

The Westpac logo, consisting of a stylized 'W' followed by the word 'estpac' in a sans-serif font.

NSW/ACT

Property Report – October 2014

The logo for Herron Todd White Residential, featuring a stylized grid of dots to the left of the text 'HERRON TODD WHITE RESIDENTIAL' in a bold, sans-serif font.

National Overview

In this edition we asked Herron Todd White property experts to identify affordable suburbs with growth potential that are suitable for both first home buyers and entry-level investors. We discovered that there is a wide choice of suburbs that fit the bill – many with entry-level prices below \$450,000.

Across Australia's diverse property markets, we found that suburbs located a little further out from city centres are often ideal candidates for first home buyers and entry-level investors. In the Perth suburbs of Joondalup and Currabine, for example, 3-bedroom duplexes are available for around \$420,000 with these suburbs becoming more central as areas to Perth's north are developed.

In fact, as a city's outer suburbs become self-sustaining, there is often less need to commute to the CBD. This certainly applies to the Parramatta area of north-western Sydney. Apartments in North Parramatta, Westmead and Harris Park are priced from the high \$300,000s, and as a large commercial and retail hub, Parramatta offers extensive employment opportunities – a strong foundation for future price appreciation.

The same trend is seen in Palmerston in the Northern Territory, where first home buyers and entry-level investors can pick up quality apartments in the mid-\$400,000s, yet easily commute to Darwin.

In Queensland, the Gold Coast offers real potential for first home buyers and entry-level investors. Market conditions have improved in many pockets of the Coast over the past 8 months, and the Cabarita Beach / Bogangar area is especially worth a look as it features a primary school, new supermarket and proximity to the beach. Basic houses are still available for under \$400,000, while older duplex units are selling in the low \$300,000s.



Market conditions have improved in many pockets of the Coast over the past 8 months, and the Cabarita Beach / Bogangar area is especially worth a look as it features a primary school, new supermarket and proximity to the beach.

In Tasmania, the First Home Builder Boost (worth \$30,000 until 1 January 2015) is encouraging first home buyers to snap up affordable land in the Hobart suburbs of Oakdowns and Howrah, as well as Newnham and Prospect in Launceston. Government incentives also make it attractive to opt for a new build in Adelaide, and buyers who pick up infill lots in suburbs such as Ingle Farm and Seacombe Gardens will benefit from the extensive road improvements planned for the southern suburbs of Adelaide.

Of course, excellent buying opportunities can also be found in regional cities. In Victoria, the city of Bendigo has a large population of around 80,000 and a robust local economy. It's an affordable market for first home buyers and entry-level investors, with a median price of around \$312,500 for 2-bedroom houses.

I invite you to take a further look at the Westpac / Herron Todd White Property Report for Q3 2014 to discover the key areas offering entry-level prices in your preferred state or territory, and the drivers likely to support long-term price growth.



New South Wales



In the city's eastern suburbs, first home buyers with a budget of \$600,000-plus may wish to consider Maroubra and Kingsford, where median unit prices are \$630,000 and \$700,000 respectively. These locations offer proximity to the beach, the University of NSW and the CBD, with both well served by public transport. Continued capital growth is likely to be supported by the proposed light rail link to Kingsford.

SYDNEY – FIRST HOME BUYERS EMBRACE NEW SUBURBS

In Sydney's west, more-affordable price tags can be found in Parramatta and the surrounding suburbs of North Parramatta, Westmead and Harris Park, where a range of apartments are available priced from the high \$300,000s. As Parramatta is a large commercial and retail hub, the area offers strong employment opportunities coupled with lifestyle amenities, including the city's riverside cultural precinct.

In Sydney's south-west growth corridor, new suburbs such as Gregory Hills, Oran Park and Elderslie are springing up, with additional estates being developed in Leppington, Edmondson Park and West Hoxton. These suburbs should benefit from improvements to transport links, including the rebuilding of Camden Valley Way and construction of the south-west light rail link.

House and land packages are abundant in the new estates in the south-west, which offer community facilities, playgrounds and parklands. Lot sizes are typically 300 to 450 square metres, and package prices generally range from \$480,000 to \$600,000. We anticipate steady price growth in these areas because the wealth of local amenities will reduce the need for proximity to the Sydney CBD over time.

PENRITH AND BLACKTOWN – OFFERING INVESTORS AFFORDABILITY

Investor demand is robust in Sydney's outer west, and in suburbs such as Blacktown and Penrith, 2-bedroom units are still available for \$300,000 to \$400,000. Weekly rents range from \$320 to \$450 depending on individual dwellings and proximity to amenities. Properties in these areas offer strong capital growth potential, especially if located within walking distance of transport and shops.

CENTRAL COAST – OPPORTUNITIES TO BUILD

The Central Coast region provides abundant opportunities for first home buyers and entry-level investors alike, especially in suburbs such as Narara, Woy Woy, Umina Beach, Tumbi Umbi, Berkeley Vale, Killarney Vale and Budgewoi. Buyers looking to build new homes may be limited to Woongarah, Hamlyn Terrace and Narara, where vacant land is readily available and lots of 550 to 700 square metres are priced from \$250,000.

In Woongarah, at the northern end of the Central Coast, established 4-bedroom houses are priced at around \$410,000, while in Umina Beach to the south, older 2-bedroom fibro dwellings can be picked up for about \$335,000. The area's median house value is currently \$468,000 – up from \$429,000 a year ago. Rents are in the vicinity of \$300 to \$400 per week with dwellings in older areas such as Umina Beach and Woy Woy that offer rear lane access are popular among investors, who can earn gross yields of up to 8% by adding a second dwelling.

NEWCASTLE – CONTINUED POPULATION GROWTH

The Newcastle suburbs of Mayfield, Waratah, Kotara and Adamstown are well suited to first home buyer budgets, with prices starting at around \$400,000 for older houses. Entry-level prices have climbed by 15% in the past 12 months, and the growth trend is expected to continue over the next 5 to 10 years as Newcastle's population expands. Rents in these suburbs range from around \$450 to \$500 per week.

NORTH COAST – SUPPORT FOR NEW CONSTRUCTIONS

The Coffs Harbour area offers a good supply of affordable homes priced below \$350,000. However, it is in Lismore that first home buyers are most active, taking advantage of property prices ranging from \$150,000 to \$225,000. Precincts such as Ballina Heights, Alstonville and Mullumbimby have seen a spike in first home buyer interest over the past six months, buoyed by Ballina Council's Land Buyers Subsidy Scheme, which assists low to moderate income earners purchase land on which to build a home.

ILLAWARRA REGION – STRONG FUNDAMENTALS

The top first home buyer suburbs in the Illawarra include Figtree, Dapto, Albion Park and Flinders, along with Shell Cove in the Shellharbour area, and Fairy Meadow, Balgownie and Corrimal in the north. These suburbs are all on or close to train lines and bus transport; they offer low entry prices and have good schools plus proximity to Wollongong CBD and beaches. In the lower price brackets, apartments tend to be most affordable, with a median price of around \$250,000.

New house and land packages are available in the Shellharbour area, with prices starting in the high \$400,000s. Over the past year we have seen a steady strengthening in prices across most sectors. All of the locations noted would also make good investment holdings. Standard dwellings rent from \$400 to \$500 per week and vacancy rates are low. Rental demand is strong and the capital growth fundamentals for Wollongong include lifestyle elements, critical population mass, and proximity to Sydney employment centres.

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ACT

The key issue facing first home buyers in the ACT is affordability. Purchasing property close to centres such as Belconnen, Tuggeranong, Canberra City and Gungahlin Town Centre can be a sensible strategy. Medium-density properties provide more affordable options, with prices of around \$350,000 to \$400,000, just below Canberra's typical price point for first home buyers of \$400,000 to \$450,000.

Rental returns have softened in Canberra's unit and housing markets as more stock has become available. As a guide, the inner-city unit market in Braddon, Lyneham, Kingston and City remain subdued due to recent increases in supply following the completion of apartment developments such as Kingston Foreshore and Manhattan. Long-term forecasts for these locations remain strong, with demand expected to catch up to current supply levels over the short to medium term. Nonetheless, investors need to set and review realistic rent levels to avoid vacancy issues. Weekly rents for new, centrally located units are around \$350 for a 1-bedroom apartment, rising to \$600-plus for 3-bedroom units.

The key to successful investing in Canberra's current market is to take a long-term approach. Property investors should consider targeting centrally located properties close to services. Locations such as Curtin, Hughes, Garran, Cook and Aranda provide healthy rental yields in the order of 4.5-5% coupled with strong capital growth potential.

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