



Herron  
Todd White

Independent Property Advisors

**Westpac**

PROPERTY REPORT

*Queensland*



# 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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# Queensland

## Brisbane

### Opportunities for first home buyers

***For first home buyers on a limited budget, the Brisbane suburbs of Mount Gravatt, Mansfield, Aspley and Geebung offer some of the city's most affordable properties. As a guide median prices range from around \$400,000 in Geebung through to about \$450,000 in Mansfield.***

There currently isn't significant difference between the rents in these suburbs and the repayments required to own a first home. This may provide support for property values as current renters are enticed to become owner-occupiers.

### Opportunities for investors

The suburbs of Mount Gravatt, Mansfield, Aspley and Geebung are equally well suited to investors looking for areas with low price points as they have potential for capital growth and solid rental demand. Typical weekly rents in these locations range from about \$390 to \$450 and while rents have shown a modest rise of around 5% over the past year, no significant increases are expected in the short to medium term.

Houses are generally a better choice than apartments for capital growth though prices are likely to remain static for the next 12 months. Over the longer term of five to ten years the suburbs noted could achieve gains averaging 5% annually with possible variation between years.

*The suburbs of Mount Gravatt, Mansfield, Aspley and Geebung are equally well suited to investors looking for areas with low price points....*



## Gold Coast

The combination of low interest rates and falling value levels over the past 18 months have made the Gold Coast property market the most affordable it has been since 2002. Besides providing great opportunities for first home buyers, investors are now seeing much stronger returns as rental rates have remained relatively steady in comparison with falling property values.

For buyers with around \$200,000 to spend, housing opportunities are limited to an 'old renovator' at Beaudesert or a fairly basic house at Eagleby or Beenleigh. Units provide the best opportunity to buy into a more central location with modern 1-bedroom units at either Southport or Surfers Paradise selling for between \$160,000 and \$190,000. Southport and Palm Beach have 2- bedroom units available for around \$200,000.

With a budget of \$250,000, first home buyers and investors can pick up reasonably modern 3-bedroom, 2-bathroom townhouse units at Pacific Pines or Upper Coomera. These command weekly rents of about \$350. For buyers looking at the \$250,000 to \$300,000 price bracket, Nerang is worth a look for older to semi-modern detached homes.

Some of the Gold Coast's best value properties in the \$300,000 to \$350,000 price band are the older detached houses in Southport, Labrador, Biggera Waters and Ashmore.

Values of entry level properties have fallen by up to 10% over the past 18 months and over the next five years only modest growth is expected.

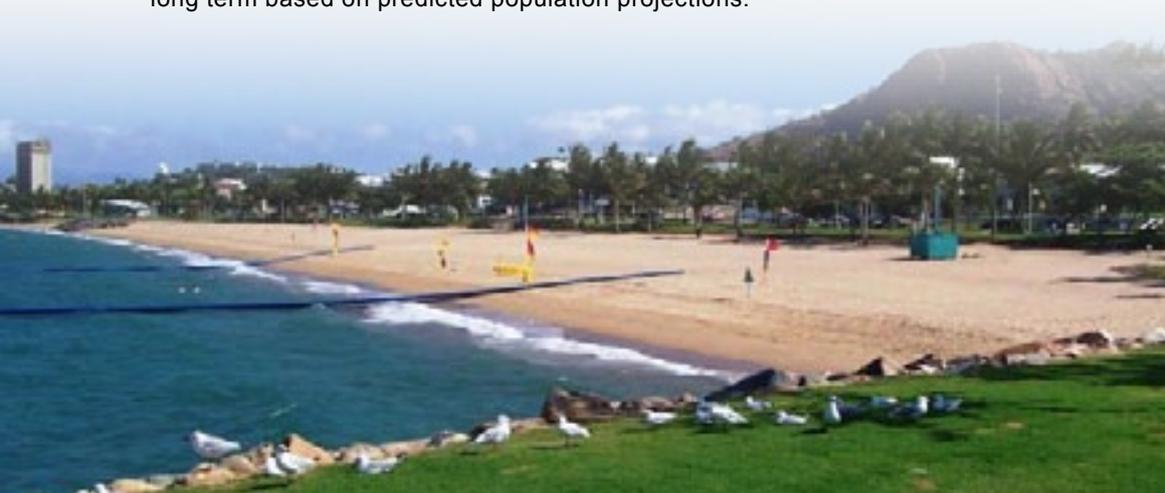
## Townsville

First home buyers in Townsville could consider the established suburbs of Currajong, Gulliver or Pimlico, which offer older homes on generous allotments. Many properties require renovation but the locations are all undergoing gentrification and offer schools and shopping within five kilometres of the city centre.

Median house prices in Currajong and Gulliver are around \$280,000 with little movement recorded in 2012. Over the long term these suburbs have potential for value growth given their central location.

Rental vacancies in Townsville have tightened throughout 2012, with weekly rents increasing on average by \$10 to reach a current median of \$340 per week for a 3-bedroom house. Rents are likely to rise over the medium to long term based on predicted population projections.

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## Sunshine coast

Affordable areas for first home buyers on the Sunshine Coast include Battery Hill, Currimundi and Wurtulla near the new Sunshine Coast Hospital, or Palmwoods and Woombye in the hinterland. Prices in these areas range from the low to high \$300,000s with little change in values noted throughout 2012.

Houses provide better potential for capital growth than units and are currently providing a rental yield in the vicinity of 5%.

The volume of sales in these first home buyer suburbs has increased recently and this is partly due to vendors accepting lower prices in order to secure a sale. In addition, confidence and job security is improving and infrastructure projects such as the new Sunshine Coast Hospital will offer support to the property market. Over the next five to ten years price growth of around 3% to 5% annually is anticipated.

## Toowoomba

Toowoomba's inner suburbs of Newtown, Toowoomba City, North Toowoomba, South Toowoomba and the western suburbs of Glenvale, Wilsonton, Rockville, Harristown and Drayton are all popular with first home buyers. A 2-bedroom cottage in original condition can be purchased in Toowoomba for under \$200,000 with 1970s brick homes priced between \$175,000 and \$225,000 depending on location.

Property values in the lower price brackets have remained relatively stable since the start of 2011. This is in contrast to the upper price brackets where reductions in the vicinity of 20% have been realised. With values currently at or nearing a trough, there may be reasonable value growth over the next five years however we don't anticipate significant movement for at least two to three years.

For investors in Toowoomba, duplexes are available priced from \$250,000 with gross yields up to 7%. 2- bedroom units traditionally rent well, and older units can be purchased from \$150,000. Single unit dwellings located in Darling Heights and Kearneys Spring, which are within commuting distance to the University of Southern Queensland, are popular among investors as both locations benefit from strong rental demand and proximity to shopping and educational facilities.

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## Cairns

The southern suburbs of Cairns tend to be traditional first home buyer territory but affordable homes are also available in regional towns such as Atherton, Innisfail and Mission Beach. Houses are a safer prospect than apartments owing to skyrocketing body corporate costs.

Cairns house prices currently start at about \$200,000 though the median price paid by first home buyers is closer to \$300,000. Prices have dropped by about 4% in the past year, with falls of up to 15% in regional townships.

Investors are likely to enjoy better gains by focusing on Cairns rather than regional locations where the rental market is limited. Median rents for entry level houses in Cairns tend to be around \$350 per week, and rents have climbed by up to \$25 over the past 12 months as a lack of construction activity pushed down vacancy rates.

Growth in the Cairns market is likely to be minimal over the short term but gains are expected to be on par with other Queensland markets within three to five years.

## Central/Coastal Queensland

### Rockhampton

The affordability of the Rockhampton market is a major attraction for both first home buyers and entry level residential investors. Most activity occurs in the lower end of the market priced below \$350,000 though first home buyers can find entry level homes priced around \$290,000 especially in the southern suburbs of The Range, Allenstown, and Wandal. Investors in this price range are earning rents of about \$320 to \$340 per week. Over the past 12 months rents have increased by about 8% – a trend that's likely to continue into 2013.

### Emerald

Emerald offers a number of options for first home buyers, and an area where incomes can be high, a first home could be priced at around \$500,000. This figure buys a new house and land package within the developing 'Mayfair Ridge' or 'Maranda Heights' estates. Older homes priced between \$350,000 and \$400,000 are available in central parts of town north of the Nogoa River, however approximately 25% of these can be susceptible to flooding.

Investors in Emerald have tended to favour new house and land packages over recent months and an increase in supply has seen the vacancy rate rise with corresponding falls in rent from a peak of about \$950 per week down to \$600 per week for a \$500,000 property. Units are still commanding strong rents, and investors are earning around \$550 per week on modern apartments valued at about \$410,000. The market in general is softening in response to a weaker resource sector.

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## Mackay

Mackay remains one of Queensland's most expensive regional towns and first home buyers should look to older suburbs like south Mackay, north Mackay and west Mackay where homes dating from the 1950s are priced at around \$400,000. More modern homes are available in the northern suburbs of Andergrove and Beaconsfield. The Mackay Regional Council has recognised that affordability is an issue in the local market, and is introducing smaller lot subdivisions such as the new Woodlands estate, featuring smaller dwellings.

Demand for residential accommodation in Mackay is heavily reliant on the fortunes of the Bowen Basin coal industry. Associated infrastructure projects, and lower coal prices are creating uncertainty in the resource sector. Job losses and cancellation of contracts have seen demand for rentals decrease slightly with vacancies increasing and rents appearing to drop slightly in some areas. Nonetheless, demand for entry level dwellings with close proximity to CBD continues to be strong. Mackay/South Mackay have 2- bedroom units selling for around \$250,000 to \$300,000 and commanding weekly rents up to \$400.

## Hervey Bay/Maryborough

First home buyers and investors are currently spoilt for choice on the Fraser Coast. In Hervey Bay, the median property price is around \$330,000, though house and land package deals are available from \$310,000 in varying locations throughout Hervey Bay. Maryborough is more affordable with a median price of about \$210,000. In the price range from \$150,000 to \$210,000, a home buyer could find a refurbished 2- or 3- bedroom colonial dwelling in a central location.

Rental vacancy rates have remained below 5% for over five years with weekly rents of up to \$350 for some new 4-bedroom homes. The strong pricing of house/land packages could see older homes experience a decline in value, and unit values have already fallen over the past 12 months as a consequence of mortgagee sales. Apartments with Esplanade frontage for instance, are selling below \$350,000.

Source: Herron Todd White

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**1300 880 489**

**[htw.com.au](http://htw.com.au)**

**[admin@htw.com.au](mailto:admin@htw.com.au)**

HERRON TODD WHITE  
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