National Overview

Across Australia, the property market has been proving that there is no such thing as a single national housing market. In some states, prices are climbing rapidly; in others, the growth is slower or even stalling.

The challenge for beginner investors and rentvestors, who may have limited funds to invest, is to identify those suburbs that are affordable yet have good long-term growth prospects and plenty of tenant appeal. This quarter, we aim to pinpoint those locations.

WHAT IS A RENTVESTOR?
A rentvestor is someone who purchases a rental property as an investment while renting another property in which to live. The challenge of affordability has caused a rise in the number of rentvestors to 3% of first home buyers nationally, according to industry research.

Additionally, many a would-be first home buyer has switched from planning to be an owner-occupier to taking the first step on the property ladder as an investor. The research found that 13% of first home-buyers nationally are opting out of buying an owner-occupied home, and instead choosing to purchase an investment property while living in the family home. This figure rises to 24% in New South Wales and 20% in Victoria – home to Australia’s most expensive state capitals.

Other investors may be tapping into their home equity for the first time in order to become a landlord.

Whatever the case, the common thread is the need to buy in an affordable location with decent capital growth prospects. And infrastructure often holds the key.

PROXIMITY TO TRANSPORT IS ESSENTIAL
In Sydney, our most expensive housing market, the south-west growth corridor offers affordable house and land packages that allow investors to maximise depreciation claims on newly built dwellings. This region is the beneficiary of major infrastructure projects that are reducing travel times to the CBD and creating employment opportunities.

In Melbourne, pockets of value exist for investors and rentvestors willing to look beyond the city centre. Noble Park is one such suburb, close to all the services and amenities of Dandenong and well served by two train stations.

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In Adelaide, the outer suburb of Seaford is an affordable alternative to neighbouring suburbs, and it ticks all the boxes for local retail outlets, an electrified rail link to the city and proximity to the beach.

**LOOK FOR TENANT APPEAL**
Hobart has been a quiet achiever recently, enjoying one of the fastest rates of capital growth across Australia. With tight vacancy rates, a controlled housing supply pipeline and the benefit of a flourishing tourism industry, suburbs worth a look include South Hobart, Moonah and Warrane, where the ripple effect of rising prices in nearby postcodes will propel values upwards.

In Western Australia, locations within 10 kilometres of the Perth CBD offer potential for long-term investors. In particular, Fremantle offers the benefit of waterfront living, while Cockburn Central features excellent shopping and employment opportunities that appeal to tenants and will help to support long-term price appreciation.

In Darwin, prices have cooled over recent months, but the city has long-term growth potential thanks to continued defence activity and the investment commitment of Chinese company Landbridge.

In Queensland, as Brisbane spreads outwards, Ipswich offers some of the city’s lowest price points, with a median house price of $250,000. Along with affordability, investors and rentvestors can enjoy the tenant appeal of proximity to public infrastructure and transport, and high rental yields of 5-6%.

I invite you to read this report to discover where the best opportunities lie for investors and rentvestors around the nation.

Brendon Hulcombe
**CEO - HERRON TODD WHITE**
Queensland

BRISBANE

Brisbane investors and rentvestors enjoy higher yields in comparison to southern city cousins Sydney and Melbourne, generally ranging from 4% to 6% gross. However, there is a significant risk of unit and townhouse values and rentals softening due to an increasing oversupply of apartments. As a result, detached dwellings may offer a more sound investment option.

Investors in the $500,000 to $700,000 price range should consider properties in the ring of suburbs 6-8 kilometres from the Brisbane CBD. These suburbs include Kedron, Wavell Heights, Stafford, Holland Park and surrounding suburbs. Those in the under $500,000 price range should consider suburbs in the ring 12-16 kilometres from the CBD, including Chermside, Geebung, Aspley, Mt Gravatt and surrounding suburbs.

For the potential to maximise growth, there is always the option of acquiring a property with below-average street appeal and/or below-average internal appeal for the chance to cost-effectively improve it cosmetically in the short term. This proactive approach does come with risks, and it is essential to acquire the property at the right price (or better) from the outset.

Fringe locations such as Ipswich, Caboolture and Logan offer investors some of the city’s lowest price points. Typically, these areas are amongst the last to experience the Brisbane growth cycle and are considered a more volatile investment in comparison to the investments detailed above that are nearer to the Brisbane CBD.

GOLD COAST

Two suburbs on the outer fringe of the Gold Coast, Beenleigh and Murwillumbah, offer detached homes under $350,000. Beenleigh, midway between Brisbane and the Gold Coast, boasts good infrastructure and easy access to the M1 and train. Prices have risen slightly in the past year, since it has been on the radar for southern investors. Over the past 5 years, the median price has risen by 1.6%. Median rent is $350 per week.

Murwillumbah, half an hour’s drive to the beach and booming Tweed coastal suburbs of Kingscliff and Casuarina, offers good shops and schools. The median price has risen 33% in 5 years, but that figure should not be taken at face value, as it is skewed by the building of new homes. Median rent in Murwillumbah is $370 per week.
Developing inner-fringe suburbs along the M1 such as Ormeau Hills and Coomera are desirable for renters because of good childcare, schools, shopping, and motorway access to Brisbane and the Gold Coast. Modern and established detached houses are available, with resale properties usually representing better value than new stock. In Ormeau Hills, a 4-bedroom house is around $525,000, and median weekly rent is $480.

On the southern-central Gold Coast, Elanora and Merrimac offer proximity to schools and shops. First-time investors can find a semi-modern 3-bedroom, 1-bathroom townhouse for between $300,000 and $350,000 in Merrimac, or between $280,000 and $300,000 in Elanora. At Merrimac, houses on smaller (450-square-metre) allotments are $450,000 to $500,000.

In Labrador, prices range from around $300,000 for a basic 2-bedroom, 1-bathroom duplex with a 1-car garage, to around $425,000 for a more modern 3-bedroom, 2-bathroom duplex with a double lock-up garage.

SUNSHINE COAST
With the opening of the new Sunshine Coast University Hospital in April, the market is expected to continue to improve in nearby areas, particularly along the southern coastal strip between Maroochydore and Caloundra. Earthworks have commenced at Oceanside, the only significant undeveloped greenfield site remaining between the two towns.

Two other infrastructure projects will add to the injection of cash into the local economy. In Maroochydore CBD, a business and entertainment hub for residents and tourists is under construction. And Sunshine Coast Airport and runway are to be upgraded, with the economic benefit valued at $4.1 billion in the 20 years after it opens.

Along the coastal strip between Maroochydore and Caloundra yields are 5-6%. The median house price rose in 2016 by 6.6%, to $550,000. The median unit price rose from $355,000 in 2012 to $385,000 in 2016. Houses are more popular with investors, because body corporate fees erode returns on units.

TOOWOOMBA
Toowoomba has benefited from numerous infrastructure projects, and the largest project, the Toowoomba Second Range Crossing, is expected to underpin interest in the region over the next few years. The downturn in mining had some negative impacts on the real estate market in 2015 and 2016, but activity appeared to rebound slightly in the first two months of 2017.

In the older suburbs of Newtown, Harristown, North Toowoomba, Mount Lofty, Toowoomba City and Harlaxton, houses built between 1930 and 1950 can be purchased in the low to mid $200,000s. Other affordable options are 1970s and 1980s homes in Rockville (median price $225,000), Wilsonton ($265,000) and Wilsonton Heights ($215,000).
Rental yields are 4.5% to 5.5%. Yields are generally higher for 1970s to 1980s brick and fibre cement clad homes than for pre- and post-war homes. Most properties in these lower price brackets lend themselves to renovation and improvement.

New housing options are available in Glenvale and Cotswold Hills. A 4-bedroom, 2-bathroom house and land package can be secured for $390,000 to $430,000, with the added incentive of the first home buyers grant. Units are concentrated in Glenvale and Kearneys Spring. Two-bedroom units can be secured for around $300,000, but there has been some softening in unit values in secondary locations such as Harlaxton, where prices fell to the mid $200,000s.

**ROCKHAMPTON**

In Central Queensland, values rise and fall with the fate of the resource sector, with capital gains spiking in the construction phases of mining projects. Confidence recently increased as the government approved a railway line and temporary construction camp for Adani’s Carmichael coalmine project in the Galilee Basin. The regional council lobbied for basing some of the fly-in fly-out (FIFO) workforce in the city. If they’re successful, demand for accommodation will rise in the short to medium term.

Prices in the region have fallen in recent years. In December 2016, the median price was $260,000, the lowest since late 2006. Houses are the most popular investment due to the short supply of apartments. The vacancy rate is around 6%, and long-term yields are 5-7%. Sought-after suburbs for investors are Allenstown and Wandal in the south, and Norman Gardens, Berserker and Kawana in the north. The major drawcards are prices below $300,000 and proximity to facilities such as schools and shops.

Estates in Gracemere and Norman Gardens saw higher-than-average construction rates from 2008 to 2012 and were aggressively marketed to non-local investors at inflated prices. Consequently, there are large numbers of similar dwellings with few owner-occupiers, and the presentation of these estates has suffered. Sale prices fell by up to 30% in recent years.

**GLADSTONE**

After significant value declines in the past 5 years, the market has bottomed out, with prices at their lowest in over a decade. Sales volumes have increased in the last 2-3 months, but we have not seen values rise. Rental values have also fallen significantly but the vacancy rate, which is currently about 7%, is slowly tightening. While the economy is still performing poorly, some recent positive announcements may lead to greater employment opportunities.
For investors and rentvestors, the most popular choices are 1960s or 1970s houses under $200,000, followed by 4-bedroom brick homes built since 1990, for $200,000 to $350,000. There has been some recent demand for above-average-quality homes in the $400,000 to $500,000 bracket.

**BUNDABERG**
Values are softening in Bundaberg, particularly at the lower end of the market. For example, a lowset 1940s timber weatherboard with tile roof, 2 bedrooms, 1 bathroom and a carport is under contract for $135,000. A 2-bedroom, 1-bathroom home with a pool on 1100 square metres that underwent significant renovation and an extension adding space for 2 bedrooms and an ensuite (which are unfinished), is under contract for $157,000.

**HERVEY BAY AND MARYBOROUGH**
After a period of declining values, Maryborough appears to be bottoming out. The declines, along with increasing rental demand, make this an appealing market for small-scale investors. Planned infrastructure projects may create employment stability, benefiting house prices and rental demand in the short to medium term.

Maryborough’s median house price in 2016 was $200,000, and the average weekly rent for 2-, 3- or 4-bedroom homes was just over $260. Homes recently sold below $150,000 have achieved $260 to $280 per week. A fair proportion of homes require maintenance, but this benefits investors willing to do refurbishments to increase rental appeal.

**EMERALD**
Now is the cheapest time in 10 years to buy in the Central Highlands, but the market has bottomed out and in most price categories, except for units, values are starting to firm again. Confidence has grown with the rise in employment due to higher coal prices. How far property values will rise depends on where the coal price settles.

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MACKAY
After 3-4 years of significantly falling values, the market is considered to be at, or very close to, the bottom, with prices the lowest they’ve been in over 10 years. While sales volumes have risen in the last 2-3 months, values have not. Rental values have fallen between 30% and 50% from their peak, and vacancies have been at 7-8% in the past 6 months.

There is greater optimism about Mackay’s economic future than this time last year. A number of mining projects are about to get under way, and more employment could lead to more demand. There are options for investors across the board. Homes from the 1950s and 1960s are available for under $200,000. Three-bedroom 1990s brick homes are priced from $200,000 to $300,000. Brand-new 3- or 4-bedroom homes can be purchased for under $400,000.

WHITSUNDAYS
While the downturn in the coal industry has adversely impacted the region’s economy, the real estate market appears to have stabilised on the back of tourism increasing in the last year. Airlie Beach holiday rentals are expected to become increasingly appealing in the next year with the growth in the tourist industry and expansion of the Whitsunday Coast Airport.

Cannonvale and Jubilee Pocket are popular for investors, who are mostly buying 4-bedroom, 2-bathroom new homes with double lock-up garages for $400,000 to $450,000. These homes are renting for $400 to $450 per week. Two-bedroom units with car spaces bought for between $180,000 and $250,000 are being rented for $200 to $300 per week.

On Hamilton Island, after an extended period of adversity, the market has begun to improve thanks to increased tourism and the strength of the Sydney and Melbourne property markets, which has fuelled investment in tourism areas. However, sale volumes and values are still significantly lower than the peak in 2007-08. With the increase in confidence and demand, construction of a new unit development, Hidden Cove, has commenced. Most apartments were sold off the plan, and only two are yet to have contracts issued.

TOWNSVILLE
Townsville’s market is at the bottom of the cycle, but conditions have arguably stabilised and positive sentiment appears to be increasing. Business confidence and job advertisements are rising. The announcement that Adani will set up its local headquarters in Townsville, along with other infrastructure works—including Townsville Stadium, the Waterfront Precinct, a military training area and Sun Metals’ expansion—and the pickup in the mining sector bode well.
There are affordable investment opportunities in suburbs within a 5-kilometre radius of the city, starting in the mid $250,000s for an older home requiring renovations. In the mid $350,000s new homes are available at The Village and Haven developments. New homes typically provide a better tax depreciation benefit and require less ongoing maintenance.

Historically the inner city is the first to feel the upswing in price when the market moves. These suburbs appeal to owner-occupiers and investors because they’re close to The Strand, CBD, restaurants and entertainment. Over the next few years, the new stadium and Waterfront Precinct will likely further increase their appeal.

Houses are a more popular option than units due to high strata insurance costs, but softening prices are starting to make unit investment attractive. The rental market overall is oversupplied, and units have higher vacancy rates than houses.

**CAIRNS**
The Cairns market is flat, and investors should not expect outstanding capital gains in the current climate. Though tourism is growing strongly, it’s taking a long time for that benefit to feed through into economic improvement and property market confidence. There is reasonable demand for houses, but units are still slow to sell due to high body corporate fees. The median prices in January 2017 were $402,000 for houses, and $216,000 for units. By rights, the market should improve in 2017. However, investors should note that this has been the sentiment for the last five years, but the upturn has remained elusive.
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National strength.
Trusted solutions.

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