



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

NSW / ACT



National overview

Today's climate of low interest rates coupled with property values that in some regions have fallen by 10% over the past 18 months, are giving first home buyers and entry level investors a welcome opportunity to enter the residential property market. The key is to seek out locations where prices are below the broader market median yet with good prospects for capital growth. This is exactly what we have done in compiling this edition of the Herron Todd White Westpac Quarterly Property Report, which outlines the wide choice of suburbs that give budget conscious buyers a toehold on the property ladder.

Entry level prices vary around the nation

In a market as diverse as Australia 'entry level' property prices vary widely across states, cities and suburbs. In the Tasmanian city of Launceston for instance, first home buyers and investors can secure quality properties priced from around \$250,000. This can be around half the price paid for homes in Sydney's newest growth corridor subdivisions where in suburbs like Gregory Hills and Edmondson Park in the south west, or The Ponds and Ropes Crossing in the north, house and land packages are priced at around \$500,000.

Units – more affordable but growth prospects may be lower

In many metropolitan areas apartments are more affordable than freestanding houses. This affordability gap can point to differences in the long term growth prospects and location can play a key role in determining whether an entry level house will offer better amenity and long term price appreciation than a unit.

As a guide, north west of the Queensland Gold Coast a budget of \$200,000 will buy an older house possibly in need of renovation in Beaudesert, Eagleby or Beenleigh. For around \$190,000, buyers can secure a far more central location with a 1-bedroom apartment in Southport or Surfers Paradise. As with any apartment it is essential to consider the volume of units in the area and the availability of local facilities, infrastructure and transport links that will support values over time.

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Incentives for new builds

A number of state and territory governments have boosted the financial incentives available to buyers/builders of new homes as a means of stimulating the construction industry. Together with reduced affordability for inner ring established suburbs, this is seeing many first home buyers opt for outer ring locations in cities like Darwin and Canberra. In Darwin's satellite city of Palmerston, units are priced from the high \$200,000s. In Canberra, a number of new suburbs including Casey, Harrison and Bonner offer freestanding homes available for around \$400,000.

Infrastructure can underpin growth

For both investors and first home buyers, local infrastructure can improve the amenity of an area and support future price growth. An example of this is the Melbourne suburb of Craigieburn, where a \$330 million shopping, entertainment and community precinct – Craigieburn Central, is under construction. Property prices in the area have risen by 18% in recent months, but with a median price of \$360,000 it remains an affordable location for first home buyers with further scope for values to rise.

Brendon Hulcombe
CEO, Herron Todd White

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New South Wales

Across NSW and even in Sydney, there are significant opportunities for first home buyers and investors to pick up entry level properties. The key to selecting a property with growth prospects is looking for areas with employment opportunities, good transport links and existing infrastructure.

Sydney

Opportunities for first home buyers

A number of new Sydney suburbs offer homes in the \$450,000 to \$500,000 price bracket which is very popular among first home buyers. Areas worth considering in the south west include Gregory Hills, Edmondson Park and Gledswood Hills, while in the north western growth corridor the suburbs of The Ponds, Ropes Crossing and Jordan Springs continue to be affordable. Some competitively priced infill developments with good proximity to the CBD are available around Kogarah, Homebush, Rhodes and Parramatta.

In the south west and north west developments, dwellings comprise a mix of freestanding and semi-detached homes often sold as house and land packages. These new subdivisions are very much targeted at first home buyers and offer 'community living' with parks, recreation areas, schools and shopping facilities completed in the preliminary stages.

By contrast, medium density developments in the first home buyer price bracket typically comprise 1- or 2-bedroom units. Access to existing infrastructure and transport options tend to be the key points of appeal in these locations.

Across the options discussed, first home buyers can expect to pay as little as \$380,000 through to \$600,000. In general prices have remained stable over the past 12 months though there has been some movement in land values. Over time, this segment of the property market should do well as Sydney's growing population continues to put pressure on both the owner-occupier and rental segments of the market.

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Opportunities for investors

For entry level investors, newly constructed properties available as house/land packages or new apartments offer the advantage of minimal maintenance costs and maximum depreciation claims. Rental yields have remained strong with quality properties enjoying near nil vacancy rates though rents have been slow to rise.

As Australia's largest city, rental demand is expected to remain strong and construction levels may not meet supply. Values of entry level investment properties are expected to remain stable over the next two to three years assuming that a constant supply of house and land packages remain available. Over the medium term of around five years, greater value growth will be seen among properties within a reasonable commute to the CBD.

Regional NSW

North Coast

For first home buyers looking outside the Sydney area, prices can be far more affordable. In the North Coast region for example, original 3- or 4-bedroom houses in Casino and Kyogle are priced from \$200,000. Brand new homes are available for upwards of \$350,000.

North Coast residential property is generating yields of around 2% to 5%, and median weekly rents for typical entry level investment properties are around \$250 to \$275 for dwellings valued at around \$250,000. The rental market within Casino and Lismore is relatively steady though tenants do have a wide choice of properties. Houses offer better capital growth prospects as the region has an oversupply of units.

Values of entry level investment properties are expected to remain stable over the next two to three years....



Central Coast

On the NSW Central Coast first home buyers have a surprising wealth of choice in the under \$300,000 price range. An older 3-bedroom home at Wyoming sold in late 2012 for \$275,000, with a newer 2-bedroom villa in Woy Woy selling recently for \$275,000. Both properties are close to shops and transport.

For investors, entry level properties on the Central Coast are earning healthy yields. A 3-bedroom brick house in Niagara Park for example, recently sold for \$318,000 and should earn a yield between 4% and 5%. Gross yields of 6% are achievable in Budgewoi with older areas around The Entrance and Killarney Vale showing yields of 4% to 5%. Without a marked improvement in buyer confidence capital growth is likely to remain reasonably static at this end of the market.

Hunter region

First home buyers with a budget of \$300,000 can generally find older 1- or 2-bedroom units in central locations of Newcastle or a modest 1960s dwelling in fringe suburbs. Many locations have outpaced the \$300,000 benchmark though suburbs where these sales regularly occur include Windale, Gateshead and Boolaroo. It's worth noting that while cheap houses can still be found in more desirable Newcastle suburbs, the properties typically come with noteworthy downsides such as proximity to a busy road and difficult access at peak times – both of which will limit future capital growth potential.

Investors in the Hunter Valley have enjoyed strong returns in recent years however any contraction in the mining sector is likely to have a noticeable impact particularly on the mine-focused townships of Singleton, Muswellbrook, Branxton and Maitland. These towns have all enjoyed growth over the past 24 months with rents outpacing inflation and a historically low vacancy rate of around 1%.

First time investors can pick up properties in the below \$300,000 price bracket in the Newcastle satellite suburbs of Kurri Kurri, Weston, Cessnock and Telarah. These areas offer strong rental returns as they are within commuting distance of the Upper Hunter mines.

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ACT

ACT first home buyers are trending more towards emerging suburbs and a number of new suburbs offer entry level pricing including Casey, Harrison, Ngunnawal, Bonner and Franklin. Freestanding homes here are priced at around \$400,000.

Gungahlin is still popular with first home buyers and 1-bedroom apartments start in price from around \$280,000. It should be noted that a strong supply of new homes with entry level pricing may limit capital growth over next 12 months.

Affordable, established homes can be found in the southern suburbs of Tuggeranong such as Conder, Gordon and Banks.

For investors, strong rental returns of about 6% can be expected on entry level properties priced at around \$300,000. As a guide, 1-bedroom units in Belconnen and Gungahlin are commanding weekly rents of \$360 to \$400. An influx of new workers into the region is expected to boost demand in the rental market in 2013.

Capital growth in entry level areas of the ACT is expected to be modest over the next 12 to 24 months until demand catches up with supply. Over the longer term, limited land availability and development restrictions should underpin value growth.

Source: Herron Todd White

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1300 880 489

htw.com.au

admin@htw.com.au

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