National Overview

Media headlines regularly focus on the challenges first home buyers face finding affordable property, and yes, in many state capitals residential property is expensive.

However, what is often overlooked is the growth of competitively priced new estates located in outer-ring growth corridors, where house and land prices are often below $500,000. The popularity of these developments is frequently underpinned by state government initiatives that actively encourage first home buyers to purchase newly constructed homes or build homes on vacant land.

These initiatives are certainly having a positive impact on the residential construction industry. Figures from the Housing Industry Association confirm apartment building was a strong performer in August 2015, with construction of houses also expanding.

NEW ESTATES ARE BACKED BY INFRASTRUCTURE

The availability of new estates in planned suburbs is good news for first home buyers, especially in our least affordable city, Sydney. The typical first timer looking to buy in Sydney’s middle-ring suburbs, for instance, is often able to afford only a 1- or 2-bedroom apartment.

By contrast, in Sydney’s south-west growth region, suburbs such as Oran Park and Leppington offer house and land packages priced from around $480,000.

Yes, these are outer suburbs. However, anyone driving through this area for the first time couldn’t fail to be impressed by the extent of new infrastructure construction, which is providing improved transport links plus local employment hubs. This level of activity, coupled with the planned second airport at Badgerys Creek, suggest the first home buyer estates of the south-west will prove to be a sound investment for the future.

It’s a similar story around many state capitals: first home buyers prepared to look beyond established suburbs can find value. In Brisbane, for instance, Springfield Lakes (25 kilometres from the CBD) offers 3-bedroom homes priced from $350,000. Melbourne’s Point Cook area features new developments such as Featherbrook and Kingsford estate, which offer house and land packages starting at around $375,000.

To the east of Darwin’s satellite city Palmerston, Zuccoli is home to new masterplanned estates. Vacant lots of 300 square metres are selling for as little as $160,000, making this area an affordable option for many of the Territory’s first home buyers.
PRICES HAVE COOLED IN WA
In Western Australia, Perth values have cooled over the past 12 months, and in northern suburbs such as Butler prices have dipped 0.9%. This is giving first home buyers greater buying power, and semi-detached homes in the area are priced under $400,000.

TASMANIA AND SOUTH AUSTRALIA OFFER AFFORDABLE PRICES
First home buyers in South Australia and Tasmania are fortunate to have an affordable property market. Tasmanians also benefit from the state government’s First Home Builder Boost (FHBB), currently worth $20,000 for new constructions. However, our experts in Tasmania are urging first home buyers to weigh up the merits of a newly built home versus an established property. Given the affordability of Tasmania’s property market, first home buyers can secure excellent value with established homes in quality suburbs, even if it means forgoing the FHBB.

A final word of caution: first home buyers on very tight budgets need to be mindful that many new developments feature extremely small lots, as a way of keeping prices down. Particularly diminutive allotments, while budget friendly, may have limited buyer appeal and prove harder to sell further down the track.

Brendon Hulcombe
CEO

1 Australian Industry Group/Housing Industry Association media release; Australian PCI®: Construction rebounds in August, 7 September 2015.
Melbourne

**Western and South-western suburbs**

Melbourne’s western suburbs are seen as an affordable option for first home buyers. Although the region is located around 25 kilometres from the CBD, significant infrastructure investment, including a new train line and road upgrades, is helping to improve commute times to the city.

Consequently we have seen an increase in sales growth along the suburban corridors of Point Cook, with new developments such as Featherbrook and Kingsford estate benefiting from the new infrastructure plan.

Brand new homes in these developments are considered attractive by first home buyers, with many developers and builders offering generous incentives. In Featherbrook, for example, home sites are available from $229,000, and house and land packages start at around $375,000. This affordability is seeing the area experience high population growth. As a result, a number of new estates are under construction and lots are generally selling well.

The Point Cook area offers plenty of amenities for first home buyers, including two large shopping precincts: Point Cook Town Centre and Sanctuary Lakes shopping centre. In addition, the state government will be delivering further transport improvements designed to lessen congestion along Point Cook Road and the Princess Highway, which is one of the state’s busiest thoroughfares.

Property values in Melbourne’s outer south-western suburbs extending to Werribee, Hoppers Crossing, Tarneit, Wyndham Vale and Truganina are rising as a result of higher demand. We have also witnessed significant foreign investment in these markets due to the combination of low rates, a weaker Australian dollar and the attractiveness of affordable house and land packages.

Looking ahead, the tightening of investment lending and a significant supply of greenfield land in the area could put downward pressure on prices.

We believe the future price growth around Point Cook will be slow, reflecting an oversupply of land as developers release new stages to the market. First home buyers considering a purchase in the area are advised to shop around carefully as there is significant competition between developers in the market.
South-eastern suburbs

Melbourne’s south-eastern region is rich with subdivisions, and most suburbs – including Cranbourne, Cranbourne East, Cranbourne North, Cranbourne West, Clyde and Pakenham – feature new estates marketed as affordable home options.

Cranbourne North, situated approximately 42 kilometres from the CBD, is particularly affordable for first home buyers. Property prices are generally lower than for similar homes elsewhere in Melbourne. New 4-bedroom homes on smaller lots can be purchased for under $500,000, and entry-level prices start at about $370,000. Adding to its appeal, Cranbourne North is close to parks, schools and shopping.

Still in the south-east, Officer is a developing residential suburb situated between Pakenham and Berwick, approximately 50 kilometres from the CBD. Entry-level prices for first home buyers range from about $380,000 to $440,000. Prices vary depending on the estate, lot size and internal finishes.

Both Cranbourne North and Officer sit within a rapidly expanding area featuring a high percentage of first home buyers. As these households are generally sensitive to interest rate movements, the area may become oversupplied with cheap properties in the event of any future rate rises. This is a potential downside that first home buyers should be aware of.

Regional Victoria

Bendigo

Booming development in Bendigo, located 150 kilometres north-west of Melbourne, is being underpinned by a variety of infrastructure projects, including the new Bendigo Hospital and expansion of the railway network. As a guide to the scale of development, the value of building approvals in the City of Greater Bendigo was $372 million in the 2014-15 financial year.

The rising prosperity of Bendigo is coupled with affordability. The current median house price is $350,000, making it an ideal location for first home buyers willing to look beyond the greater Melbourne area.

The City of Greater Bendigo has identified three major vacant parcels of land with potential for a medium-density housing community. The Chum Street site opposite the historic mansion Fortuna, for instance, offers approximately 10 hectares of land and is located close to St John of God Bendigo Hospital, Bendigo Stadium, schools and parks.

The diverse economic profile of Bendigo provides healthy employment opportunities and this has supported demand for housing even in tough economic conditions. With the population projected to grow by 42% over the next 20 years, we anticipate steady capital growth for Bendigo in the years ahead.
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