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 Currambine, 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. 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.
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.
Tasmania

First Home Buyers

Tasmania’s First Home Builder Boost (FHBB) has heavily influenced which locations are most sought after by first home buyers. The FHBB is available to eligible buyers of newly constructed homes and those choosing to build their own new homes, either as owner-builders or through registered builders. The FHBB is currently worth $30,000 but this will be reduced to $20,000 from 1 January 2015, and to $10,000 from 1 July 2015.

HOBART – FIRST TIMERS OPT FOR VACANT LAND

The availability of the FHBB has seen first home buyers most active in locations where vacant land is affordable. In Hobart, higher volumes of residential vacant land sales have occurred in suburbs such as Old Beach, located around 30 minutes from the city centre, and Oakdowns and Howrah, both a 20 minute commute from the CBD.

Over the past 12 months, vacant lots have achieved prices of around $68,000 in Old Beach, rising to $105,000 in Oakdowns. These growing suburbs offer a good range of facilities, as well as proximity to the beach. The bulk of homes are owner-occupied, and the majority of residents are families. The continuing popularity of these suburbs is likely to underpin future capital growth.

LAUNCESTON – FAMILY-FRIENDLY SUBURBS REMAIN AFFORDABLE

In Tasmania’s north, the Launceston suburbs of Newnham, Prospect, Riverside and Legana have also proved popular with first home buyers keen to take advantage of the FHBB. Over the past year, vacant lots have achieved prices starting at about $65,000 in Newnham; the suburb’s median price is closer to $97,000.

Sales of vacant land in Prospect indicate that first home buyers there have a tolerance for slightly higher prices. Sales over the year to date indicate starting prices of around $110,000 for vacant land, with a median price of $142,000.
Riverside and Legana are both located along the western side of the Tamar River. Riverside is about a 13-minute drive from the CBD, while Legana is a little further north – around a 20-minute drive from Launceston’s centre. Both suburbs contain a good mix of amenities, including shopping centres, sporting and recreational facilities, schools, restaurants and hotels. Over the past year, vacant land has achieved prices of around $72,000 in Riverside, and $90,000 in Legana.

Entry-level investors

ENTRY-LEVEL INVESTORS ENJOY AFFORDABILITY PLUS STRONG YIELDS

The availability of the $30,000 FHBB has created two distinct opportunities for property investors in Tasmania. One option is to focus on the established residential market while first home buyers are taking advantage of the FHBB and focusing on new builds. A second strategy is to capitalise on the current first home buyer interest in new constructions by building new homes and selling to first home buyers.

In recent years, properties in suburbs close to Tasmania’s main city centres have been the best at maintaining capital values. However, for first-time investors with limited capital, there are ample suburbs offering affordable prices plus strong rental yields on established homes.

HOBART – UNITS OFFER HEALTHY RETURNS

Kingston, in Hobart’s south-west, is a popular, fast-growing suburb with nearby employment opportunities. Over the past 12 months, it has enjoyed higher sales volumes relative to other areas.

Houses in Kingston are currently commanding weekly rents in the order of $370, and over the past year older homes have sold for upwards of $220,000. Modern homes have achieved higher prices, starting at around $247,000.

On the northern side of Hobart, Brighton remains very affordable, with houses achieving prices of around $118,000. Rents are currently advertised at $350 per week, suggesting opportunities to earn healthy gross yields.

Still in Hobart, modern apartments in Oakdowns have achieved prices upwards of $183,000, with weekly rents advertised at $280. To the city’s south, home units in Kingston are more affordable, with prices as low as $175,000 over the year to date; the median price is closer to $275,000. Current rental listings for units in Kingston show weekly rents in the order of $250.
LAUNCESTON – PROXIMITY TO THE UNIVERSITY PAYS OFF

Over the past year, the highest volume of unit sales in Launceston has occurred in Newnham and Mowbray. Both suburbs are close to the University of Tasmania, making these locations popular among renters, especially students. Older-style units in Newnham have achieved prices starting at $143,000, with that figure rising to $150,000 in Mowbray. Proximity to the university campus is underpinning decent gross yields in these areas, with advertised weekly rents of about $200 in Newnham and $270 in Mowbray. Investors should note that while houses in these suburbs require a larger capital outlay than units, the difference in advertised rents is nominal, suggesting that students have a preference for unit living.

To Launceston’s north-west, older homes in Riverside have achieved prices of $195,000. Advertised rents for this style of housing are around $250 per week. To the city’s south, Prospect Vale has shown a high volume of unit sales, with prices over the past 12 months starting at $151,000 for older units. Apartment rents in Prospect Vale are currently advertised at $235 per week. There is a shortage of such properties, suggesting that this is a popular rental location.
Local expertise.
National strength.
Trusted solutions.

Herron Todd White is Australia’s leading property valuation and advisory group. For more than 45 years, we’ve given our customers peace of mind and the confidence to make good decisions for their vital property investments. Whether you are buying or selling, expert independent advice is the smartest property investment you can make.

Liability limited by a scheme approved under Professional Standards Legislation. The scheme does not apply within Tasmania.