



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Western Australia



National overview

In this edition of the Westpac Herron Todd White Residential Property Report, we are putting the spotlight on the opportunities for cashed-up investors and self-managed super funds (SMSFs).

Softer residential property prices around the country are presenting opportunities for aspiring landlords and DIY superfunds, and we'll take a look at some of the stand-out investment real estate markets.

A buyer's market

With lending still tight and confidence relatively low, competition for quality homes is comparatively thin on the ground, particularly in the entry level markets that are typically popular with investors. While prices are yet to hit bargain basement levels, it's fair to say they have flattened out. This is good news for cashed-up investors and SMSFs looking for long-term capital gains.

Leading the way is the Western Australian market, which has stabilised after a booming period of growth. Similarly, there has been a slight drop in Tasmanian real estate values after 10 years of strong returns. Indeed some markets in and around Hobart, such as Sandy Bay, South Hobart and West Hobart, recorded growth of more than 200% over the last decade.

Property a long term investment

While buyers, particularly first timers, might be taking a wait-and-see approach, rental markets around Australia are still relatively strong. As a result, vacancy rates are low and this is keeping rents steady, which is good news for investor cash flow.

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Location, Location, Location

A resounding message from around Australia is that the investment properties with the best prospects of long term growth are located close to city CBDs, regional centres and infrastructure. Melbourne is a case in point. A wave of building activity and apartment development applications continue in suburbs close to the city, defying the national slowdown. It seems it's a classic case of 'build and they will come', as there appears to be strong demand for new apartments in the inner city, and steady sales.

Regarding the impact of infrastructure and employment on housing prices, it is also worth keeping an eye on Australia's resources sector, especially in South Australia and the Northern Territory. In Adelaide, market watchers are anxiously awaiting the announcement about the future of BHP Billiton's multi-billion dollar expansion of Olympic Down, the world's largest known uranium deposit. Likewise in the NT, it seems that Inpex's multi-billion dollar Ichthys LNG Project is getting closer to reality, with the issuing of pipeline licences.

We expect the Adelaide and Darwin real estate markets will experience major boosts when these initiatives come to fruition and the projects start employing workers – both in terms of sales activity and rentals.

Queensland finds its feet

After a rough start to the year, Queensland is slowly getting back on its feet. We are pleased to report that the town of Toowoomba is experiencing slow but steady growth and a stable rental market. About 400 kilometres away in Gladstone, 2011 is also shaping as a very 'robust' year. The rapidly developing coal seam gas industry has fuelled residential development and growth across the board – in terms of real estate values and rents. Vacancy rates have shrunk below 1% and tenant demand appears to be increasing. It is truly pleasing to hear some good news coming out of the Sunshine State.

Brendon Hulcombe
CEO, Herron Todd White

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Western Australia

Perth

A robust resource sector, low unemployment and easy access to low interest finance have combined to drive strong housing price growth in WA for the past few years. However interest rate rises, coupled with the lingering fallout from the financial crisis, and competition from other Australian regions for a slice of the resources boom, and the shine is off WA real estate for now.

In truth, the resources sector and its ancillary industries are still attracting interstate workers to WA. However there is a larger proportion of transient 'fly-in, fly-out' workers, reducing the need for permanent rental accommodation.

As a consequence, the real estate market is experiencing a period of softer prices, which means the time is ripe for investors and self-managed super funds (SMSFs) looking for long term capital growth and yield.

Perth house market

While Perth property prices are soft, rents are reportedly on the rise, due largely to the fact that aspiring homeowners are shying away from the market. We believe a number of suburbs offer good investment potential.

High Wycombe

High Wycombe is located within close proximity to the large industrial areas of Hazelmere, Perth Airport and Guildford, and is a strong rental market. Property managers report an average rental return of 4.5% for the area and vacancy rates of 2%. Regional rezoning means some properties in High Wycombe can now be subdivided. We believe High Wycombe has good growth potential in the order of 10% plus over the next five years, especially as the market picks up momentum, while its median house price is \$405,000.

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Lynwood

Lynwood represents good buying, with lower values due to older style housing. It offers larger blocks of land, many with subdivision potential, and is situated only 14km from the Perth CBD and within close proximity of commercial centres such as Cannington and Canning Vale. Lynwood's median house price is \$390,000, and future growth could be greater than 10% annually over the next five years. Average yields are in the order of 5% with a median weekly rent of \$375 for Lynwood houses.

Scarborough

A popular beachside suburb, located just 10km from the Perth CBD, Scarborough offers a wide range of accommodation types suitable for a range of renters and investors. Developers are also confident the beach suburb has growth potential with the recent announcement of the White Sands apartment/townhouse development, which is slated for completion in 2014. Scarborough's median house price is \$755,000, with growth in the order of 8% expected annually over the next five years.

Perth apartment/unit market

The Western Australian Government is pushing ahead with the much-anticipated redevelopment of Perth Waterfront, committing \$270 million to the project in 2011-2012. Years of planning have gone into this project, which aims to revitalise the city's waterfront precinct to include a mixture of commercial, residential, educational, cultural, retail and civic areas, as well as improved access to the river and the CBD. Earthworks on the project will start in early 2012, with construction expected to be completed by mid-2014. We believe this project will increase buyer and investor interest and will encourage an even greater focus on inner city living.

This is great news for cashed up investors, especially if they are ready to move now before the market shifts.

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South Perth

It is possible to buy a two-bedroom, 1970s apartment in South Perth, with river and city views for less than \$450,000. With average rents around \$400 a week, this represents good buying in a premium location with potential for solid capital growth (10% annually over the next five years) and rental appreciation. The expansion and rejuvenation of the Perth/East Perth foreshore is likely to have a flow on effect to South Perth.

Regional market

West Busselton

This is regarded as one of Western Australia's favourite tourist regions and is located about 220km south-west of Perth – it is also one of the state's fastest growing regions with a population in excess of 20,000. The climate is a major advantage, along with its access to nearby rural areas, including the famous Margaret River wine region. West Busselton's median house price is \$398,000. It's worth noting the median house price has decreased markedly over the past five years. However given the area's underlying appeal with buyers and investors, we are predicting a steady increase over the next five years, assuming there isn't another major financial disaster.

South Bunbury

This is a coastal town near Koombana Bay, located about 185km south of Perth. It is part of the city of Bunbury, which has a growing population that now exceeds 50,000. The area has become a thriving city in its own right, with extensive community facilities, a strong education sector, shopping, restaurants, entertainment, and a bustling tourism industry. The median house price is \$385,000 and like West Busselton, after five poor years, we are predicting steady increases for South Bunbury's median house price.

Source: Herron Todd White

Cover photograph kindly supplied by the City of Bunbury.

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