

Westpac

South Australia

Property Report – January 2015



National Overview

This quarter we asked Herron Todd White’s team of valuers to identify those suburbs ideally suited to upgraders. Despite differing market conditions around the nation, it is clear that upgraders often have remarkably similar aspirations when it comes to climbing the property ladder.

FOCUS ON NEARBY SCHOOLS

The move to a second, third or even fourth home is often triggered by the needs of a growing family, so proximity to quality schools and family-friendly facilities is often at, or near, the top of an upgrader’s wish list.

This is certainly the case in Sydney, where the population growth zones north-west and south-west of the city are proving extremely popular among second and subsequent home buyers. With homes priced anywhere from \$500,000 to over \$1 million in prestige locations such as The Ponds, these areas of Greater Western Sydney will benefit from improvements to transport infrastructure and the development of new employment hubs such as the Western Sydney Airport.

It’s a similar story in Brisbane, where upgraders are favouring family-focused northern suburbs such as Ashgrove, Wilston, Bardon and New Farm. Price growth in Brisbane has hovered around 5-10% in the past 12 months, and if interstate migration picks up, we could see further long-term gains in value across the city.

A CHANCE TO ENJOY MORE DESIRABLE LOCATIONS

Melbourne upgraders can take the opportunity to buy into one of the near-city suburbs that offer cosmopolitan living and charming character homes, such as South Melbourne, Thornbury, Williamstown and Essendon. The weak Australian dollar may stimulate further foreign investment in Melbourne, thereby supporting future capital growth.

In some areas, upgraders are taking advantage of increased home equity to trade up to more desirable locations. In Hobart, for instance, proximity to water frontage is a key drawcard, so we are seeing plenty of upgrader activity in waterfront locations such as Howrah, Sandy Bay, Lindisfarne, Bellerive and Blackmans Bay. It’s a similar situation in Adelaide, where the inner north-west suburbs between Croydon and St Clair offer nearby beaches and an easy commute to the CBD.



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In the Northern Territory, government incentives are enticing upgraders to consider brand new dwellings and units. This has underpinned the popularity of newer suburbs in Palmerston, including Durack Heights, Johnston, Zuccoli and Bellamack.

THE APPEAL OF LOCAL EMPLOYMENT OPPORTUNITIES

Not surprisingly, many upgraders regard local employment opportunities as an important location factor. In Perth, the opening of the new Fiona Stanley Hospital in Murdoch has stimulated upgrader activity in nearby Kardinya and Winthrop.

Upgraders are more experienced than first home buyers, and the buying trends we are observing suggest that many of today's upgraders are very selective about the area they buy into. As location remains a driving force of future capital gains, I am confident this considered approach will pay off over time.

Brendon Hulcombe

CEO - HERRON TODD WHITE



South Australia

Adelaide

Adelaide's residential property market has shown improved conditions resulting in price growth of around 2.5% over the past 12 months. This slow recovery from the bottom of the market is expected to continue over the short term in the absence of any major changes to the South Australian economy.

That said, we have observed increasing buyer interest across the middle market, reflecting interest rates that are holding steady at historical lows.

At present, it is a lack of stock listed for sale that appears to be holding this segment of the market back. However, as 2015 unfolds it is possible that properties in the middle market – traditional upgrader territory – could achieve price growth for the year of up to 5%.

INNER NORTH-WEST SHINES FOR UPGRADERS

The upgrader market in Adelaide is significant and diverse. Many people tend to remain in an area close to where they grew up, and then progressively upgrade to bigger or better homes over time. Others move closer to the city or the beach or to a location offering features that appeal to their particular family. Importantly, Adelaide's market supports this diversity with a significant choice of properties priced in the \$450,000-\$700,000 range.

For today's upgraders, Adelaide's inner north-western suburbs – from Croydon to St Clair – offer plenty of appeal. This precinct is located 4-10 kilometres from the Adelaide CBD and just a short trip from the western metropolitan beaches. The area offers an interesting mix of brand new and older character dwellings, and there is a growing range of transport options.

Indeed, both St Clair and Bowden feature new transit-oriented housing developments (TODs) that are supported by significant improvements – either completed, under construction or proposed – to local infrastructure and services.

Among the improvements are upgrades to existing rail lines, including new stations accompanied by park-and-ride facilities and access to the tram line, which terminates at Port Road.

Also under construction are Greenways – continuous walking and bike paths – that connect the city to all of the suburbs running along the train line and eventually to Outer Harbour.



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Across this strip of inner north-western suburbs, new shopping centres are being constructed. Croydon already has a very popular high street with some delightfully quirky shops, excellent dining venues and a strong sense of local community. Additional restaurants, cafes, shopping and entertainment facilities are located at nearby Westfield West Lakes.

AN ATTRACTIVE MIX OF HOUSING OPTIONS

North-western Adelaide offers upgraders a choice of new developments and established suburbs with character dwellings. Many of the older homes are on larger allotments than newer builds, and this provides the opportunity to extend dwellings, while many other established homes offer scope for upgrading and renovating.

As a general rule, detached houses or duplexes, which have been gaining in popularity, remain the most popular option in Adelaide, and as a result have tended to deliver healthy capital growth and relatively quick selling times.

Capital growth in Adelaide's north-west is expected to be around 15-20% over the next 5 years. It is difficult to make specific growth predictions beyond 5 years as there are always unforeseen factors which may influence the property market. However, at this point in time, we cannot see any factors that are likely to result in any negative growth over the medium to longer term.



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