



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Queensland



National overview

In this edition of the Westpac Herron Todd White Residential Property Report we take a look at opportunities available for property investors, and owner occupiers, who are prepared to take a long term view.

There appears to be little doubt that the first quarter of 2011 was marked by a generally cooling residential property market. However, it's not the case of "the bubble is bursting", as has been predicted by some pundits. Rather, the market is experiencing a plateauing of values in areas that have seen significant price gains in recent years. For investors and owner occupiers with a long term outlook, this presents a window of opportunity.

Buyers face uncertainties

A number of international and local events have impacted buyer confidence this year. Uncertainty over upheaval in the Middle East and northern Africa, concern over the economic impact of Japan's devastating earthquake/tsunami and worries about lingering sovereign debt woes in Europe are, understandably, prompting some buyers to adopt a "wait and see" approach.

Here in Australia, several local events have also impacted the property market. Bushfires in the Perth Hills and Peel region have impacted demand for lifestyle properties. And of course, many parts of Queensland and Victoria are still recovering from major flooding and the destruction caused by Cyclone Yasi.

When these events are considered together with last year's string of rate hikes and the threat of further rises, it's hardly surprising that the residential property market has cooled from its highs of 2010.

It's not great news for vendors but for long term investors and owner occupiers with a horizon of five years-plus, opportunities do exist.

Opportunities exist

In some parts of the market, especially south east Queensland, many buyers paid a significant premium for properties purchased at the height of the boom. Following last year's interest rate hikes, a growing number of properties are coming onto the market as "distressed sales". This is giving today's buyers an opportunity to secure discounted properties – particularly in areas dominated by first home buyers and investors. A vacuum has emerged in many markets following the withdrawal of the first home buyers boost at the end of 2009 and this continues today.

Long term outlook essential

The key to success in today's market is taking a long range view. Property should always be regarded as a long term asset, but this approach has become essential in the current climate.

The latest data from the Housing Industry Association¹ shows that housing starts are forecast to fall by 15 per cent to just 143,430 new homes in 2011. This will help to provide a base and the falling supply will help to underpin the market.

Inner city living holds enduring appeal

Around the nation, the prime investment "hot spots" are found in inner city areas.

Australians are increasingly seeking out the lifestyle opportunities offered by close proximity to shops, leisure facilities and good transport links, and these are typically found in inner city or city fringe locations.

For buyers taking a long range view, the limited supply of stock in inner city suburbs plus the opportunity to add value through restoration and renovation, further underpin price appreciation in these areas.

Rising fuel costs and growing traffic congestion add further weight to the appeal, and value, of inner city properties.

Infrastructure adds value

In New South Wales the new Liberal Government has made a commitment to improving transport links. This is likely to add long term value to areas in the city's south west including Bankstown and Liverpool, which stand to benefit from improved road and rail links.

Rents remain firm

On a positive note, many rental markets including Perth and Darwin have remained buoyant despite a cooling in property values.

Low vacancy rates are supporting healthy rental yields and this is providing additional incentive for astute buyers.

As a note of caution, investors who anticipate making a "quick profit" in today's market are likely to be disappointed, or worse, may have their fingers burnt. Along with an extended time horizon, it is essential to look for properties in areas offering quality amenities and proximity to transport links. Properties with the potential for investors and owner occupiers to add value through redevelopment or renovation are also likely to outperform over the next five to ten years.

Brendon Hulcombe
CEO, Herron Todd White

¹HIA Media Release 1 April 2011, *Sombre Housing Outlook Demands Urgent Policy Action*, says HIA at <http://economics.hia.com.au/media/Dec%20Qtr%202010%20National%20Outlook%20media%20release.pdf>

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Queensland

In many areas of Queensland the residential property market has reached, or is approaching, the bottom of the market downturn. We continue to see vendors offering properties for sale under distressed conditions and this is giving today's buyers an excellent opportunity to secure quality properties at a substantial discount. This is leaving investors well placed to enjoy strong long term growth once the market rebounds.

Brisbane

In the under-\$500,000 price range, older units in suburbs such as Paddington, Auchenflower, Ascot, New Farm, South Brisbane and West End are generating gross rent returns of up to 6%. Located within five kilometres of the city, these suburbs also offer close proximity to popular restaurant and shopping precincts plus hospitals and universities, and this should underpin their long term growth.

In the \$500,000 to \$1 million range, locations such as Kedron offer good proximity to nearby traffic nodes, which are improving travel times to the city and airport. A number of new infrastructure projects are also underway in the suburb, which will further enhance the area's long term value.

In the \$1 million-plus bracket, suburbs such as Windsor, Wilston, Paddington, and Coorparoo have maintained firm demand despite slower market conditions, and they are expected to remain popular over the long term.

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Gold Coast

In the lower price bracket, the suburbs of Labrador, Parkwood, Biggera Waters and Southport are expected to experience healthy long term growth supported by the completion of the new Gold Coast Hospital and light rail link.

Homes in beachside areas like Miami and Palm Beach, which were selling for over \$500,000 a few years ago, are now priced under \$500,000. Some beachside units are selling for below replacement cost, and buyers in these areas can expect longer term gains once the market rebounds.

In the mid-price \$500,000 to \$1 million bracket, waterfront housing is offering great value at present, especially in suburbs such as Mermaid Waters, Broadbeach Waters, Runaway Bay and Paradise Point.

Waterfront housing in the low \$1 million price bracket also offers excellent value, especially in Isle of Capri and Paradise Waters, which have traditionally been among the first suburbs to rise in value when the property market picks up.

Sunshine Coast

In the lower price brackets, many Sunshine Coast beachside suburbs are offering strong bargains. The Kawana strip, Mudjimba, Coolum and even Golden Beach all have homes being offered for sale at prices not much above land value.

Toowoomba

Toowoomba suburbs that have shown the highest increase in median house prices are those that incorporate lower quality, older housing stocks. Locations like Harlaxton, Drayton and Newtown have shown consistent value growth over more affluent suburbs as a result of renovation activity and ongoing first home buyer interest. This will offer support to values in these areas over the longer term.

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Rockhampton

Good prospects for long term growth are found in the \$500,000 to \$1 million bracket where some coastal properties with ocean views are being offered as distressed sales. These should provide above average capital growth when market conditions improve.

Townsville

Townsville City has projections for continued strong population growth, and in the under-\$500,000 market, some inner city units offer excellent long term investment potential. Many of these properties are priced below \$400,000 and strong supply is giving purchasers the upper hand in price negotiations.

Older established areas such as Currajong, Pimlico, Garbutt, Railway Estate, South Townsville, and Hermit Park offer good proximity to the city centre. Many of the older timber homes found in these suburbs are ripe for renovation, and this would certainly boost long term values.

Cairns

Around 87% of Cairns's properties are in the under-\$500,000 price bracket, and as the market has reached the bottom of the cycle, today's buyer should enjoy long term gains following an upswing in conditions.

Bundaberg

In the \$500,000 to \$1 million market, the suburbs of Kalkie and Belle Eden offer above average potential for capital growth when market conditions improve.

Mackay

In the under \$500,000 market, there are good prospects for long term growth among the older suburbs located close to the city centre, hospital or coastline.

In the \$500,000 to \$1 million sector, large, good quality executive dwellings in modern estates such as Northview Gardens offer elevated blocks with good views. A number of properties are being offered under distress conditions and this enhances opportunities for future gains.

Source: Herron Todd White

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