



Westpac

Queensland

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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Within the Brisbane market, a potential hidden gem is Salisbury, located 11 kilometres south of the city centre. While Salisbury itself offers limited local amenities, the adjoining suburbs of Tarragindi and Moorooka offer abundant schools and shops.

However, the growth potential of Salisbury lies in the suburb's proximity to Mt Gravatt – a major transport hub featuring a busway with direct access to the CBD. The local Garden City Shoppingtown has undergone a major refurbishment, and further development is planned for Mt Gravatt in the future. We believe that the proposed development may have a ripple effect, pushing up values in nearby Salisbury. At present, entry-level dwellings in Salisbury are priced at \$450,000 to \$500,000.

Slightly closer to the Brisbane CBD, Greenslopes is located about 5 kilometres to the city's south-east. The suburb is well served by schools, shops and access to the busway, which provides a direct link to the city. Apartments in Greenslopes are priced at \$300,000 to \$350,000, with gross yields of 4% to 4.5%.

GOLD COAST

For Gold Coast investors, two suburbs in particular – Helensvale and Pacific Pines – hold plenty of potential.

It is strongly anticipated that in the near future approval will be granted for an extension of the Gold Coast's light rail service from its present western station at Parkwood through to Helensvale, where it will link with the heavy rail line at the Helensvale station. This extension will significantly enhance the accessibility of both Helensvale and Pacific Pines from the more central areas of the Gold Coast, while also alleviating peak-hour traffic congestion.

Four-bedroom homes in Helensvale can be purchased for around \$450,000 – around 5% to 10% less than the typical asking price in neighbouring suburbs such as Ashmore – and weekly rents of \$475 are achievable. In Pacific Pines, modern 4-bedroom houses are selling in the low \$400,000s and achieving weekly rents of around \$450.

TOOWOOMBA

The impact of infrastructure projects such as the West Brisbane Wellcamp Airport and the Second Range Crossing are likely to maintain the momentum of the Toowoomba residential market.

For yield-focused investors, Toowoomba locations providing the highest rental returns tend to be those developed in the 1970s and 1980s, such as Kearneys Spring, Glenvale, Newtown, Wilsonton and Rockville. Yields in these localities sit between 5% and 5.5%, and tenant demand remains consistent, supported by close proximity to amenities.

However, for capital gains it pays to consider properties located in the more established suburbs of East Toowoomba, Mount Lofty and Middle Ridge. These locations have lower average yields – approximately 4% to 5% – due to the older style of the dwellings, but consistent demand from owner-occupiers underpins capital growth opportunities.

ROCKHAMPTON

Most investors in Rockhampton are seeking affordability coupled with healthy rental returns, and the suburbs of Wandal (south Rockhampton) and Norman Gardens and Frenchville (north Rockhampton) meet both criteria. That said, investors – especially interstate buyers – need to be mindful that some areas of Rockhampton, including parts of the suburbs noted, are prone to flooding.

Wandal is relatively free from seasonal flooding and combines affordable pricing with all the features of Rockhampton's south side, including access to the CBD, sporting facilities, schools and hospitals. Wandal prices range from \$250,000 to \$350,000.

In north Rockhampton, Norman Gardens is part of the growth corridor that includes new residential estates, which are changing the demographics of the area and leading to an expansion of key facilities, such as neighbourhood shopping precincts. Rockhampton's CBD and other amenities, including hospitals, are a short commute away. Entry-level prices in the north Rockhampton area range from \$300,000 to \$350,000 for a basic high-set 3-bedroom home dating from the 1970s.

Gross yields are generally around 5% to 7%, and we anticipate values remaining steady in the short term.

TOWNSVILLE

Townsville city centre is poised to benefit from several proposed projects, including the construction of a new super stadium, expansion of the Port of Townsville and the development of Townsville Marine Precinct. These developments are expected to increase the popularity of inner-city locations such as South Townsville, Railway Estate and The Village at Oonoonba, making these suburbs worth a look by investors.

South Townsville and Railway Estate are both established, older suburbs mostly comprising timber-frame dwellings of modest to above-average

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quality. Entry prices tend to be in the mid to high \$200,000s, with yields of around 5% to 6%. Within The Village residential estate at Oonoonba, small modern 2-bedroom homes on 150 square metre allotments are priced from \$289,000 and are achieving gross yields of up to 6%.

Older pockets of Townsville, such as Douglas, may also appeal to investors owing to their close proximity to the employment opportunities at James Cook University and the Aitkenvale commercial precinct. There are a number of expansion and development proposals earmarked for this area, including the Discovery Rise precinct, a new residential knowledge community being developed alongside James Cook University. Entry prices in this area are below \$300,000, with yields of up to 6% being achievable.

CAIRNS

Cairns is once again re-emerging as an investment hotspot, in part due to its relative affordability but also because the local economy is improving on the back of the lower Australian dollar, which is expected to have a positive effect on tourism.

House prices in Cairns range from around \$270,000 through to \$750,000, with a current median price of \$388,000. Apartments are more affordable, with a median value of \$197,000. Median weekly rents are \$390 for houses and \$270 for units.

Gross yields do tend to be more generous for apartments in Cairns but investors should be aware that high ownership costs (in the form of building insurance charges built into body corporate levies) can eat away the difference.



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