



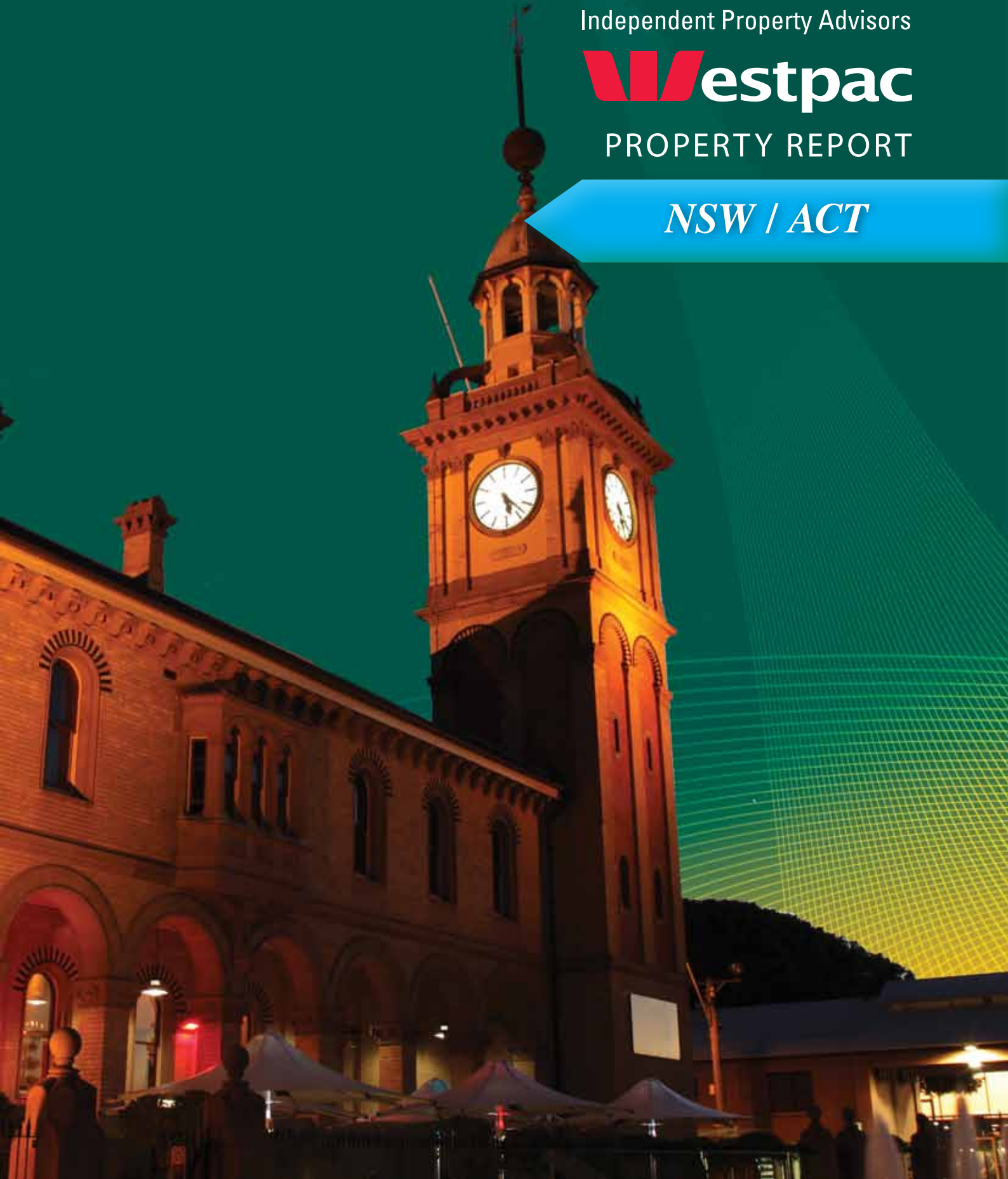
Herron  
Todd White

Independent Property Advisors

**Westpac**

PROPERTY REPORT

*NSW / ACT*



# National overview

***Despite perceptions that affordability is a challenging issue in today's residential property market, a budget of \$500,000 still offers Australian investors and owner-occupiers a generous array of options even in Sydney, Melbourne, Brisbane and Perth.***

## What will \$500,000 buy these days?

Half a million dollars is something of a magic number in residential property as it marks the price limit for many first homebuyers, investors and downsizing retirees. With this in mind, we set out to discover just what \$500,000 buys around the nation, and in many markets, the answer is a surprisingly wide choice of quality properties.

Specifically, we asked state-based Herron Todd White teams what they would recommend buying with a budget of \$500,000 if they were:

- an investor;
- an owner occupier (single or couple) without children;
- an owner occupier with a family.

## Cooler prices have improved value

We found that the slowdown impacting markets over the past 12 months has provided exciting buying opportunities. Properties that a few years ago would have been well beyond this price bracket can now be secured for \$500,000 – in some cases with change to spare. Nowhere is this more apparent than in Brisbane, the Gold Coast and Sunshine Coast where an investor with a budget of \$500,000 could pick up not one, but potentially two rental properties.

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## Yields topping 17% in outback areas

Even in Sydney, one of the nation's most expensive cities, suburbs like Auburn and Parramatta offer units priced at \$370,000 with gross yields of up to 5.7% - an appealing combination of affordability and healthy returns. As our report illustrates, in some mining towns such as Queensland's Chinchilla, yields can soar to 17% - but with long term prosperity linked firmly to global demand for resources, such investments are highly speculative.

## Vibrant lifestyles for owner occupiers in Melbourne

For owner occupiers, a price limit of \$500,000 offers a wealth of choice. In Melbourne's inner city suburb of Footscray, significant urban renewal is occurring and while houses are still available for around \$500,000 there is a good selection of apartments priced from around \$310,000.

Adelaide continues to offer good buying, and in suburbs like Flinders Park and Torrensville \$500,000 will secure a 3-bedroom house on a generous lot with the added appeal of nearby beaches.

## Quality suburbs and high yields in Perth

In Perth, \$500,000 buys a wealth of options from inner city apartments generating yields of 6% through to 4-bedroom houses in established suburbs like Willetton, Bassendean and Ocean Reef that combine proximity to the CBD with local amenities and quality schools.

## Darwin – don't miss the boat

In Darwin it is still possible to pick up apartments priced below \$500,000 in city fringe suburbs like Larrakeyah. But with an influx of workers expected once construction begins on the new Inpex LNG plant, Darwin prices look set to climb again, and investors could be the key beneficiaries.

The Apple Isle fits the bill

In Tasmania, \$500,000 will secure a quality house or unit virtually across the state, with the possible exception of more expensive prestige suburbs like Sandy Bay, Battery Point and Central Hobart, which is great news if you're considering a move to our southernmost state.

**Brendon Hulcombe**  
CEO, Herron Todd White

*In Melbourne's inner city suburb of Footscray, significant urban renewal is occurring and while houses are still available for around \$500,000 there is a good selection of apartments priced from around \$310,000.*

# New South Wales

*Surprisingly perhaps, a budget of \$500,000 still opens the door to a wealth of property choices in Sydney, regional New South Wales and even the Australian Capital Territory. In this popular price bracket, which is often dominated by first home buyers, competition between purchasers will contribute to long term capital growth.*

## Sydney

### Investors

For investors with a budget of \$500,000, the choice in Sydney is likely to be limited to units or lower quality houses in the city's western suburbs. Unless there is an underlying need to own a house in this region, opting to invest in an apartment will generally deliver a wider choice of locations, stronger rent returns and more stable capital growth.

If we focus on the apartment market, the central western suburbs of Auburn and Parramatta offer the strongest yields, typically between 5.4% and 5.7%. The area's median price of \$370,000 will fund a reasonably modern 2-bedroom apartment.

For investors seeking longer term capital growth, inner ring suburbs like Neutral Bay, Leichardt and Randwick have historically recorded stable price gains, and this is expected to continue over the coming years.

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## Owner occupiers – single without children

Sydney's inner ring suburbs are a popular choice for singles and couples, however a budget of \$500,000 is likely to limit buying opportunities to older 1- or 2-bedroom units. Consistent demand is driving the entry price for newer units above this benchmark though older properties still provide close proximity to the CBD, strong transport links and plenty of local amenities. Ongoing demand for all properties priced under \$600,000 in Sydney points to healthy capital growth for this end of market.

## Families

At the end of 2011 Sydney's median dwelling price stood at around \$485,000 so it is increasingly difficult for families to secure a house for under \$500,000. In the city's west it is still possible to find a modern home less than 10 years old and priced below \$500,000. For families with a tight budget and a long term outlook, it is worth considering properties with close proximity to (but not backing onto) the proposed North West and South West railway. The surrounding suburbs are likely to see values rise as commuting times to the CBD are reduced.

*Consistent demand is driving the entry price for newer units above this benchmark though older properties still provide close proximity to the CBD....*



## Regional New South Wales

### Newcastle / Hunter

#### Investors

In the under-\$500,000 market the Hunter region offers good investment opportunities across the board. Rental vacancies are very low at 1.5% and rental growth is strong, taking many properties close to being cash flow positive. It is worth focusing on areas with proximity to major employers as these offer year-round tenant demand. Waratah, Jesmond and Shortland for instance are all close to either major Newcastle hospitals or the University of Newcastle. Further afield, Singleton, Rutherford and Aberglassyn are all benefiting from the strong mining sector and rental growth in these areas is very healthy. Plenty of new housing stock is becoming available, and these properties offer more generous depreciation allowances than older dwellings.

#### Owner occupiers – single, without children

With the exception of Newcastle's prestigious inner suburbs like The Hill, Cooks Hill, Merewether, The Junction and Hamilton South, a budget of \$500,000 offers plenty of buying choices in the Hunter capital. Apartments in Newcastle and Honeysuckle are definitely worth considering for amenity and proximity to beaches but a strong supply of apartments points to limited capital growth over the next two years at least.

#### Families

For families eager to maximise their purchasing power, it may be worth thinking about building a new home on the fringes of Newcastle, where a budget of \$500,000 will buy a 4-bedroom, 2-bathroom project home with full landscaping. Again, we wouldn't expect significant capital gains over the near term.

*For families eager to maximise their purchasing power, it may be worth thinking about building a new home on the fringes of Newcastle....*



## Central Coast

### Investors

The median house prices for Gosford and Wyong is currently \$400,000 and \$325,000 respectively, which gives investors with a \$500,000 budget a multitude of options on the Central Coast.

Possible choices range from a house in Woy Woy or a unit at Umina to a holiday letting in Avoca though recent months have seen a noticeable escalation of investor interest in San Remo, Blue Haven, Narara, Umina Beach and Woy Woy. Support for these locations is underpinned by yields ranging from 4.5% to 6%.

### Owner occupiers – singles and families

Across the Central Coast the residential property market is dominated by freestanding houses, which are ideal for owner occupiers with or without children. In the under-\$500,000 price range the Wyong suburbs of Woongarra and Hamlyn Terrace offer great value for money with appealing locations, and a healthy supply of reasonably new, project style dwellings. It is still possible to pick up a 4-bedroom, 2-garage home and get change from \$500,000 and the longer term capital growth prospects of these areas appear moderately good.

## Mid North Coast

The main regional centres of the Mid North Coast – Forster, Taree, Kempsey and Port Macquarie, all offer significantly lower median house prices than most capital city markets, with a good choice of properties priced below \$500,000 suitable for both investors and owner occupiers.

The seaside locations of Forster and Port Macquarie have expanded substantially over the last two decades following rapid population growth, and purchasers in the under-\$500,000 price range will usually have to choose between a well located though dated 1970's brick house - usually with a good aspect and proximity to the water, or a larger modern house in one of the region's newer residential estates. Typical buyers in this price bracket tend to be either families upgrading to a second home or retirees, though families tend to favour modern comforts over location. Investors in the Mid North Coast could bear in mind the possible use of a rental property as a future retirement home or holiday house.

In Taree and Kempsey, a budget of \$500,000 would place buyers at the prestige end of the property market. Houses in this price range are usually located near the Manning River or are semi-rural acreage properties with proximity to the coastline.

*Across the Central Coast the residential property market is dominated by freestanding houses, which are ideal for owner occupiers with or without children.*

## Investors

On a budget of \$500,000, investors are able to consider the option of purchasing two or more properties at the lower end of the market where rental vacancies are very tight, yields are high and there is greater potential for capital growth. As a guide, in Port Macquarie and Forster it is possible to buy an older style 2-bedroom unit close to the beach for less than \$250,000. Alternately, pre-1975 houses close to the town centre or modern villas suitable for retirement can be purchased for under \$350,000.

In Taree/Kempsey investors with a buying budget of \$500,000 could afford to purchase three dwellings and we would recommend targeting prime locations – notably older houses on large lot sizes. The older part of Taree West, which was developed pre-1985, offers excellent value for money with a good selection of houses currently listed for sale for less than \$250,000. Some former Department of Housing properties can be purchased for less than \$125,000. These properties are returning rental yields in the order of 7% to 8%.

Do note, in the current weak market both investors and owner occupiers stand to benefit from a growing number of forced sales. This is being exacerbated by an oversupply of modern high-rise units in Forster, and weakened demand in the \$450,000-plus price range throughout the Greater Taree area.

*In Taree/Kempsey investors with a buying budget of \$500,000 could afford to purchase three dwellings and we would recommend targeting prime locations.*





# ACT

Canberra currently has a median house price of \$505,000 while the median for units is \$416,000. So buyers with a budget of \$500,000 are limited to the lower end of the ACT market. Nonetheless this budget would secure an older 4-bedroom/ensuite house in the outer suburbs, or a 3-bedroom dwelling in one of the region's newer developments. For buyers considering suburbs closer to the CBD, a \$500,000 budget would limit purchase options to 1- or 2-bedroom units.

## Investors

Canberra's inner north and inner southern suburbs offer plenty of appeal, and investors on a tight budget would be able to afford a 1-bedroom, 1-bathroom unit. These locations offer good proximity to the Canberra CBD, government employment centres, schools and other amenities, and rental yields of around 5.5% are achievable at this end of the market.

## Owner occupiers – single, without children

On a budget of \$500,000 owner occupiers will need to look in the more affordable areas of Woden, Weston, Belconnen and Tuggeranong, where properties in this price range offer larger block sizes, 3- to 4-bedroom houses and established neighbourhoods. Prospects for capital growth are good over the medium to long term.

## Families

Families should also focus their search on suburbs like Woden, Weston, Belconnen and Tuggeranong. The current median house price in these locations is about \$505,000 and along with generous lot sizes, residents enjoy plenty of nearby family-friendly services including shopping centres, schools and hospitals. Young families may also consider the developing district of Gunghalin where some new homes may be available in this price range.

Source: Herron Todd White

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1300 880 489

[htw.com.au](http://htw.com.au)

[admin@htw.com.au](mailto:admin@htw.com.au)

HERRON TODD WHITE  
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