



**Westpac**

# NSW/ACT

Property Report – April 2015

 **HERRON  
TODD WHITE  
RESIDENTIAL**

## National Overview

This quarter, we asked Herron Todd White property experts to identify the hidden gems of Australia’s residential property market – locations that combine affordability with strong prospects for future growth. As our research confirms, it is still possible to find such property jewels, and a few leading indicators can pinpoint where to look.

### NEW INFRASTRUCTURE DEVELOPMENTS

In Sydney’s north-west growth corridor the construction of a new business park and infrastructure improvements have the potential to underpin healthy long-term price growth in the ‘Macquarie’ towns of Richmond and Windsor. At present, dwellings in these locations are available for under \$500,000.

In the South Australian capital of Adelaide, West Croyden could be a key beneficiary of the Royal Adelaide Hospital, due for completion in about 2016. Already the suburb is benefiting from new local infrastructure, including shopping centres and bikeways. The median house price in West Croyden is \$470,000.

In Queensland, values in the Brisbane suburb of Salisbury have the potential to rise following major works, both planned and under way, in nearby Mt Gravatt. Entry-level dwellings in Salisbury are priced from around \$450,000.

### LARGE ALLOTMENTS

Large lot sizes can be another factor indicating potential hidden gems. To Sydney’s west, generous lot sizes in Blacktown and Penrith are proving attractive to investors hoping to construct a second dwelling. A similar pattern is being seen in the Perth suburb of St James, where large allotments give investors the option to tenant a dwelling while planning for duplex development of the land.



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### THE RIPPLE EFFECT

The ripple effect, where rising property prices spread outwards from one suburb to neighbouring areas, can be a marker of hidden property gems. In Melbourne, for instance, Altona North has a median dwelling value of \$560,000. Yet nearby Williamstown enjoys a median house price of \$959,000, and neighbouring Newport has a median house price of \$740,000. The price differential gives Altona North plenty of scope for future gains.

In Tasmania, the ripple effect of rising prices in inner Hobart locations could pinpoint Moonah as a potential hidden gem. The median house price in Moonah, situated just 4 kilometres to the north of the city centre, currently stands at \$279,500.

### GOVERNMENT INITIATIVES

In the Northern Territory, the government's 'Real Housing for Growth' plan gives investors a guaranteed rental cash flow. At present, property is available under the scheme in Coconut Grove in Darwin's north and in the satellite city of Palmerston. Properties in these areas are priced from about \$420,000.

### LOCAL IMPROVEMENTS

The Canberra suburb of Narrabundah is well placed to benefit from the development of the Kingston Foreshore waterfront precinct combining arts, cultural, recreation and dining facilities, on the edge of Lake Burley Griffin. Medium-density housing options in Narrabundah start in price at about \$350,000.

The list of hidden gems identified in this edition of the Herron Todd White Westpac Property Report is by no means exhaustive but we hope it provides food for thought on where to look for your next investment property.

Brendon Hulcombe

**CEO - HERRON TODD WHITE**

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## New South Wales



Due to the growth in property prices within the greater Sydney metro area in recent years, many of the hidden gems have been exposed, but with a little digging it is still possible to uncover some investment pearls.

Eastern Suburbs – older apartments offer potential for gains  
In the Eastern Suburbs, opportunities for investors can be found in studio units and older 1- and 2-bedroom units.

There is a ready tenant pool for these properties, though market values vary widely depending on the condition of the property and availability of features such as balconies, parking and common facilities. As a guide to the market, a 1-bedroom unit in Potts Point recently sold for \$520,000 and is currently tenanted for \$495 per week. An increase in the value of these properties over time is a near certainty.

### **Business expansion in the north-west**

To Sydney's north-west, the 'Macquarie' towns of Richmond and Windsor have previously been constrained by limited transport and employment opportunities. However, the opening of Sydney Business Park at Marsden Park looks set to change this. The development features large-scale tenants such as Bunnings, Masters Home Improvement and McDonalds, with Ikea due to open its doors mid-year. Sydney Business Park's commercial floor area will eventually exceed that of nearby Norwest Business Park.

In Richmond, 3-bedroom townhouses are priced in the mid-\$400,000s and weekly rents are up to \$500. Older 4-bedroom clad houses offering buyers the potential to improve or demolish and rebuild are priced from about \$500,000.

In the popular Hills District, Winston Hills has never enjoyed the high profile of neighbouring Baulkham Hills, yet it offers similar amenities: access to the M2, an easy commute to Parramatta and Castle Hill regional centres, and quality local schools. The majority of the suburb was developed in the 1980s, providing investors with potential refurbishment opportunities.

Townhouses in Winston Hills are priced from the mid-\$600,000s, with 3-bedroom brick houses currently selling for \$800,000 to \$900,000. Weekly rents have increased significantly in the past two years and are currently in the order of \$600.

Blacktown and Penrith offer large lot sizes

To Sydney's west, Blacktown and Penrith may present a range of property options and price points. Both locations offer employment opportunities, train links, and access to the M4 motorway, established retail centres, local schools, TAFE campuses and the nearby University of Western Sydney. In recent times we have seen a surge in investors capitalising on the larger blocks of the western Sydney region by adding a second dwelling in the rear yard.

In Blacktown and Penrith, older cottages set on 600 square metre lots are selling for around \$500,000 and weekly rents are up to \$320.

## Regional NSW

### FAR NORTH COAST

Some locations on the Far North Coast have experienced strong growth over the past two years, though there are still opportunities for gains over the next five to ten years.

Within the coastal locations of Ocean Shires, Byron Bay, Lennox Head and Ballina, improved rental returns and falling interest rates are bringing renewed interest from investors for property priced up to \$450,000. For investors prepared to think outside the square, a hidden gem could be found by converting a home with more than 5-bedrooms into two separate flats, subject to council approval.

### COFFS HARBOUR

The Coffs Coast's gentle climate and strategic position between two major capital cities on Australia's east coast has seen the city grow into a regional hub for business and government. The townships of Toormina and Boambee East offer affordability, and over the past year values in these suburbs have risen by 2.8% and 1.6% respectively. Investors can expect gross yields of around 5.5%.

### MID NORTH COAST

On the Mid North Coast the larger towns of Port Macquarie, Forster-Tuncurry, Taree and Wauchope offer the best opportunities for high rental returns coupled with a modest purchase price.

The smaller coastal villages of Laurieton, North Haven, Old Bar, Diamond Beach, Smiths Lake and Elizabeth Beach are starting to see increased investor demand, though at a slower rate than the larger regional centres.

Rental vacancies are almost nonexistent in the Mid North Coast's larger townships and rents have been rapidly rising over the past six months. The western areas of Port Macquarie are expanding rapidly, with new subdivisions selling out as fast as they are being developed. A high

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proportion of these house-and-land sales are to investors. Price growth in these areas is likely to be supported by the construction of the new Charles Sturt University campus in Port Macquarie and the Pacific Highway upgrade between Port Macquarie and Kempsey.

### **NEWCASTLE**

With most locations in Newcastle and Lake Macquarie having increased in value significantly over the past 12 to 18 months, we feel areas outside of the established inner-city suburbs offer the best opportunities for growth in the short to medium term.

Edgeworth and Wallsend offer close proximity to developing residential estates, Stockland Glendale retail centre and the M1 Freeway. Housing stock in the new-build areas is selling in excess of \$500,000, while older stock in Edgeworth and Wallsend is far more affordable, with some properties selling in the low \$300,000s depending on quality and land size.

Gateshead and Windale have traditionally been regarded as lower-socioeconomic areas of Newcastle, though this is changing as many Housing Commission homes are sold to owner-occupiers and the area is lifted as a consequence. Nearby facilities include Lake Macquarie Private Hospital, Charlestown Square retail centre and Hunter Sports High School.

### **ILLAWARRA**

The Illawarra property market has continued to strengthen during 2015 and the market shows no sign of slowing in the short term. Investors are currently flocking to the Illawarra market – partly due to its greater affordability compared with Sydney – and this is most evident in the abundance of new and off-the-plan units being sold in and around the Wollongong CBD.

These units are seen as sound investments, both from a capital growth perspective and for rental returns. By way of example, a 3-bedroom unit in a new Wollongong complex sold for \$405,000 in June 2012 and resold in March 2015 for \$569,000. This type of property typically delivers a gross yield of 5% to 5.5%. Investors need to be aware of the risk of a possible oversupply of units in the Wollongong area.

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## Australian Capital Territory

The Canberra suburb of Narrabundah is definitely worth a look by investors. The suburb provides relatively affordable traditional and medium-density housing options in a desirable inner south location close to the Kingston Foreshore, a developing entertainment precinct on Lake Burley Griffin.

Narrabundah offers proximity to key retail centres, including the Griffith shops, Narrabundah shops, Kingston and Manuka. It is close to Parliament House and other government office precincts such as Barton, and it adjoins the prestigious suburb of Griffin.

A surprisingly wide range of price points is available to investors in Narrabundah. At present, standard dwellings range in price from a base of \$550,000 to as much as \$1.2 million. Medium-density housing options range from \$350,000 to \$850,000. Gross yields of 4% to 5% are achievable for standard housing, and medium-density properties can deliver yields of more than 5%.

Healthy capital growth is expected over the medium to long term, with annual price appreciation of 1% to 2% likely over the next five to ten years.



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