

Westpac

Tasmania

Property Report – October 2015



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 expanding¹.

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.

Tasmania

First home buyers in Tasmania enjoy a distinctly more affordable residential property market than their counterparts on the mainland, and the buying power of first timers planning to build or buy a new home is considerably enhanced by the availability of the First Home Builder Boost (FHBB).

The FHBB, funded by the state government, was worth \$30,000 up to 31 December 2014. From 1 January 2015, it was reduced to \$20,000 – still a valuable sum for first home buyers.

It is worth noting that the aim of the FHBB was to bolster Tasmania's ailing building industry and prevent a migration of skilled tradespeople to the mainland. However, over time we believe the FHBB has had unintended consequences.

When the FHBB was first introduced, some builders were contracting to construct standard dwellings for as little as \$1,000 per square metre in the north of the state and around \$1,150 in Tasmania's south. The FHBB did indeed encourage additional building activity, and demand for new homes and vacant land in new subdivisions has increased. However, as a flow-on effect, builders and developers have raised their prices, and buyers may now pay between \$1,450 and \$1,750 per square metre for that same standard dwelling in the state's north, and between \$1,500 and \$1,800 per square metre in the south.

The bottom line is that first home buyers can now gain similar, if not better, value from buying a near-new home, even though this means forgoing the FHBB.

With this in mind, first home buyers are advised to keep their options open, do the maths and weigh up the value they may enjoy from a home that is perhaps a few years old, rather than fo-cusing on new house and land packages.

Land priced below \$100,000 in the north

For first home buyers who actively choose a brand new home, the state's north offers a range of new developments with highly competitive prices. In Port Sorell, for instance, vacant lots of 4,890 square metres are available priced from around \$100,000. In the nearby village of Shear-water, vacant lots of around 700 square metres are available priced below \$90,000.

Still in the north, in some Launceston suburbs, new house and land packages are available from below \$300,000.

These sorts of land prices can make a new home build appealing, and both Port Sorell and Shearwater are becoming increasingly popular with home buyers. However, any newcomers should be aware that the north-west of Tasmania is characterised by relatively high levels of contract employment.



Kingston delivers value and convenience in the south

First home buyers in the south of Tasmania still enjoy good value for money even in the Greater Hobart area.

In particular, Kingston is popular among first home buyers, and vacant lots of around 600 square metres are priced from around \$132,000 in the new subdivision situated near Algona Road. The suburb is just 12 kilometres from the Hobart CBD, providing residents with proximity to employment opportunities.

The FHBB won't extend indefinitely

It is worth stressing that first home buyers in Tasmania should not base a purchase decision solely on the availability of the FHBB. In some cases, first home buyers opting for an established dwelling can save anywhere from \$200 to \$400 per square metre on the cost of their home. On a 150 square metre dwelling this can add up to between \$30,000 and \$60,000 – a saving that eclipses the FHBB.

It is unlikely the state government will extend the FHBB indefinitely, and indeed, there is a general expectation that the FHBB may be abandoned towards the end of 2015. Past experience has shown that the removal of similar funding schemes has resulted in a significant slump in demand in that sector, and buyers getting into the market towards the end of the scheme often bear the brunt of falling values further down the track. Today's first home buyers should be mindful of this issue.

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