

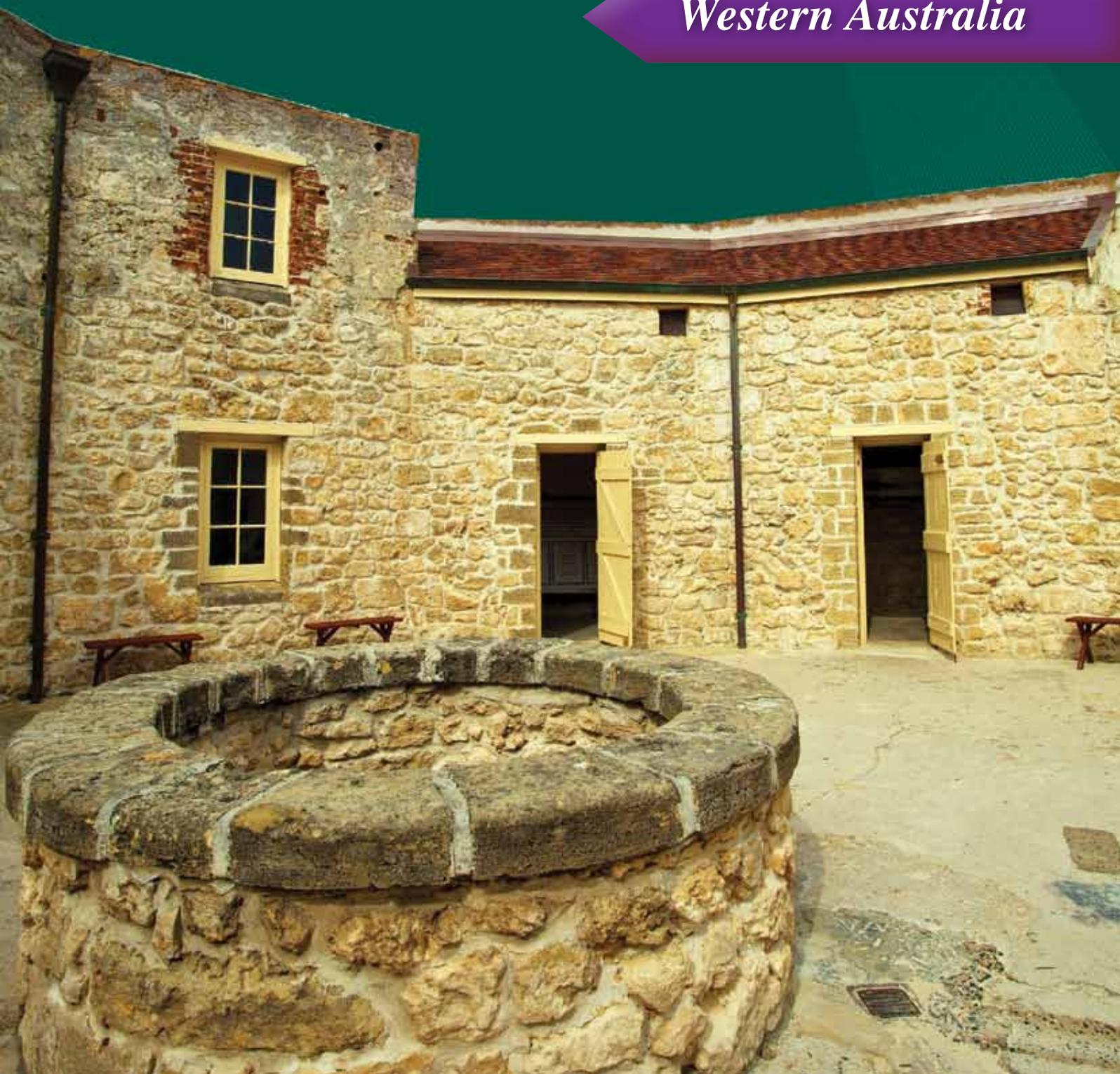


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Western Australia



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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Western Australia

Western Australia is in the enviable position of enjoying a strong state economy with low unemployment underpinning steady wages growth. After an extended period of rising prices, capital appreciation in the state's residential property market has softened and this has seen the housing affordability pendulum swing back in favour of buyers.

Perth

The Perth median house price currently stands at \$470,000, and although this is higher than many other state capitals, first home buyer activity remains strong. First time buyers represent 27% of the established market and 22% of the new built market.

Without the speculative buying activity seen in Perth prior to the global downturn, today's first home buyers can afford to focus on whether a home meets their needs and look for locations that will offer capital security. Suburbs within land developments offering quality design and planning restrictions have the potential to meet these needs.

Three locations in particular – Baldavis, Ellenbrook and Canning Vale, have been consistent favourites among Perth's first home buyers for the past four years. With a median price of \$429,000, Baldavis is located 46 kilometres south of the Perth CBD and is well serviced by the Perth to Mandurah train line. The suburb has achieved an average annual growth rate (AAGR) of 6.6% over the last ten years.

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Ellenbrook, located approximately 26 kilometres north east of the city centre, is more affordable with a median price of \$387,000. Historical growth rates here have also been more impressive averaging 9.2% annually over the past decade. Although there have been plans for a rail link from Perth to Ellenbrook, which would further support values, it remains unclear at this stage if the link will go ahead.

Canning Vale lies 18 kilometres from the CBD and offers a diverse mix of housing. As Perth's largest suburb (by square metre and number of dwellings), Canning Vale offers a range of property prices though the median of \$530,000 is above the Perth metro figure suggesting that first home buyers in the area are atypical in terms of budget constraints.

Potential growth areas for 2013 include the suburbs located to the south east of the Perth CBD notably Piara Waters, Harrisdale and Southern River. These have achieved growth rates above the Perth metro 5-year average and are all part of new land subdivisions with quality developers.

Investors enjoy healthy tenant demand

Investors currently represent 15% of Perth buyers, and at present the city's rental market is facing intense tenant demand. The resource boom has seen a strong inflow of overseas and interstate migrants to Perth, and this has pushed vacancy rates down to 1.9% – below the 3% regarded as equilibrium level.

Landlords are being rewarded with double digit rent growth, and yields have improved by 0.6% points over the past 12 months.

Key locations that have delivered notable capital growth over the past 12 months include City of Perth, Vincent/Stirling and the western suburbs. These areas are all located within close proximity to the CBD and the coastline, which underpins their desirability and potential for long term capital gains.

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South West WA

In the state's south west, the residential property market is expected to enjoy reasonable long term growth supported by the continued growth of fly in/fly out workers. This segment of the workforce is being further supported by the scheduling of additional flights from Busselton and a bus service that caters specifically to these workers. Real estate agents in the south west are reporting a number of purchases being made by fly in/fly out workers, and given the area's relative affordability compared to Perth, it is a trend that appears likely to continue.

The south west region offers plenty of choice for both first home buyers and investors considering properties in the \$300,000 price range. Most notably, South Bunbury is popular among tenants and its proximity to the Bunbury CBD has supported capital values in the suburb over the last five years.

South Bunbury was recently rezoned from R15 to R20, which allows 1,000 square metre blocks to be subdivided. While there is little appetite in the market for this type of development at present, it seems likely that in the longer term it will become a more attractive option.

Another area that may appeal to investors is the strip from Busselton to Dunsborough on the coastal side of the Bussel Highway. This is a consistently popular location however it has experienced price falls, and now represents some reasonable buying opportunities across a range of price points.

Source: Herron Todd White

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