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Queensland

Property Report – October 2014

 **HERRON
TODD WHITE
RESIDENTIAL**

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.



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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.



Queensland



Brisbane

First home buyers in Brisbane can find value in suburbs located within 8 to 12 kilometres of the city centre, such as Greenslopes, Holland Park, Stafford and Kedron. These suburbs offer proximity to public transport plus local schools, cafes and retail precincts. Entry-level prices are around \$480,000 to \$550,000; up from about \$450,000 a year ago. The proximity of these suburbs to the CBD should support long-term capital growth.

These locations are also suitable for entry-level investors. However, while houses are generally the better option for long-term capital growth, units are more affordable and offer potential for superior rental yields. Median rents in Greenslopes, Holland Park, Stafford and Kedron are around \$360 to \$390 weekly, a figure that has generally remained static over the past year.

GOLD COAST / TWEED

Market conditions have improved over the past 8 months in the Gold Coast / Tweed area, with values rising 5-10% in the under-\$600,000 price bracket favoured by first home buyers. The Cabarita Beach / Bogangar area is especially worth a look, as it features a primary school and a new Woolworths supermarket and is close to local beaches and Coolangatta Airport. Basic houses can still be purchased for under \$400,000, while older duplex units are selling in the low \$300,000s. This area should also be on the radar of entry-level investors, who can achieve weekly rents of \$275 for low-rise units or \$400 for basic 3-bedroom houses.

At the southern end of the Gold Coast, market conditions have improved around Tugun and Bilinga. Houses are still available from \$400,000 and the area offers quality beaches plus proximity to schools, hospitals and the airport. Rental demand is generally stronger for houses than units, and this is reflected in higher rental returns.

In the central Gold Coast area, the Mermaid Beach market is especially strong in the under-\$500,000 price bracket. The entry-level price for a semi-modern, low-rise 2-bedroom unit is currently in the low \$300,000s, though stock is limited. Buyers are urged to steer clear of apartments with high body corporate costs and those showing signs of deferred maintenance, such as broken guttering or peeling paint. Local property managers are reporting strong rental demand, with 2-bedroom units in Mermaid Beach achieving weekly rents of \$340 to \$380.

In the northern end of the Gold Coast, the suburbs of Ashmore, Parkwood and Arundel offer abundant amenities, including the new light rail system. We suggest looking for houses on generous allotments to avoid high body corporate charges and the risk of oversupply from new unit developments. The median price on entry-level properties is currently about \$400,000 in these suburbs, and in our view, the next 5 years will see a boom period that could bring a 20% rise in property values. Key drivers for capital growth include population growth, the 2018 Commonwealth Games, and a return of interstate and international investors, including those from China.

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SUNSHINE COAST

First home buyers and entry-level investors can pick up established homes for \$350,000 to \$400,000 on the Sunshine Coast in non-beachfront locations such as Wurtulla, Currimundi, Sippy Downs, North Buderim, Coolum and Tewantin. Home units in this price range can be purchased in more desirable locations, including beachfront areas. Entry-level prices have climbed by up to 10% over the past 12 months, and we expect future price growth to hold steady at about 5% annually, notwithstanding interest rate movements. Gross rental yields of around 5% are achievable for houses, and slightly higher returns are possible for units.

DARLING DOWNS

Affordable housing plus low vacancy rates make Toowoomba's residential market well suited to entry-level buyers, including investors. Properties in the lower price brackets can be found in North Toowoomba, Newtown and South Toowoomba, which all offer proximity to schools, shops and the CBD. In North Toowoomba, home of the recently completed North Point Shopping Centre, housing options chiefly comprise older cottages. Prices of such homes have risen by 11.8% over the past year to currently sit at around \$310,000. Toowoomba is reasonably priced at present, providing room for value growth in the short to medium term. The city's vacancy rate is currently 1.7%, reflecting a strong rental market.



BUNDABERG

In the Bundaberg area, first home buyers are attracted to suburbs such as Walkervale, Norville and Svensson Heights, which are all in walking distance of schools and local shops. The entry price point is around \$200,000 to \$250,000 for older timber dwellings. House and land packages are available but are generally geared towards non-local investors and are priced at \$350,000 to \$400,000. Median rents in these suburbs range from \$250 to \$320 per week.

WIDE BAY

First home buyers are spoilt for choice in the Wide Bay area. Maryborough price points remain attractive, with a good supply of properties on the market for less than \$250,000. Hervey Bay offers a broad variety of dwellings ranging from older, established 3-bedroom homes priced below \$285,000 to new house and land packages priced at \$300,000 to \$350,000. Incentives for first home buyers include the Hervey Bay Housing Affordability Incentive Scheme, which contributes \$12,000 towards the purchase of a newly built property. Hervey Bay is currently experiencing steady rental growth, and entry-level investors should note that good quality, established 3- and 4-bedroom homes are commanding rents from \$280 to \$340 per week.

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GLADSTONE

Most of the market activity in Gladstone is currently centred on the \$250,000 to \$350,000 price bracket for older-style homes. Although the area hasn't seen prices this low since 2006/2007, any investment in the Gladstone residential market should be considered as a long-term proposition, given the market's historic volatility.

ROCKHAMPTON

First home buyers would do well to consider the suburbs of Wandal and Allenstown to the south of Rockhampton, and Berserker and Kawana to the north. Recent sales evidence suggests that the entry-level price in these locations has softened since the end of 2013, but our 5 to 10 year forecast is for entry prices to rise back to around \$350,000 to \$400,000 over the longer term. Median house rents in the suburbs noted are about \$280 to \$350 per week.

EMERALD REGION

Under current market conditions, buyers need to be aware of the risks of investing in Bowen Basin mining towns. From their 2012 peak, values in Moranbah have fallen by around 50%, in Dysart by 80%, in Blackwater by 50%, and in Emerald by up to 20%. It is possible that by the end of 2014 the mines will be at sustainable levels, and by 2015 we may have seen the property market level out.

MACKAY

First home buyers in Mackay are enjoying some of the best market conditions seen in quite some time. Dwellings built between 1950 and 1960 in established suburbs are selling in the low \$300,000s, while 1990s brick homes in suburbs such as Andergrove and Beaconsfield are selling in the mid- to high \$300,000s.

CAIRNS

Unit development is at a standstill in Cairns, and first home buyers wishing to take advantage of government grants for newly constructed homes may be restricted to the middle and outer suburbs of Cairns. There are some new estates offering house and land packages pitched at first home buyers, including Mountain View (priced from \$380,000) and North Point (\$370,000 to \$410,000). Established homes in Cairns start at around \$250,000, and the median dwelling price is \$370,000. We believe Cairns is on the cusp of property price acceleration and could achieve capital gains of 5-10% over the next 12 months, making the area attractive to both owner-occupiers and entry-level investors.



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