

Westpac

South Australia

Property Report – October 2015



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National Overview

Media headlines regularly focus on the challenges first home buyers face finding affordable property, and yes, in many state capitals residential property is expensive.

However, what is often overlooked is the growth of competitively priced new estates located in outer-ring growth corridors, where house and land prices are often below \$500,000. The popularity of these developments is frequently underpinned by state government initiatives that actively encourage first home buyers to purchase newly constructed homes or build homes on vacant land.

These initiatives are certainly having a positive impact on the residential construction industry. Figures from the Housing Industry Association confirm apartment building was a strong performer in August 2015, with construction of houses also expanding ¹.

NEW ESTATES ARE BACKED BY INFRASTRUCTURE

The availability of new estates in planned suburbs is good news for first home buyers, especially in our least affordable city, Sydney. The typical first timer looking to buy in Sydney's middle-ring suburbs, for instance, is often able to afford only a 1- or 2-bedroom apartment.

By contrast, in Sydney's south-west growth region, suburbs such as Oran Park and Leppington offer house and land packages priced from around \$480,000.

Yes, these are outer suburbs. However, anyone driving through this area for the first time couldn't fail to be impressed by the extent of new infrastructure construction, which is providing improved transport links plus local employment hubs. This level of activity, coupled with the planned second airport at Badgerys Creek, suggest the first home buyer estates of the south-west will prove to be a sound investment for the future.

It's a similar story around many state capitals: first home buyers prepared to look beyond established suburbs can find value. In Brisbane, for instance, Springfield Lakes (25 kilometres from the CBD) offers 3-bedroom homes priced from \$350,000. Melbourne's Point Cook area features new developments such as Featherbrook and Kingsford estate, which offer house and land packages starting at around \$375,000.

To the east of Darwin's satellite city Palmerston, Zuccoli is home to new masterplanned estates. Vacant lots of 300 square metres are selling for as little as \$160,000, making this area an affordable option for many of the Territory's first home buyers.



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PRICES HAVE COOLED IN WA

In Western Australia, Perth values have cooled over the past 12 months, and in northern suburbs such as Butler prices have dipped 0.9%. This is giving first home buyers greater buying power, and semi-detached homes in the area are priced under \$400,000.

TASMANIA AND SOUTH AUSTRALIA OFFER AFFORDABLE PRICES

First home buyers in South Australia and Tasmania are fortunate to have an affordable property market. Tasmanians also benefit from the state government's First Home Builder Boost (FHBB), currently worth \$20,000 for new constructions. However, our experts in Tasmania are urging first home buyers to weigh up the merits of a newly built home versus an established property. Given the affordability of Tasmania's property market, first home buyers can secure excellent value with established homes in quality suburbs, even if it means forgoing the FHBB.

A final word of caution: first home buyers on very tight budgets need to be mindful that many new developments feature extremely small lots, as a way of keeping prices down. Particularly diminutive allotments, while budget friendly, may have limited buyer appeal and prove harder to sell further down the track.

Brendon Hulcombe

CEO

¹ Australian Industry Group/Housing Industry Association media release; Australian PCI@: Construction rebounds in August, 7 September 2015.

South Australia



The Adelaide residential property market is experiencing soft conditions at present, with property price growth of just 3.5% over the past 12 months. We don't anticipate any significant change in the market for the year ahead, and it's unlikely that any future interest rate cuts would spur demand. While this isn't the sort of outlook that appeals to vendors, it is giving first home buyers an opportunity to be selective in their home purchase decisions.

Within the Adelaide metropolitan area, two suburbs stand out as having particular appeal to first home buyers. To the city's south, Seaford Meadows offers good-sized homes priced from around \$300,000, rising to about \$450,000 for larger properties.

Seaford Meadows features a newly opened shopping centre with a Woolworths supermarket, and residents enjoy good transport services and infrastructure.

Closer to the CBD, in the north-western suburbs, Bowden and Brompton may appeal to first home buyers looking for medium- to higher-density accommodation. The entry price is about \$500,000, and along with close proximity to the city centre, both suburbs are well served by public transport. The area is undergoing significant gentrification, and this will enhance the amenity of these locations.

There has been some rezoning activity in the middle-ring suburbs such as Campbelltown, and this has resulted in a number of high-density projects coming on board in precincts that are close to shops and transport. These developments may prove worthwhile for first home buyers as the surrounding areas are established and existing housing stock has relatively higher prices.

It is worth noting that first home buyers need to act with caution when buying in areas of Adelaide that are particularly affordable. Established housing that is cheap is often inexpensive for a reason. The outer northern suburbs of Adelaide, for example, are expected to be impacted by looming unemployment, and there is a general lack of confidence in the market.

The solution for first home buyers is to keep tabs on the market, be prepared to undertake plenty of research and avoid impulse buying. Securing value for money on land and building projects is important, but a buyer's chief consideration should always be the quality of the location.

Regional South Australia

Across regional South Australia the property markets of most townships remain subdued and first home buyer activity is relatively low.

The northern towns of Whyalla, Port Pirie and Port Augusta all have relatively flat markets with limited new development. Mount Gambier, in the state's south-east, has an ample supply of both vacant land and established properties listed for sale. This means today's first home buyers have the advantage of purchasing in a buyers' market. The downside is that these areas have seen limited, if any, capital growth in recent years, and this is not expected to change without either population growth or an improved employment outlook.

Entry points for established properties in Mount Gambier range from \$150,000 to \$250,000, and from \$250,000 to \$350,000 for house and land packages. As with many parts of regional South Australia, the oversupply of vacant land in the area is making it challenging for first home buyers to secure a property that is likely to markedly increase in value in the near future.

Established homes in sought-after locations of Mount Gambier – notably those close to the CBD, the dress circle location adjacent to Blue Lake and those with proximity to popular schools – offer the best opportunities for capital growth over the next 12 months.

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