



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Victoria



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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Victoria

Melbourne

As is the case in many state capitals, the inner city suburbs of Melbourne are often priced beyond the budgets of typical first home buyers. However the city's northern suburbs offer good buying options with homes that provide couples, young families and first time investors with affordable opportunities to gain a foothold in the market.

Opportunities for first home buyers

Melbourne's northern suburbs stretch from Coburg up to Wollert and across to Broadmeadows and Bundoora. Within this region, Craigieburn is a stand out for first home buyers based on its combination of affordability and healthy prospects for long term capital growth.

Craigieburn has also benefited in recent months from noteworthy improvements in infrastructure. Among the works completed, the new Craigieburn bypass now links the Hume Highway to the Melbourne Ring Road. In addition, construction is underway for a vibrant \$330 million shopping, entertainment and community precinct. This development – Craigieburn Central, will transform the suburb into a key regional shopping destination when completed in late 2013.

Along with recent upgrades to the suburb's schools, transport, recreational facilities and railway line, Craigieburn is expected to enjoy continued strong demand from first home buyers. Already the median property price has risen by 18% from \$305,000 to \$360,000 since the September 2012 quarter.

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Long term growth of 60% may be possible over the decade ahead

Improved transport facilities in Melbourne's north means many home owners are happy to live a little bit further from the CBD, and the Craigieburn property market could achieve long term price growth in the order of 50% to 60% over the next ten years.

Further underpinning Craigieburn's potential for price appreciation, companies such as Delfin and Stockland, which only involve themselves in expansive growth corridor projects, are making a significant investment in the area. In addition, prestigious private schools have also been purchasing tracts of land in the northern growth corridor to accommodate the growing population.

Opportunities for investors

Melbourne's north also offers appeal for entry level rental properties though superior long term capital growth is most likely to be found in the inner northern suburbs rather than outer ring locations.

Carlton and neighbouring Preston both feature a particularly dynamic rental market, which caters to families, young working couples and students. A healthy strip shopping scene exists along High Street, Bell Street and Sydney Road and the area is well serviced by rail and tram links.

Coburg prices rise 17.5%

Preston's median house price has increased by 10.6% over the past 12 months while Coburg has seen a remarkable 17.5% increase in house prices over the past year.

In terms of rental returns, investors in Preston are earning yields in the order of 4.78% across all residential property types. Coburg properties are delivering yields of about 5.1%.

With demand from tenants expected to remain strong over the next five years, Coburg and Preston should be regarded as worthwhile alternatives to Brunswick and Thornbury.

Source: Herron Todd White

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VICTORIA
JANUARY 2013