Westpac

South Australia

Property Report – April 2016

HERRON TODD WHITE RESIDENTIAL

National Overview

The residential property market has defied the pundits by continuing to push on in some parts of Australia, with Melbourne still (and perhaps worryingly) leading the way.

Initiatives introduced by the Australian Prudential Regulatory Authority (APRA) in late 2014 and mid-2015, which were designed to cool investor activity, have taken some of the heat out of the market, especially in Sydney. That's not a bad thing, as it will hopefully lessen the effects of a boom bust which we can see as cycles come to an end. However, for investors, it has taken the focus off speculative activity and forced a return to the fundamentals of what makes an area worth investing in.

This is the focal point of our latest report, and we find there is no single overarching factor across Australia. The factors that determine whether a suburb is worth investing in vary from location to location.

INNER-CITY AREAS HAVE PERFORMED WELL, BUT ARE THERE TOO MANY INVESTOR STOCK UNITS COMING ON-LINE?

In Brisbane and Melbourne, inner-city and city-fringe suburbs have continued to see units come up out of the ground. Melbourne suburbs such as Collingwood, Fitzroy, North Melbourne, South Melbourne and Port Melbourne have recorded steady capital growth over the past few years, and this will likely increase in to the long term as Melbourne continues to become decentralised (care needs to be exercised with units, especially within inner-city Melbourne).

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In Sydney, values have cooled, though property prices are still high by national standards, and some of the more affordable buying for investors can be found in what many believe is Sydney's second CBD: Parramatta. The city has a diverse economy and is home to several key government agencies and Western Sydney University, and Westmead Hospital is nearby. The NSW State Government's 20-year plan proposes an expanded role for Parramatta, as evidenced by the proposed relocation of the Powerhouse Museum from Darling Harbour. There are also plans to transform the 'auto alley' car yards that line much of Church Street into residential apartments. This will likely have a flow-on effect on adjoining suburbs such as Westmead, Pendle Hill, Harris Park and Toongabbie. With a median unit value of $563,000 and strong tenant appeal, Parramatta could be worth a look for investors.

The Brisbane housing market remains one of the most affordable of the capital cities, however the number of units now in the pipeline is cause for some concern given the number of locally generic two-bedroom, two-bathroom units marketed to investors.

REGIONAL AREAS CAN OFFER GOOD PROSPECTS

There is a valid case for investors to cast their net beyond state capitals. In NSW, for instance, the far north coast area around Coffs Harbour offers healthy longer term prospects. The upgrade of the Pacific Highway and the development of a more diverse economy mean the area is less reliant on tourism, and this bodes well for population growth and property price appreciation. Quality homes in beachside suburbs can still be picked up for just under $300,000.

It's a similar story in Queensland, where the Gold Coast is seeing plenty of buyer activity following a market lull. The 2018 Commonwealth Games is bringing activity to the region, and the associated infrastructure improvements should support price appreciation in local suburbs. The extension of the light rail service to Helensvale, for instance, will be a significant winner for that suburb and adjoining neighbourhoods. Detached houses in Helensvale can be picked for the low $400,000s.

Heading south to the ACT, proximity to services, schools, shopping and recreational facilities continue to be key drivers of capital growth in the Canberra area. Central suburbs such as Narrabundah and Ainslie, which offer such facilities in abundance, are delivering rental yields of up to 5%.

TASMANIA AND ADELAIDE REMAIN AFFORDABLE

Tasmania is starting to offer real appeal to investors. Vacancy rates tend to be low by mainland standards, and this is helping to underpin relatively robust rental yields. Hobart and its surrounds continue to top the league table of Tassie prospects, especially as a relocation of the Launceston Campus of the University of Tasmania is on the cards within the next five years.

In Adelaide, capital gains in near-city and beachside suburbs have reduced yields, and in the hunt for that elusive combination of growth and yield, investors would do well to look at suburbs located 10-20 kilometres from the CBD. Woodcroft, for example, offers improved commuter access following the completion of the duplication of the Southern Expressway in 2014. Older homes in Woodcroft can sell in the low $300,000s and yields are averaging 4.8%.

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PERTH AND DARWIN IMPACTED BY A TAPERING OF THE RESOURCE BOOM

The Perth property market has taken a hit since the winding down of the mining boom; however, for the savvy investor, this can spell opportunity. In the northern suburbs, the rezoning of Craigie and Padbury is creating conditions favourable for investors. The rezoning will result in upgrades to existing housing or its replacement with new stock, and it's expected that vacant space will be further developed. House prices in Craigie start at around $475,000.

In the Top End, following a massive capital injection in the form of the Inpex Ichthys LNG Project, Darwin's property market is entering a period of consolidation. But that's not to say it doesn't offer appeal to investors – although always exercise caution when buying property directly impacted by local resource led activity. Gross yields of 5.3% – far above what cities such as Sydney and Melbourne typically offer – are expected to continue. Likewise, the introduction of the Real Housing for Growth scheme by the Northern Territory Government will continue to tempt investors with the incentive of guaranteed rental leases. This scheme is aimed at increasing the stock of affordable rental properties for key service industry workers. Apartments continue to be the top choice among tenants in the Top End.

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South Australia

ADELAIDE

Historically, suburbs located nearest to the Adelaide CBD, such as Norwood and Prospect, and the beachside suburbs have benefited most from long-term capital growth. The trouble is that while these suburbs benefit from capital growth, the rental returns are generally quite low as a percentage of value.

In the chase for a combination of growth and yield, investors would do well to look at Woodcroft and Clearview, which are located between 10 and 20 kilometres from the CBD. Closer to the city, Croydon Park is worth considering.

WOODCROFT

Woodcroft is approximately 20 kilometres south of the Adelaide CBD, adjacent to the suburbs of Morphett Vale and Reynella East. Commuter accessibility to the suburb has been improved since the duplication of the Southern Expressway was completed in 2014.

The suburb offers a mix of housing, including courtyard-style dwellings built in the 1990s and older-style properties that are selling in the low $300,000s. Newer housing and detached housing on larger allotments typically sell in the $450,000 to $600,000 range.

Weekly rents in Woodcroft range between $300 and $480 depending on the features of a property, with an average yield of 4.8%, according to realestate.com.au. However, it's possible to generate stronger returns, as the sale of a 3-bedroom, 1-bathroom property located at Tuscany Way, Woodcroft, illustrates. The house is built on a 352 square metre block and recently sold for $307,500. It then listed for rent at $320 a week, which represents a yield of 5.4%.

A 3-bedroom, 2-bathroom property on Topaz Close, Woodcroft, built on a 556 square metre block, sold recently for $360,000. It listed for rent at $390 a week, which reflects a yield of 5.6%.

Accessibility to the CBD via the Southern Expressway; the continuing improvement of local facilities, including a new Aldi supermarket; competitive rental yields; and lower entry-level pricing will create long-term growth opportunities for investors who buy in Woodcroft.

CLEARVIEW

Clearview, with a median house price of $385,000, is situated 11 kilometres north of the Adelaide CBD and is near to Enfield and Northfield. It is currently experiencing increasing in-fill development as older housing is demolished to make way for newer housing stock.

Investors should take note that Clearview provides a more affordable option to nearby Broadview and Prospect. It is also situated close to the Lightsview development in Northgate and the Churchill shopping centre, which includes a new Costco supermarket. There are older-style dwellings on larger allotments available in Clearview that are valued between $300,000 and $400,000. Newer housing on courtyard-style allotments typically sell in the high $300,000s to $500,000.

Weekly rents typically range between $250 and $450, depending on the features of the property, with an average yield of 4.7% for detached housing, according to realestate.com.au. Most of the recent sales in Clearview haven't been listed for rent. This indicates that investors will have to contend with strong demand from owner-occupiers to secure rental properties in Clearview.

Houses tend to be more popular than apartments, in fact, there is limited unit-style accommodation in the suburb. The increasing in-fill development in the area is resulting in a larger number of small courtyard-style dwellings, which may attract investors.

CROYDON PARK

Croydon Park, with a median house price of $385,000, is adjacent to the popular suburbs of Croydon and West Croydon and close to the Queen Street cafe precinct. It is approximately 8 kilometres from the Adelaide CBD and is well served by the Centro Arndale Shopping Centre.

There are railway stations at nearby West Croydon and Dudley Park, which provide good access to the Adelaide CBD. There are older-style dwellings on larger allotments generally available in the $350,000 to $450,000 range, while newer housing typically sells from $450,000 to $550,000.

Weekly rents in Croydon Park range from $320 to $460 depending on the overall features of a property, with detached housing generating average yields of 4.7%. Units rent for between $200 and $300, although a limited number of properties recently sold in Croydon Park are listed for rent. This indicates reasonable demand from owner-occupiers for local real estate.

There are a number of factors that could combine to drive long-term capital growth for Croydon Park real estate. The suburb's reasonable proximity to the CBD, coupled with its affordability when compared to West Croydon and Woodville, make it a suburb worth considering for investment purposes. Croydon Park's improved accessibility via the Torrens Road to River Torrens roadway, which is under construction, will also help boost values in the longer term.

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