

Westpac

Western Australia

Property Report – October 2014



 **HERRON
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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 Currabine, 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. Basic houses are still available for under \$400,000, while older duplex units are selling in the low \$300,000s.



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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.



Western Australia



Perth

WARWICK, HAMERSLEY AND GREENWOOD

For Perth first home buyers with a budget of \$500,000 to \$550,000, the suburbs of Warwick, Hamersley and Greenwood are worth a look. These locations offer easy access to the Mitchell Freeway and are within reasonable proximity to the city centre. Budget permitting, first home buyers are likely to enjoy superior long-term capital gains by opting for houses rather than villas or units. Perth's population is growing, and large lots close to the city are becoming hard to find, which will underpin future price appreciation.

The median dwelling price in these suburbs is around \$500,000. Although significant capital growth was recorded in 2013, prices have remained stable throughout 2014. Long-term price growth is expected to remain healthy.

JOONDALUP AND CURRAMBINE OFFER AFFORDABILITY AND AMENITY

Other suburbs for first home buyers and entry level investors to bear in mind are Joondalup and Currambine. These townships provide a wealth of local amenities, including HBF Arena (formerly known as Arena Joondalup), which is a multi-purpose stadium and sport, recreation and aquatic centre. Also noteworthy is the expansion of Lakeside shopping complex, and the availability of other nearby shopping complexes, such as Currambine Central.

There is an abundance of standard-type houses on traditional lot sizes in both Joondalup and Currambine, though smaller strata properties are more affordable. The benefit of a lower price point is that a strata home could be retained as an investment property by a first home owner upgrading to a second home.

The median price for a 1-bedroom apartment in either Joondalup or Currambine is about \$350,000, with the price rising to around \$420,000 for a 3-bedroom duplex. These prices have remained consistent during 2014. However, healthy long-term capital growth is likely as more estates open to the north, making Joondalup and Currambine more central.

AFFORDABLE HOME AND LAND PACKAGES AT ALKIMOS

Home and land packages may be an option for first home buyers at Alkimos Beach Estate. Alkimos is a coastal suburb of Perth, located around 42 kilometres north-northwest of the CBD. The estate offers some smaller and therefore more affordable lots, with 240 square metre lots available from around \$190,000. Add in a home from a selection priced starting at about \$150,000, and a first home buyer can be looking at a turnkey cost of less than \$400,000.

Southern Corridor

The Village at Wellard estate, around 38 kilometres south of Perth and 12 kilometres inland from Rockingham, is a planned development that first home buyers may want to consider. Plenty of smaller lots are available that are relatively affordable, and the estate features a town centre and a shopping complex scheduled to be opened in November. The area is close to schools and the Kwinana Freeway. Land values across every stage of The Village at Wellard have increased dramatically and the ceiling price is consistently rising.

ENTRY-LEVEL INVESTORS

We believe entry-level property investors in Perth should aim for mid-priced suburbs with steady levels of long-term growth and very few new building lots. Examples include northern coastal suburbs such as Beldon and Heathridge, which have experienced recent annual price growth of 6.5% and 9.2% respectively. These suburbs are popular with renters as they offer a high level of social infrastructure, including schools, shops and public transport.

The City of Joondalup has released a Draft Housing Strategy, which notes 10 areas earmarked for higher-density zoning. Investors buying in these locations can benefit from any potential premium that developers may pay once the rezoning takes place. Joondalup also offers the advantage of being a central employment hub, and this continues to make the suburb a popular choice for both home buyers and investors. The typical weekly rent for a 3-bedroom apartment in Joondalup is about \$380 to \$400. The limited supply of apartments in Joondalup, and particularly Currabine, should support rental growth, especially as there are few new unit developments in the pipeline.

South West WA

POSSIBLE SUPPLY PRESSURE AHEAD

A number of subdivisions on the outskirts of major townships are potential choices for first home buyers in the state's south west. Possible options include Brooklands in Margaret River; Provence in Busselton; and Dalyellup, Millbridge and Treendale in the Bunbury Region.

While homes in new subdivisions are more affordable than established dwellings, capital growth is likely to be lower. Indeed, smaller units in superior locations or older homes on larger developable blocks closer to town are likely to provide better capital growth over time.

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Entry-level prices range from about \$300,000 to \$400,000 in Bunbury, through to \$450,000 to \$550,000 in Dunsborough. Values in these areas have climbed in the past year, making it more challenging for first home buyers to enter the market, especially in localities such as Dunsborough.

Price growth for these entry-level properties is likely to be around 3% annually in the short term. Forecasts of above-average population growth for the region suggest that the supply of residential housing could be an issue going forward and this will help to support property values.

Median weekly rents for typical entry-level investment properties in the South West region range from around \$250 in Manjimup to about \$400 in Dunsborough. We have observed a slight decrease in rentals across the board, as many renters are opting to buy into the market, but rents currently appear to be stabilising.



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