



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Western Australia



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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Western Australia

Perth

The Perth property market appears to have reached the bottom of its current cycle, and values are expected to rise from here. It is difficult to predict the strength of any future gains but the current market presents a good time to buy for first home owners and entry level investors alike.

Opportunities for first home buyers

Affordable options for first home buyers can be found on both sides of the Swan River.

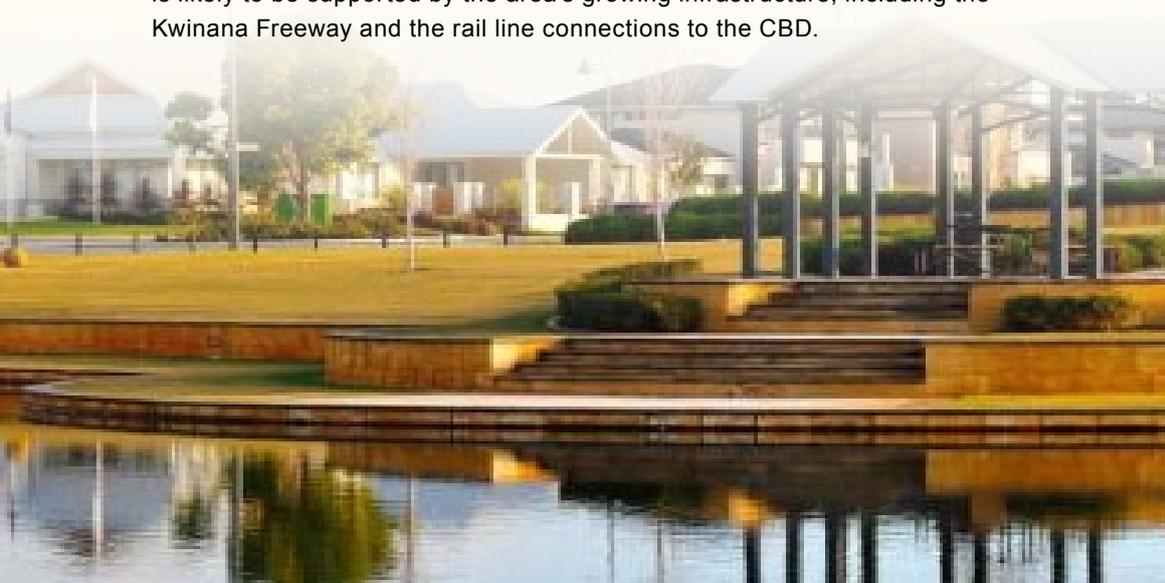
To the north, Morley offers older, smaller but more established dwellings on small to medium sized lots. Properties here can be found around the \$350,000 to \$450,000 price range.

For newer, more modern housing stock Ellenbrook or Butler both offer a good stock of single, residential dwellings usually less than ten years old. Most homes here are 3- or 4-bedrooms and 2- bathrooms.

Ellenbrook and Butler also feature the innovative 'narrow lot' homes currently being designed by builders as a more affordable option for first home buyers. These lots tend to have widths between five and nine metres and are often sold as part of a house and land package. They are certainly worth a look for first home buyers on a tight budget and who are seeking a good quality product.

To the south of the river, Baldivis is worth considering. The suburb features a large number of estates with varying price ranges. Property price growth is likely to be supported by the area's growing infrastructure, including the Kwinana Freeway and the rail line connections to the CBD.

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Buyers opting for established areas

Anecdotal feedback from property developers suggests a definitive trend for buyers to seek out properties in more established suburbs that are well serviced by public transport, in particular train stations. Other desirable features that will underpin future capital growth include access to infrastructure such as desirable shopping facilities, retail/dining strips and recreation facilities.

For first home buyers hoping to enjoy these amenities, the apartment market can be an option worth considering. Affordable locations, north of the river, include Glendalough with a median price of \$411,000 or Clarkson where the median price is \$380,000. Apartments in established suburbs like Como are still available priced from \$300,000 to \$500,000 – while new apartments are available south of the river in Cockburn in a similar price range.

We anticipate good capital growth and healthy rents for properties close to the Perth CBD, and first home buyers may wish to consider purchasing a unit, apartment or villa that will present as a good rental in the future. This opens the possibility of upgrading at a later stage while holding onto the original property as an investment.

Opportunities for investors

Investors with an entry level budget are likely to secure the greatest gains by focusing on near city locations. These are typically more sought after by tenants, and investors can expect to earn rents of around \$350 to \$450 per week.

It's worth noting that rents have risen sharply in Perth over the last year. In the past 12 months the median rent has climbed from \$380 to the current figure of \$425.

At present, Perth's vacancy rate is 1.8% – essentially a full market. The only foreseeable release valve for rents is an increase in supply, and this is being hindered by the difficulties many developers are experiencing in gaining funding for new projects. This limit to supply coupled with ongoing migration to Perth is expected to support rising rents.

The outlook for the Perth property market remains buoyant over the short term. At present only around 9,000 established dwellings are available for sale and the trend to a lower interest rate environment should see a return of consumer confidence in the market.

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South West WA

Two areas in the south west that are worth consideration by first home buyers are South Bunbury and the coastal strip on the north side of the Bussel Highway in Busselton.

Both locations are established and fully developed, and both are highly sought after. Despite this it is still possible to find older properties at entry level prices that could be renovated to provide significant capital gains.

A recent rezoning in South Bunbury from R15 to R20 has made it possible to subdivide some of the 1,000 square metres plus blocks that still exist within this suburb. The market is not currently reflecting a premium for these blocks as the local developer market has been stagnant for a number of years. Nonetheless over a longer timeframe of five to ten years, there is reasonable potential for this market to re-emerge.

Larger lots with an older dwelling are priced between \$340,000 and \$400,000 depending on condition. For this money buyers are often paying little more than land value.

Limited supply should underpin Busselton growth

The coastal strip in Busselton is likely to become more valuable over time purely because of its proximity to the ocean and limited supply. Development in the township is on the south side, away from the ocean, which points to rising values for sites close to the ocean.

Here too, older houses are available in the entry level price range, which offer the potential for increases in value through renovations. It is possible to get a house on a small lot in a new subdivision for similar money, but it seems unlikely that these properties will provide the same level of return as older homes on more substantial lots.

While the bottom end of the market has been fairly buoyant in terms of sales volumes, there hasn't been a significant movement in prices across the region as a whole over the past 12 months. It is anticipated that Busselton and South Bunbury will outperform the broader market over the longer term.

Source: Herron Todd White

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1300 880 489

htw.com.au

admin@htw.com.au

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