

Westpac

Tasmania

Property Report – April 2015



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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Tasmania



A strong rental market and relatively stable economy make Tasmania an attractive residential property market for investors, and today's very low interest rates are creating an incentive to borrow to invest, giving investors a better chance to capitalise on growth opportunities.

When it comes to investing in Tasmania, we recommend considering a property's attributes through a tenant's eyes. Property prices in Tasmania tend to be far lower than in many mainland markets but it is critical to look for a location that offers facilities such as schools, childcare, shops and public transport. Other aspects to consider are the reputation of the suburb and availability of infrastructure such as universities, medical facilities and retail outlets, all of which provide employment opportunities.

Tasmania's centrally located suburbs tend to have the best track records for maintaining capital values. However, for investors seeking potential hidden gems, suburbs located just beyond city centres may provide valuable opportunities as price rises ripple outwards from near-city locations.

Tasmania's ageing population suggests that units or villas could enjoy strong future demand and therefore may be an option worth considering by investors.

Taking these factors into account, let's look at some of the potential hidden gems that may be suitable for investors in Tasmania.

HOBART

Across the broader Hobart region investors can expect a vacancy rate of 3% to 3.4% and gross yields in the order of 4.5% to 5.5%.

Moonah, a suburb located approximately 4 kilometres to the north of the city centre, is worth a look. It's a suburb that may benefit from the ripple effect of rising prices in inner-city locations; reportedly, median price rises during the past quarter were mainly derived from centrally located suburbs. Currently the median house price in Moonah is \$279,500.

Moonah offers unique points of appeal in its own right. The suburb features a charming mix of architectural styles, including Colonial, Victorian and Federation-style cottages as well as larger homes. The local retail strip features designer boutiques, cafes and an art gallery, and Moonah also holds a regular farmers' market selling organic produce.

LAUNCESTON

Among the Launceston locations that are popular with renters, South Launceston and Newnham stand out. Notably, both suburbs offer proximity to the employment hubs of Launceston General Hospital and the University of Tasmania.

South Launceston is very centrally located. It is within walking distance – just 2 kilometres – from the Launceston CBD. The median house price is currently \$250,000.

Newnham lies 6 kilometres to the north of the CBD but it is well served by buses and is largely within walking distance of the University of Tasmania. Newnham's median house price is currently \$251,000.

The expected vacancy rate for residential rental properties in this part of Tasmania is 3.3%, with gross yields typically between 5.3% and 6.3%.

NORTH-WEST

Investors who have a higher tolerance for risk may want to consider Tasmania's north-west region.

This area is currently challenged by shrinking employment opportunities as a result of mine closures, and residential investment properties are showing vacancy rates of up to 4.1%. However, prices are generally very affordable and gross yields of up to 6% are achievable in the north-west. The \$12 million Port of Burnie redevelopment program is a positive step forward for the region, and it will create employment opportunities as well as streamlining port operations, which will ultimately benefit the state's economy.

Montello is an established, centrally located suburb of Burnie. Featuring many older character homes, Montello is ripe for future upgrades. This may make the town worthy of consideration by investors. The suburb's current median house price is \$180,000.

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