



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Victoria



National overview

The warmer months traditionally represent one of the peak periods for residential real estate, and this year buyers are well-placed to take advantage of lower interest rates, a large volume of listed properties and improved affordability. However after a period of slow or no growth across many markets today's buyers need to look for areas with decent long term growth prospects – and location-specific factors must be considered to maximise long term gains.

Look for lifestyle

Inner city locations tend to perform well over time however lifestyle is a key factor in today's market. With careful research it is possible to combine amenity with affordability.

Adelaide suburbs within 5 kilometres of the CBD for instance are delivering consistent rental yields of up to 5% coupled with low vacancy rates.

In the ACT, near-city apartments in Griffith, Kingston, City, Turner and Lyneham are showing healthy rent returns of up to 6%.

The Hobart suburbs of Kingston and Moonah offer the strongest prospects for capital growth in Tasmania, based on a healthy local labour market. Units in Kingston can be purchased from the low \$200,000s – well below the city's median unit price of \$270,000.

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Infrastructure matters

Infrastructure is a key theme of several residential property markets at present.

In Melbourne's satellite suburb of Mornington for example, the completion of the Peninsula Link Freeway in early 2013 will significantly cut travel times to the CBD, and underpin long term price growth. Homes and units can be purchased for under-\$400,000 making this area an option for first home buyers.

The affordable outer Sydney suburbs of Schofields and Riverstone will benefit from the widening of the M2 freeway, while values in two new suburbs - Oran Park and Edmondson Park, should be supported by the construction of a new train station planned for 2016.

On Queensland's Sunshine Coast property values have reduced substantially, however the construction of the new University Hospital will play a key role in bolstering future price growth and already rental vacancy rates are tightening.

Resource boom continues to impact growth

Mining activity is likely to support price growth across a number of markets, although reports of a slowdown in China may impact buyer and investor confidence in some regions.

That said, in Western Australia the continued growth of the fly in/fly out workforce is expected to support growth in the Busselton area. The region is more affordable than Perth with many homes priced around \$300,000.

In Queensland's north, Rockhampton continues to experience price growth in its role as gateway to the minefields of the Bowen Basin. Older homes are priced from around \$300,000 and investors can secure weekly rents of \$320 to \$340.

In the Territory, high demand for residential property has impacted Darwin values. Units remain the most affordable option for first home buyers and investors, and in suburbs like Palmerston it is possible to pick up older 2-bedroom units priced from around \$320,000.

In today's market the key to achieving long term growth is buying into an area where there is a clear factor that will support demand – and property values over time. A low price simply isn't enough reason to believe you will make a capital gain.

Brendon Hulcombe
CEO, Herron Todd White

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Victoria

The state's residential property market has picked up marginally in the last quarter despite a moderate slowdown in the Victorian economy. Ongoing price appreciation is likely to be supported by new infrastructure projects, which are part of the state government's \$200 billion Growth Corridor Plan. First home buyers and investors hoping to enjoy long term capital gains should focus on those areas likely to benefit most from these projects.

Melbourne

After showing a slight improvement in the June quarter, some parts of Melbourne's property market have slowed again though first home buyers have remained active. Figures from the Australian Bureau of Statistics show a 0.7% rise in first home buyer financing between June and July 2102. Vacancy rates have tightened slightly over the past six months, currently sitting at 1.8%. Competition for available rentals is pushing rents up.

For long term growth potential, despite the tragic circumstances surrounding ABC employee Jill Meagher, Melbourne's inner northern suburb of Brunswick continues to offer good prospects. The cosmopolitan and multicultural flavour of Brunswick is enhanced by a diverse choice of retail and food outlets on Sydney Road and the Lygon Street restaurant strip. Located just 7 kilometres from the CBD, the suburb appeals to young renters but with units priced from about \$415,000 it is still affordable for first home buyers. Houses are priced from about \$675,000 and investors are enjoying yields in the order of 4% to 4.75%.

Long term capital growth in Brunswick is supported by a range of housing options from contemporary apartments to established period housing and strong transport links including one rail line plus tram links to the city.

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The inner city suburb of Southbank may also offer long term price appreciation. The suburb's large number of high rise apartment towers makes it a popular choice among students and young professionals. Southbank is also conveniently located to Crown Casino and the arts precinct as well as the Southgate retail and restaurant hub. The median unit price in Southbank is around \$547,500, and investors are achieving yields of 4.5% to 5%.

Outer metro – Dandenong and Mornington

Located approximately 36 kilometres from the Melbourne CBD, Dandenong is considered a major satellite city of the south east corridor. The area accommodates a variety of commercial operations including State Trustees of Victoria, Vic Roads, the Australian Taxation Office and Centrelink. This supports the local labour market with further job opportunities available through Chisholm Tafe and Monash University.

In 2007 the Victorian State Government passed an urban master plan to revitalise central Dandenong. Proposed works included improvements to public transport and the local road network, upgrading Dandenong Market and creating 4,000 to 5,000 new homes. These plans have started to progress with improvements to Dandenong Market now completed. Two new housing estates - Metro Village and Meridian, have been established with most stages completed.

Dandenong's property market took a slight dip towards the beginning of 2012 however recent data suggests the market is recovering and stabilising. Given that most homes are priced below \$500,000 and the median unit price is around \$260,000, Dandenong remains an affordable location for first home buyers.

As Dandenong attracts a lot of new migrants, rental properties are in demand and vacancy rates are low. Investors in the area are achieving yields of 5% to 6%.

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Mornington

About 60 kilometres south of the Melbourne CBD, the bayside suburb of Mornington may offer growth opportunities in 2013. Prices in the area have fallen by around 7.7% over the past year indicating improved value for money. The completion of the Peninsula Link Freeway in early 2013, will significantly cut travel times from Mornington to Melbourne's city centre.

Mornington offers good shopping facilities, schools, and an abundance of recreational facilities including golf courses, wineries, ocean and bay beaches and national parks. Prestige homes are found on the beach side of the Nepean Highway however for first home buyers the eastern side of the highway near Benton's Square Shopping Centre offers modern homes on generous allotments priced from the low-\$400,000s. The median unit price is about \$390,250.

Investors in Mornington can expect to pay a premium for properties on the western side of the Nepean Highway and close to Main Street however these tend to be easily tenanted and should achieve reasonable capital growth over time. Homes on larger sites may offer subdivision potential. Decent yields of around 5% can be achieved in older 3-bedroom former public housing homes.

Regional Victoria

In the regional city of Ballarat, first home buyers can secure homes priced from under \$300,000 in locations like Ballarat Central and Ballarat East. These areas offer proximity to the town centre and Melbourne is an 80-minute drive away or can be accessed by V-line Rail.

Investors looking for long term growth may want to consider Ballarat's northern suburb of Wendouree. In recent years the redevelopment of the local train station has provided easy commuting from the western side of Ballarat to Melbourne. This coincides with the planned western employment precinct, which is likely to generate further jobs for the area in the future.

Source: Herron Todd White

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1300 880 489
htw.com.au
admin@htw.com.au