

Westpac

Western Australia

Property Report – July 2016



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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.

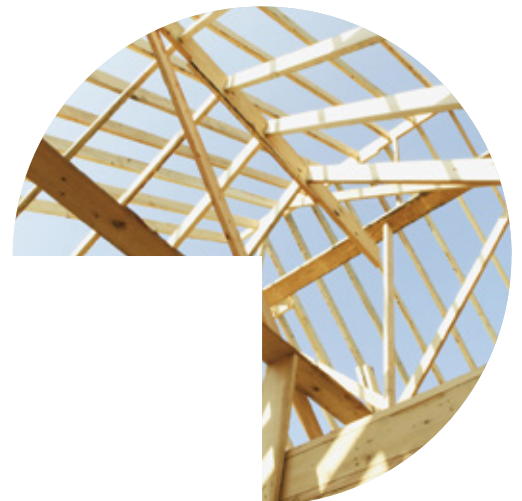
In Brisbane, the southern suburb of Algester offers a price point below \$500,000 while providing the same amenities as neighbouring Sunnybank Hills, where prices are much higher.

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



Western Australia

Perth

First home buyers in Perth have traditionally favoured newly built houses as a means of entering the property market. However, an increased supply of new apartments means buying a unit as a first home is an option worth considering. Moreover, Perth property prices corrected by 4.2% in the 12 months to May 2016; the result is that new and near-new 1- and 2-bedroom apartments are more affordable than they were a few years ago.

There are currently 10,000 apartments either under construction or approved for construction in the Perth metropolitan area. Developments with proximity to the Perth CBD or in locations with high-quality infrastructure and local facilities present attractive propositions. New 1-bedroom apartments in large complexes are currently priced from \$350,000 to just over \$500,000. Two-bedroom, 1-bathroom units in similar developments start in price from the low \$500,000s.

Near-city apartment living can provide lifestyle benefits over traditional suburban-fringe locations. The Springs in Rivervale, for instance, is an urban redevelopment project featuring a number of apartment complexes close to Crown Casino. New and established complexes are under construction or have been recently completed in Subiaco and South Perth. All of these locations have established lifestyle infrastructure, including an abundance of public transport options – bus, rail and/or ferry – and nearby bars, cafes and restaurants, riverside parks and cycle ways. They offer new options for first home buyers, such as the opportunity to be a one-car household – something that historically has not been common in Perth.

One potential strategy first home buyers may want to consider is using a first-home apartment as the basis of their entry into the property market, and retaining the property as a rental investment when they are ready to move to the suburbs.

New estates offer affordable home and land options

First home buyers who wish to look further afield should ideally focus on new suburbs where there is an oversupply of recently completed dwellings. These homes may still qualify for the \$10,000 First Home Owner Grant (now only available to applicants who buy or build a new home), and they come with the added advantage of being ready for immediate occupation.

Areas worth a look include Ellenbrook, where the median house price is \$385,000, Aveley (\$422,000), Butler (\$385,000), Alkimos (\$403,500), Byford (\$367,500) and Baldivis (\$385,000). These are all developing suburban locations with new shopping facilities and schools, as well as quality recreational facilities.



South-west

The south-west of the state is experiencing a reduced level of sales at present, with a slight weakening of values throughout the lower and middle segments of the market. This is largely a result of the downturn in Perth property values filtering through to other markets. On the plus side, this is giving first timers greater buying power.

The south-west is an affordable region, and while there is a significant volume of high-value properties located along the coastal strip, outlying residential subdivisions provide a considerable supply of housing pitched at first home buyers. As a consequence, first home buyers are attracted to the region and are active in the market, buoyed by government rebates, low interest rates and affordability.

Values near the coast are often out of reach of first home buyers. However, while the median house price across Bunbury is \$371,500, more-affordable, lower-end established homes are available in nearby Withers, Carey Park and Usher.

For buyers of new homes, vacant land is available in subdivisions throughout the suburbs of Australind, Millbridge, Glen Iris, Dalyellup, Yalyalup, Vasse, Kealy and Margaret River. Most feature new land releases with lots typically priced between \$140,000 and \$220,000. Established homes range in price from \$300,000 to \$500,000.

These subdivisions offer good value for money as they are located within a couple of kilometres of the coast and are well supported by road infrastructure, schools and shopping precincts – all on the doorstep of the highly desirable south-west beaches and Margaret River wine region.

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