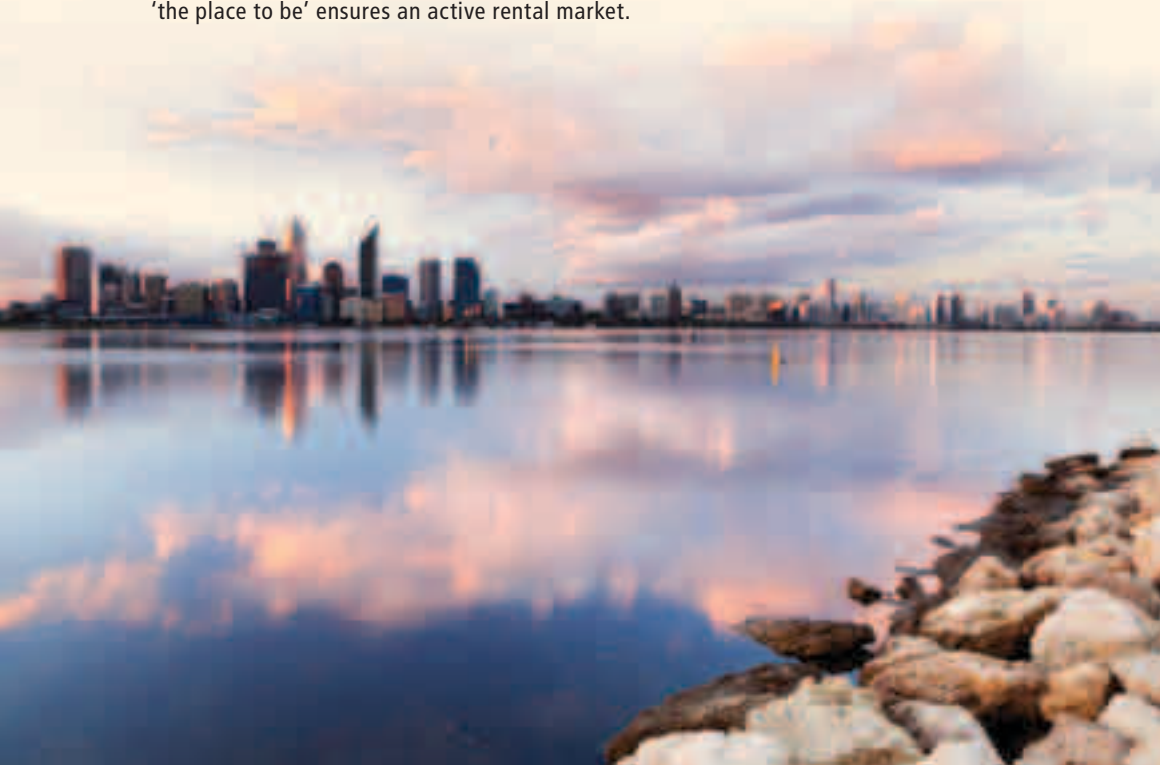
Mount Lawley

Mount Lawley has already rebounded well over the last 12 months, demonstrating price growth of 25.1% for the year – far above its 5-year annual average of 14.4%.

Situated just north of the Perth CBD, Mount Lawley has undergone a process of gentrification over recent years, particularly in the established area centred around the original Mount Lawley village. The suburb's appeal has been further enhanced through the addition of a number of small bars and some of Perth's best hotels and restaurants. Indeed Mount Lawley is reinventing itself as Perth's trendiest inner-city locality.

This hasn't escaped the attention of developers and a number of mixed use developments are underway within the locality, nestling alongside established 'character' dwellings on large land holdings. Mount Lawley is likely to benefit from the finite supply of land in the suburb coupled with increasing demand, and its profile as 'the place to be' ensures an active rental market.

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Fremantle

The port city of Fremantle has been a consistent long term performer since it underwent gentrification in the 1980's in time for the hosting of the 1987 America's Cup. The locality of Fremantle itself and the surrounding areas of South Fremantle, East Fremantle and North Fremantle each provide a wide variety of property types from residential flats that start in price at \$250,000 and provide a rental return of \$250 per week, through to multi-million dollar properties with views of the harbour, ocean or river.

Fremantle has bucked the overall Perth market, delivering price growth of 23% over the last year – double the 5-year annual average of 12.3%.

An added attraction of the port city is the location of Notre Dame University in the West End, which generates increased demand for rental accommodation.

Source: Herron Todd White

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