

Westpac

South Australia

Property Report – April 2014



 **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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South Australia



Adelaide's residential property market has been slowly improving since the downturn that occurred between 2010 and 2012. The market is still in the early stages of the upward phase of the cycle and the prevailing view is that Adelaide is likely to experience a slow but steady recovery over the long term.

Adelaide's owner-occupiers are traditionally quite conservative, often preferring to pay off their homes or extend and renovate their properties, rather than pay the expenses associated with upgrading, such as stamp duty, agent's fees and legal fees. This being the case, we are seeing limited stock come onto the Adelaide market at the present time.

Property investors in Adelaide do appear to be showing increased interest in the residential market as low – and falling – interest rates steadily whittle away the returns on cash-based investments. With interest rates looking set to remain at very low levels for the foreseeable future, the Adelaide property market appears well placed to deliver solid medium- to long-term returns for investors.

Indeed, Adelaide offers plenty of appeal for investors. Entry-level prices are affordable – currently the lowest on the mainland – and gross rental yields are historically very stable, ranging from 3% to 5%. The property price correction of recent years has pushed yields towards the upper end of this range. Offering further impetus for investors, Adelaide has stable vacancy rates, which have fallen below 2% in many areas over the past few years.

Adelaide also tends to experience more moderate market cycles, and over the long term the city's residential real estate has traditionally produced solid returns. Nonetheless, when investing in the Adelaide market we always suggest purchasing 3-bedroom detached dwellings. These properties have historically tended to outperform units and apartments, and ongoing demand has made detached homes easier to sell.

We believe that over the short term, capital growth in Adelaide will be roughly in line with inflation; however, our five year forecast is for 15% to 20% growth. It is worth reiterating that there is limited stock coming onto the Adelaide market, especially within the middle segment. Limited supply coupled with increasing demand from investors may mean that properties sometimes sell for prices above expectations, with very quick selling times. This highlights the importance of taking prompt action once a suitable property has been found.

Middle-ring suburbs worth a look

When it comes to seeking hidden gems in the Adelaide property market we suggest looking at middle-ring suburbs. These are located 5 to 20 kilometres from the city centre and average prices range from \$400,000 to \$650,000. At this price point properties enjoy ongoing demand from buyers and therefore offer good resale potential and healthy prospects of capital growth. There is also solid demand from tenants, leading to low vacancy risk; and gross yields are typically in the order of 4% to 5%.

Within Adelaide’s middle-ring locations, properties close to local shopping centres, public transport, schools and hospitals are more sought after and therefore enjoy greater tenant demand and are likely to deliver stronger capital growth over time.

When it comes to selecting individual properties, we generally recommend looking at the more dated dwellings that may only require a minor cosmetic lift to make them ready for the rental market. These properties may also respond well to kitchen or bathroom upgrades. Further down the track, renovations or extensions may be an option to further maximise returns. Properties that meet this description also tend to have large allotments, which offer opportunities for future development or subdivision.

FINDON

Findon is located just over 6 kilometres to the west of Adelaide’s CBD. With a median house price of around \$431,500 the suburb is more affordable than adjacent suburbs closer to the beach, yet Findon residents still enjoy good proximity to the waterfront.

Findon is well served by Queen Elizabeth Hospital and numerous shopping centres. The suburb is also home to the 8,000-seat Adelaide Arena, the largest purpose-built basketball stadium in Australia.

Adding to the suburb’s appeal for investors, many of Findon’s older properties are situated on large allotments offering potential for subdivision. Access to improving transport along Port Road, including train stations and tram park-and-ride facilities, and designated bikeways into the CBD will help to underpin future price growth.

WEST CROYDEN

West Croyden, in Adelaide’s north-west, enjoys access to the infrastructure associated with Bowden Village and St Clair, including train, tram, new shopping centres and bikeways. It is also well situated to the new Royal Adelaide Hospital, which is due for completion in about 2016.

Like Findon, West Croyden features older properties on large allotments. The median house price is currently \$470,000.

BROADVIEW

Broadview is an inner north-eastern suburb located close to the prestige suburb of Walkerville. It is just 6 kilometres from the city centre, which can easily be accessed via public transport. Broadview’s median house price is \$485,000.

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