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Westpac

PROPERTY REPORT

NSW / ACT



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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New South Wales

The NSW residential property market is extremely diverse. In Sydney, the potential for future capital growth tends to reflect local amenities and proximity to the CBD. In regional areas, price appreciation is more likely to hinge on infrastructure improvements or the presence of local mining activity and the employment opportunities this brings.

Sydney

Inner suburbs

Sydney's inner west has been a strong performer for the past decade and although values in some suburbs are beyond first home buyer budgets, Ashfield remains affordable. The suburb enjoys proximity to the city centre, good transport links and abundant local facilities, and it is expected that property prices will rise over time as neighbouring locations appreciate in value.

Waterloo and Zetland are also budget-friendly for first home buyers. Both locations have benefitted from the completion of high density developments, which have increased the supply of housing stock, keeping prices reasonable. The area has good long term growth prospects based on proximity to the CBD and infrastructure improvements.

For investors, Potts Point and Darlinghurst are experiencing record low vacancy rates with no sign of easing. Yields remain strong, with both capital and rental growth anticipated for the future.

To the city's north, Lane Cove and Artarmon also offer low vacancy rates with tenant demand supported by local rail and bus networks. Both suburbs provide good value given their near-city location, and rental and capital growth is expected to continue in 2013.

Outer Sydney

The western suburbs of Liverpool, Blacktown and Penrith may not share the same fashionable reputations as their inner city counterparts but these locations offer strong long term growth prospects while being affordable for first home buyers. Nearby job opportunities and improvements to local infrastructure should support long term price appreciation.

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In the north west, Lethbridge Park is expected to rise in value as it can now be more affordable to buy a home in the area rather than rent. Prices range from around \$180,000 to \$260,000, which is very affordable for Sydney, and the suburb is likely to see capital growth that will bring local values into line with nearby Plumpton and Mount Druitt.

In Schofields and Riverstone, a significant amount of land has been released for quality developments and this location remains budget-friendly for first home buyers. With a Woolworths supermarket planned for Schofields and with the widening of the M2 freeway, the area is expected to enjoy long term gains.

For investors, the newly established suburbs of Oran Park and Edmondson Park offer convenient locations at the junction of the M7 and M5. A new train station planned to link the airport and East Hills line by 2016 will help to support value growth in the area.

To the west of Parramatta, prices in Pemulwuy have risen substantially since 2010. High quality homes are being completed and some have sold above \$700,000. A number of factors make this an appealing area for investors including multiple rail and motorway connections to the Sydney CBD, the presence of new businesses offering employment opportunities and rental yields between 5% and 6%.

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Regional NSW

On the north coast, an influx of workers associated with the Pacific Highway upgrade is pushing Coffs Harbour rentals to record levels. Older homes in established central suburbs of Coffs Harbour offer the best value for money and the strongest prospects for future capital growth. It is possible to pick up homes in the beachside suburbs of Korora Bay and Sapphire Beach for between \$400,000 and \$550,000, which is well below replacement cost. Buyers should be aware that rentals and capital values in Coffs Harbour could ease once the highway works are completed.

Turning to the Hunter Valley, first home buyers in Newcastle are finding it more difficult to acquire homes in the popular under-\$350,000 price bracket, and those dwellings that are available can come with constraints such as proximity to main roads that will impact future resale values.

Satellite suburbs such as Kurri Kurri, Weston, Cessnock, Medowie and Telarah still offer homes priced below \$300,000 though Medowie's proximity to the Williamtown airport/RAAF base is rapidly pushing values higher.

Nonetheless these suburbs offer strong rent returns especially when they are located within commuting distance to the mines of the Upper Hunter. Investors in the area enjoy extremely tight vacancy levels and regular rental growth.

To the north of Newcastle, the rural towns of Gloucester, Stroud and Dungog offer properties priced below \$300,000, and while the area has experienced some capital growth buyers need to be aware of employment drivers.

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ACT

A number of new developments in the Canberra suburbs of Harrison, Ngunnawal (Broadview) and Casey have been attracting strong first home buyer interest. The development of The Fair, a masterplanned community in Watson, is providing affordable 1-, 2- and 3- bedroom homes and 1- and 2- bedroom apartments for first home buyers, with a location just seven kilometres from the CBD.

For investors, vacancy rates throughout ACT remain low. Units located in Griffith, Kingston, City, Turner and Lyneham are all showing healthy rent returns in the order of 5% to 6%.

It is possible the Canberra market will cool slightly in 2013 reflecting the uncertainty surrounding the state of play in the federal parliament. This could provide an opportunity to buy into one of Australia's more stable capital city markets.

Source: Herron Todd White

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