National Overview

The lowest home loan interest rates seen in generations, restrictions on investment lending and softer market conditions across some state capitals are creating the ideal opportunity for first home buyers to get that all-important foot on the real estate ladder. There is a range of approaches first home buyers can take to get there.

**Inner-city apartments – affordable and convenient**
Opting for a unit rather than a house is often a more affordable option, and inner-city apartment developments offer a combination of convenience and low-maintenance living, with a wealth of amenities.

In Perth, a number of apartment complexes are being developed in and around the city centre as part of the state government’s Directions 2031 and Beyond initiative designed to address urban sprawl. One-bedroom apartments in The Springs at Rivervale, for instance, start in price at around $350,000.

In Melbourne, 2-bedroom apartments in inner-city Docklands and Southbank are selling for around $600,000, though an increasing supply means buyers should be wary of limited capital growth prospects in the near term.

**The concept of a ‘first home’ is changing**
First home buyers have traditionally opted for houses in new estates in the outer suburbs. This is still a budget-friendly strategy, and there is a wealth of new estates especially targeted at first home buyers on the fringes of most state capitals.

However, in some areas – notably Sydney, the nation’s most expensive property market – new estates are offering dwellings that are more compact than traditional homes, often on smaller lots to enhance affordability.

The growth zones around Leppington in the south-west and Marsden Park to the north-west of the Sydney CBD often feature semidetached duplexes or townhouses on parcels of land comprising 300 square metres. Here vacant land can start in price at $350,000, with completed homes priced from around $650,000.

Similarly, in Darwin’s satellite city of Palmerston, newly developed suburbs such as Zuccoli offer vacant land priced from just under $200,000.
Growth potential matters
First home buyers need to be mindful not just of affordability but also of a property’s capital growth prospects, and this largely hinges on location. The strategy of buying in a suburb where prices are more affordable than neighbouring areas can give first home buyers value today plus a head start on future price appreciation.

In Adelaide, for example, the outer suburb of Morphett Vale is considerably more affordable than the neighbouring towns of Flagstaff Hill and Hallett Cove. Yet it offers similar access to shops and community facilities, and local values are likely to benefit from the duplication of the Southern Expressway.

In Brisbane, the southern suburb of Algester offers a price point below $500,000 while providing the same amenities as neighbouring Sunnybank Hills, where prices are much higher.

First home buyers in Tasmania enjoy a unique position. Not only is the state’s property market considerably more affordable than markets in much of mainland Australia, the state government is offering a $20,000 First Home Builders Boost to first timers who buy or build a new home.

The conundrum facing first home buyers in Tassie is whether to select a new home or purchase an established dwelling – often for a similar price – which could potentially deliver superior long-term gains. Undoubtedly first home buyers in other parts of the country would agree it’s not a bad ‘problem’ to have.

Brendon Hulcombe
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Northern Territory

Darwin

Darwin’s residential property market has softened over the past year, with values across the Greater Darwin region down by 3.5% over the 12 months to April 2016. This is making property much more affordable for first home owners. However, with the city’s median dwelling value sitting at $519,000, it can still be a challenging market for first timers.

As a consequence, first home ownership has become an election issue. With the Northern Territory general election scheduled for 27 August 2016, the major political parties are offering a range of sweeteners for first home buyers.

Currently, under the Country Liberal Party, a First Home Owner Grant (FHOG) of $26,000 is available to first home buyers who buy or build a new home. In addition, on 24 May 2016, the First Home Owner Discount (FHOD) was introduced to assist first home buyers to purchase established homes in the Northern Territory. The FHOD, which provides a 50% reduction in stamp duty up to a maximum of $10,000, is available to 30 June 2017.

The Labor Party, on the other hand, is pledging a $24,000 stamp duty concession for first home buyers of existing houses worth up to $650,000. First home buyers more broadly would receive vouchers worth $10,000 to be spent locally, $2,000 of which could be spent on white goods and furniture.

At this stage, it is a case of ‘watch this space’ to discover exactly how first home buyers will fare in the year ahead.

**Northern suburbs remain popular with first home buyers**

Within Darwin, the northern suburbs of Malak and Karama are traditional first home owner locations. Over half the residents are owner-occupiers, and entry-level prices start at around $430,000 for an older 3-bedroom brick home on an 800-square-metre allotment. This is well below the Malak and Karama median house prices of $545,000 and $500,000 respectively.

Darwin CBD remains popular among apartment buyers, and construction of new units has eased following the softening in Darwin prices.

To the south-east of Darwin, in the planned satellite city of Palmerston, Zuccoli is a preferred location for first home owners looking to construct new homes. As a new suburb, Zuccoli offers plenty of amenities such as parks and schools, and vacant blocks of land are priced from just under $200,000 through to the low $300,000s.
Alice Springs

The first home buyer market in Alice Springs has been subdued since the removal of the FHOG for existing dwellings in 31 December 2014. While this has had a detrimental impact on the broader market in terms of sales, it is also now providing first home buyers with opportunities.

The median home price in Alice Springs fell by 8.94% over the year to March 2016 and currently sits at $300,500 – a figure in line with mid-2009 values. Entry-level price points for 2-bedroom units in suburbs such as Larapinta are around $220,000 – a level that is ideal for first home buyers.

Larapinta will benefit from planned infrastructure projects such as the new Child and Family Centre currently under construction, which will offer 70 long day-care places.

Other locations closer to town such as Sadadeen and Gillen offer similar entry-level pricing.

With stamp duty concessions now available for established homes, the present market allows for first home buyers to take advantage of soft conditions.
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