

Westpac

South Australia

Property Report – October 2014



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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.



South Australia



Adelaide – good transport links in the north-east

First home buyers in Adelaide can find value in the north-eastern suburbs located around 12 kilometres from the city centre. Noteworthy locations that fit the criteria include Ingle Farm, Holden Hill and Valley View.

These suburbs all enjoy good proximity to a major shopping centre, Tea Tree Plaza, and are well served by Modbury Hospital. Residents have a 25-30 minute commute to the city. There is an abundance of public transport options – including the O-Bahn bus service, the highly patronised public transport corridor in Adelaide’s metropolitan area with commuters able to take advantage of park-and-ride facilities. These north-eastern suburbs are also close to Linear Park, a popular recreation area.

SOUTHERN SUBURBS – TO BENEFIT FROM ROAD UPGRADES

In the south, suburbs such as Seacombe Gardens, Dover Gardens and Sturt (all within 12 to 15 kilometres of the Adelaide CBD) are also worth considering by first home buyers. These locations are close to the southern metropolitan beaches plus a major shopping centre, Westfield Marion. Local medical facilities include Flinders Medical Centre (a public hospital) and Flinders Private Hospital. Flinders University is also located within easy commuting distance.

Residents in these southern locations can take advantage of a 25 to 30 minute commute into the city and public transport options that were recently expanded by the newly electrified Seaford line train service. Major road works, including an upgrade of the 2.3 kilometre stretch of South Road between Ayliffes Road and the Southern Expressway, are due to commence in 2015. When they are completed in 2018, traffic flow along the north-south corridor will be significantly improved, further cutting commute times.

OLDER HOUSES ON LARGER LOTS OFFER DEVELOPMENT POTENTIAL

In all the suburbs noted, first home buyers would be well advised to look for older 3-bedroom detached houses on large allotments, preferably over 650 square metres. Over time these properties have the potential to deliver superior capital growth through upgrades, renovations or extensions, and further down the track owners can take advantage of opportunities to subdivide or redevelop the land.

In addition, detached houses have traditionally proved more popular with Adelaide home buyers than other types of dwellings, and as a result, tend to achieve more consistent and higher levels of capital growth.

If we allow for a first home buying budget of up to \$450,000, this type of detached home is certainly within financial reach of first timers. Older-style dwellings usually with 3 bedrooms and 1 bathroom on larger allotments are typically priced from \$320,000 to \$420,000. The challenge is that a reasonable level of redevelopment is occurring within the suburbs noted, and it is becoming harder to find this type of property.

NEW HOMES ON SMALLER LOTS

It should be noted that first home buyers in South Australia are now eligible for the First Home Owner Grant (FHOG) (currently worth \$15,000) only if they purchase or build a new home. Within the suburbs mentioned, there is significant infill development occurring, with many larger allotments being subdivided and new houses built on smaller, low-maintenance lots of less than 400 square metres.

The availability of the FHOG may make this style of home appealing to first home buyers. New dwellings comprising 3 bedrooms and 2 bathrooms are generally priced between \$360,000 and \$450,000.

ENTRY-LEVEL INVESTORS – LONG-TERM VIEW WILL MAXIMISE GAINS

The north-eastern and southern suburbs of Adelaide noted above are also suitable for entry-level investors. The amenity of the locations and appeal of the type of properties will help to support capital growth in the future.

Median rents for typical entry-level investment properties in these parts of Adelaide range from \$250 to \$360 per week. We have seen limited growth in weekly rents over the past year, and gross yields now sit at around 4-4.5%.

Rental growth in Adelaide is expected over time; however, this growth is expected to be somewhat patchy. Over the medium to long term, gross rental yields across metropolitan Adelaide have tended to lie between 3% and 5%.

As with first home buyers, entry-level investors should be prepared to take a long-term approach in order to maximise capital growth.

Property values in Adelaide broadly have increased by around 3-5% over the past 12 months, and we expect much of the same for the year ahead. Growth is likely to reach 15-20% over the next five years, but it is only when we look at a long-term horizon of, say, 10 years that total price appreciation of up to 50% is likely. The key factors that will drive growth in individual suburbs are location and demand.

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