

Westpac

Victoria

Property Report – April 2015



**HERRON
TODD WHITE
RESIDENTIAL**

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.



...values in the Brisbane suburb of Salisbury have the potential to rise following major works....

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

The ripple effect, where rising property prices spread outwards from one suburb to neighbouring areas, can be a marker of hidden property gems.



Victoria

Victoria is experiencing strong housing demand at present, and it is forecast to remain robust as the state experiences continual population growth. Foreign investors will further stimulate the state's property market if the Australian dollar remains weak or interest rates stay at their present low levels.

MELBOURNE

While Melbourne is one of Australia's least affordable cities, investors can still pick up hidden gems – and the key is often to look at areas that will benefit from the ripple effect of rising values in neighbouring suburbs.

ALTONA NORTH

Altona North is located in Melbourne's inner west, just over 10 kilometres from the CBD. Along with offering proximity to the city centre, the suburb is well served by public transport and a wealth of government infrastructure plans point to future growth in local property values. Among the planned developments are a new library and leisure centre, upgrades to parks and the redevelopment of local schools.

An interesting aspect of Altona North is the presence of one of the largest former brownfield sites in Melbourne. This site is expected to be developed to include approximately 1,900 new dwellings by 2036.

Investors in Altona North are likely to benefit from the ripple effect of rising prices in more exclusive neighbouring suburbs. Nearby Williamstown is arguably the inner west's most prestigious suburb, with strong growth rates and a median house price of \$959,000. Another bayside suburb, Newport, also adjoins Altona North, and the median house price there is \$740,000, up from \$692,000 in 2013. By contrast, Altona North has a median value of \$560,000, suggesting plenty of scope for values to rise as buyers seek greater value yet with proximity to more prestigious locations. Already this ripple effect is under way, with Altona North experiencing property price growth of 8.1% in 2014. Investors in the suburb are enjoying gross yields of around 3.5%.



BORONIA

Boronia is an outer eastern suburb located approximately 29 kilometres from Melbourne’s city centre. It was noted as one of the city’s top growth suburbs in 2014, achieving 10% growth in the fourth quarter, with the median house price skyrocketing from \$470,500 in September 2014 to \$517,500 in December 2014.

Like many of Melbourne’s middle and outer eastern suburbs, Boronia enjoys a low rental vacancy rate, supported by tenants seeking more affordable rents while still being able to access the CBD via public transport.

As with Altona North, Boronia is located next to upcoming suburbs such as Wantirna and Vermont, which have both shown strong price increases due the high demand coming from suburbs including Glen Waverley and Mount Waverley. This ripple effect is being underpinned in part by the large Australian-Chinese market securing properties located within sought-after school zones.

CHELSEA

Located 30 kilometres to Melbourne’s south-east, Chelsea is well served by train and bus and features a large retail strip along the Nepean Highway. The suburb also boasts recreational and sporting facilities, including the Chelsea Yacht Club, a surf lifesaving club, Patterson River Golf Club, a pony club, tennis courts, a bowls club and a skate park. An interesting feature of the area is the Edithvale-Seaford Wetlands, covering 259 hectares between Aspendale and Seaford.

In 2014, Chelsea’s median house price was around \$608,000, and the suburb achieved remarkable capital growth of 11.32% in the fourth quarter of 2014, underpinned in part by price rises in neighbouring Mordialloc. Over the past five years, Chelsea home values have climbed 21.28%. The median house price is currently \$774,000, though units are more affordable, with a median price of \$495,000. Gross yields are in the order of 4.2%.

Over the past five years, Chelsea home values have climbed **21.28%**.



Regional Victoria

INVERLOCH AND CAPE PATERSON

For investors tracking regional Victorian property markets, Cape Paterson and Inverloch could be among the state's hidden gems. Located 132 kilometres south-east of Melbourne via the South Gippsland and Bass Highways, these townships are popular holiday destinations renowned for surfing and rock fishing. Good infrastructure, such as secondary schools and a hospital, are available in the nearby centre of Wonthaggi, and Inverloch features a golf course, some major retail chains and a farmers' market.

Cape Paterson's median house price is \$348,000 and values rose 1.5% in 2014. Gross yields are around 3.9%. In Inverloch the median house price is currently \$447,000 after rising 2.7% last year. Investors can expect gross yields of 3.9%.

HEATHCOTE

Located in a popular wine region, Heathcote is 110 kilometres north of Melbourne and 40 kilometres south-east of Bendigo. Residents have access to a good range of amenities – including a hospital, schools and local shops – and a broad range of sporting and recreational facilities, such as a golf club, swimming pool, tennis courts and bowling club.

Heathcote's median house price is \$256,000, though values rose 10% in 2014 and we anticipate a ripple effect of rising prices to flow through from the Bendigo market, where the median dwelling value is now \$367,000. Investors in Heathcote can expect gross yields of about 5.2%.



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.