



Herron
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Independent Property Advisors

Westpac

PROPERTY REPORT

Western Australia



National overview

Taken as a whole, the Australian property market has cooled over recent months though in a market as diverse as ours, there are pockets of growth even amid quieter conditions. Buyers who research the markets and choose wisely can be rewarded with both short and long term gains.

The key to success in today's market is to look for locations offering a competitive advantage. The Sydney suburb of Hunters Hill for instance is benefiting from the slowdown in the overall prestige market as buyers seek quality and amenity, but at a more affordable price.

More uniformly though, it's the resource-rich regional areas that are tending to buck the national trend of flat or falling prices. In a number of locations where mining is a dominant industry, strong price gains are supported by high employment and an undersupply of local housing stock. In the Queensland city of Gladstone for example, development of LNG infrastructure is creating significant demand for accommodation. The Mackay property market is also benefiting from mining expansion in the Bowen Basin.

Looking ahead

The best gains on property are made by buying when prices are low, and today's market offers ample opportunity to take advantage of improved affordability as the basis for future gains. Nonetheless it is essential to look for concrete factors that will underpin tomorrow's price appreciation. Indicators of growth can range from improvements to local transport infrastructure through to macro developments which can affect the prosperity of an entire city or region.

As a guide, the Gold Coast suburbs of Broadbeach and Surfers Paradise are likely to benefit from the construction of the new rapid transport rail system scheduled for completion in 2014.

In Darwin, several large-scale construction projects are due to commence next year including the INPEX LNG plant and the Marine Supply Base. These projects should lend support to the city's residential property market.

The general rules of sensible buying still apply even in areas with growth potential. Watch the market that you're planning to buy in, get an idea of how long a particular property has been listed and whether the price has been reduced. Bear in mind that the asking price is only a marketing guide, and in today's market, many vendors will expect an offer below this price.

Brendon Hulcombe
CEO, Herron Todd White

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Western Australia

From an affordability perspective, the Perth market offers excellent buying opportunities for both first home buyers and investors.

The number of properties listed for sale in Perth has fallen from its peak at the start of the year following take up by purchasers, and weekly sales are now in the order of 900 to 1,050 homes, compared to around 800 per week 12 months ago. Perth's rental market is also becoming more active, and rents are up slightly supported by falling vacancy rates.

Overall, the Perth market appears to be reaching the lowest point in the property cycle, and should begin trending upwards to a growth position. In the current environment, there are some locations experiencing price appreciation though buyers with a longer term view of four to five years enjoy a wider range of opportunities.

Inner Perth

Perth's inner and near city apartment markets are continuing to evolve as the CBD matures. The emergence of small bars, cafes, restaurants and high end retailing is bringing life back to the CBD, and putting an end to the days when St Georges Terrace, the city's main thoroughfare, was deserted by 6pm.

The Terrace Road apartment market currently has a 1% vacancy rate and is showing signs of consolidating values in the \$400,000 to \$800,000 price range. As with most of Perth, yields remain low at around 4% to 5% however the tight vacancy rate suggests scope for future rent increases.

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Perth Suburban

The developing suburbs of Piara Waters and Harrisdale are experiencing continued buyer demand and have performed strongly over the last year. Values in the Forrestdale area, which incorporates Harrisdale and Piara Waters, have risen by 29.5% over the past 12 months to a median of \$511,500.

The well located development of Cockburn Central is attracting strong buyer demand, underpinned by proximity to the Perth-Mandurah rail link and the Gateway shopping centre. The location features a variety of dwellings from new apartments through to established family homes, and this is attracting a mix of tenants and owner occupiers. Over the past 12 months, Cockburn Central has experienced capital growth of 24.5%, and the current median price is \$635,000.

Eastern fringe suburbs such as Maida Vale and High Wycombe have recorded price gains in the order of 15.30% over the past 12 months. These suburbs lack some of the infrastructure found in other Perth suburbs and the homes tend to be modest. However they are closer to the CBD than Forrestdale and Cockburn, and buyers are rewarded by lower entry prices. The median value is \$490,000 making affordability an added plus.

Looking Ahead

Over the medium to longer term (four to five years) a number of Perth suburbs offer strong prospects for growth.

In the northern suburbs, Warwick is well located with convenient access to rail transport, shopping facilities and highly regarded schools. Despite these pluses, values in Warwick have declined at a faster pace than neighbouring locations, and this provides buyers with the advantage of a lower base on which to build future gains.

Silver Sands and San Remo both offer beachside living for very low entry prices. Although the Mandurah market overall is expected to perform poorly in the short term, these two suburbs have the potential to deliver healthy gains over the longer term. Tenants are attracted to the beach lifestyle and the train station, cafe strips and shopping facilities of Mandurah are just a short drive away. Prices in Silver Sands and San Remo streaked ahead during the property boom but values are now approaching bargain levels.

Bassendean is extremely well-priced at present especially given the suburb's close proximity to the city and good rail links. The suburb offers a variety of homes across a range of values, and its wide choice of schools and local shopping options makes it appealing to families.

Ferndale is another family-friendly suburb that combines an attractive location with good value. The area features quality housing stock on large allotments, and homes can still be purchased for less than \$400,000, which is below the Perth median price. The nearby Canning River and Westfield Carousel provide an abundance of recreation options.

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Hammond Park is likely to be another strong performer over the next five years as land shortages are becoming increasingly evident in surrounding suburbs.

The locations of Forrestfield and High Wycombe provide development sites priced below \$400,000. Close proximity to the airport could see these suburbs provide worthwhile returns for investors seeking to attract tenants among the state's pool of resource-based 'fly in/fly out' workers.

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Source: Herron Todd White

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