

Westpac

Victoria

Property Report – July 2016



**HERRON
TODD WHITE
RESIDENTIAL**

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.



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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.

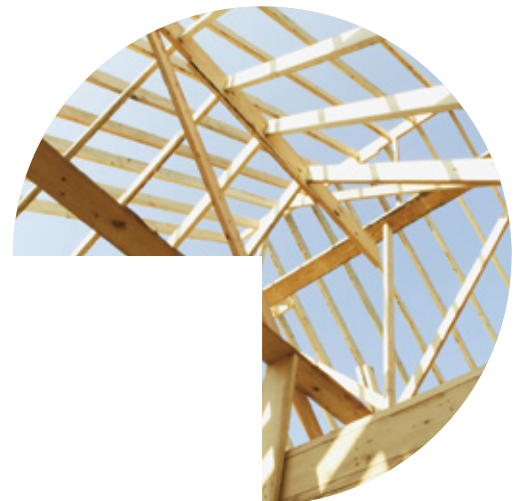
In Brisbane, the southern suburb of Algester offers a price point below \$500,000 while providing the same amenities as neighbouring Sunnybank Hills, where prices are much higher.

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

CEO - HERRON TODD WHITE



Victoria

Melbourne

Melbourne's residential property values rose by an impressive 13.9% in the 12 months ended April 2016, making it the best-performing market across the nation. However, it's not such good news for first home buyers struggling with high, and rising, property prices.

For first home buyers seeking a cosmopolitan lifestyle, near-city apartments can offer a blend of amenities and, compared to houses, relative affordability. Many complexes feature common facilities such as gymnasiums, pools and saunas; and new apartments priced below \$750,000 are eligible for the First Home Owner Grant (FHOG) of \$10,000.

As a guide to prices, 2-bedroom apartments in the Melbourne CBD have a current median price of \$540,000. Docklands and Southbank are a little more expensive, both with a median price of \$600,000. Brunswick is more affordable, with a median of \$485,000. However, buyers need to be aware that an increasing supply of new developments and the loss of the 'new' premium put inner-city apartments are at risk of loss on resale.

WESTERN SUBURBS

Melbourne's outer western suburbs provide an opportunity for first home buyers to get into the market at affordable prices. Popular suburbs for first home buyers include Point Cook (median price of \$556,500), Werribee (\$315,000), Tarneit (\$446,500), Truganina (\$415,000) and Wyndham Vale (\$287,000). Buyers can get more bang for their buck in some of the newer housing estates in these locations, where developers are offering a range of incentives.

NORTHERN SUBURBS

House values in Melbourne's inner north are generally beyond the reach of most first home buyers, with prices approaching the \$1 million mark in suburbs such as Northcote and Thornbury. However, buyers who are willing to look a little further out from the CBD can be rewarded with greater affordability and the prospect of steady capital growth.

Locations such as Fawkner (median price of \$565,675) and Glenroy (\$587,000) offer reasonably affordable housing. In Craigieburn, Mickleham and Greenvale – all located around 25 kilometres from the CBD – median house values are closer to \$370,000, especially in the new housing estates. An increase in facilities such as schools and public transport should underpin long-term value growth.

OUTER EASTERN SUBURBS

Boronia, 30 kilometres from the CBD, offers homes on larger blocks, often with good views and easy access to the Dandenong Ranges and Eastlink freeway. Boronia is popular with older couples at present, though this is likely to change over time given the greater affordability of Boronia in comparison to neighbouring suburbs.



The median house price of \$580,000 is still within the \$600,000 first home buyers stamp duty reduction threshold, and Boronia offers better buying power than the nearby suburbs of Wantirna and Wantirna South, where median house prices are \$797,050 and \$878,500 respectively.

Kilsyth, located 31 kilometres east of the CBD, is undergoing a transformation, with a large number of subdivisions taking place, particularly around Kilsyth Oval. Standard 800-square-metre blocks are being converted into townhouse sites, and although smaller in size than traditional homes in the suburb, these new developments tend to have low-maintenance outdoor space and the clean, sleek look often favoured by first home buyers. Kilsyth has a median house value of \$551,000 (apartments \$391,000).

OUTER SOUTH-EASTERN SUBURBS

Just under 50 kilometres from Melbourne's CBD, the south-eastern suburb of Clyde North offers proximity to the South Gippsland Highway, making the suburb less than an hour's commute from the city centre. The location provides a mix of suburban and country living. With a median house price of \$409,000, it offers a good blend of affordability and local amenities, with new schools and shopping centres being developed to service the suburb's growing population.

ALBURY-WODONGA

With a median house price of \$270,000 (apartments \$185,000), the Albury-Wodonga region remains popular among first home buyers seeking greater buying power beyond Sydney or Melbourne. As a consequence, a number of new estates are being developed offering house and land packages.

The challenge for first home buyers is to determine which side of the border offers the better deal. The Victorian state government offers a \$10,000 FHOG for new constructions in both regional and metropolitan Victoria, with an additional discount of up to 50% on stamp duty for both existing dwellings and new constructions. By contrast, the NSW state government provides only a \$10,000 FHOG for new constructions.

SHEPPARTON

Located 180 kilometres north-east of Melbourne, Shepparton has benefited from the Victorian government's investment in the regional V/Line rail network and a \$168 million redevelopment of Shepparton Hospital.

With a median house price of \$235,500, Shepparton is certainly affordable, and many new land subdivisions offering house and land packages with builder incentives have become popular in recent years.

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