



Herron
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Independent Property Advisors

Westpac

PROPERTY REPORT

Queensland



Hotspots!

In this edition of the Westpac/Herron Todd White Property Report we focus on 'hotspots' – locations around the nation that offer strong potential for capital growth amid cooler market conditions.

Purchasing a property that delivers strong capital growth is the holy grail for both owner occupiers and investors. But it's a feat that's not easily achieved. History tells us that a well chosen, well priced property in a desirable location will grow in value over time. This is part of the appeal of bricks and mortar as an investment.

But 'hotspots' are quite different. They offer a chance to outperform the market, delivering turbo-charged returns and superior gains – often at a more rapid pace than the rest of the market. As this report reveals, even in today's quieter market, there are plenty of locations across the nation that can rightly be described as hotspots.

The Surat Basin and coastal Gladstone are two Queensland hotspots where extensive mining activity is expected to underpin significant population growth. We caution, however, that speculation about growth in these areas hinges on the completion of key mining projects, and as we've seen in the past these can be quickly shelved for a variety of reasons.

In New South Wales, Sydney's Norwest corridor is expected to enjoy significant price growth as families head for the amenities and lifestyle of the area. Further afield, several suburbs within Newcastle and the Illawarra are undergoing rapid gentrification, and together with strong transport links, these areas should perform well.

The Darwin market, which has experienced astonishing price growth in recent years, offers a different type of hotspot. Today's buyers are urged to look for areas delivering long term growth rather than the overnight gains of the past. We identify several Darwin hotspots including Bees Creek and Rapid Creek that meet this criteria.

And in Victoria and Tasmania, a number of inner city suburbs offer strong potential for capital gains supported by proximity to transport links and facilities, and in some cases strong demand from recent immigrants. In Melbourne, the suburbs of Noble Park and Broadmeadows are worth a look.

Heading south, inner city Hobart and Launceston provide strong opportunities for capital growth in Tasmania as the state's residents embrace cosmopolitan living assisted by developments of CBD apartments – a feature once lacking from these markets.

In Perth, key indicators suggest the market is poised for an upswing, making now a good time to buy. Suburbs like Cottesloe and Shelley satisfy the great Australian love of the water, and along with trendy Mount Lawley offer strong potential for future gains.

I hope this edition of the Westpac/Herron Todd White Property Report helps you identify a suitable hotspot.

Brendon Hulcombe

Chief Executive Officer, Herron Todd White

Queensland

The Brisbane market may be experiencing quieter conditions but many parts of the State, notably the Surat Basin, offer regional hotspots.

Brisbane

The greater Brisbane area is not expected to see any significant capital growth over the next two years, and this period of stagnation could extend if interest rates rise.

However, Kedron remains a suburb to watch. The area has been a 'poor cousin' to its neighbours - Woolloowin and Gordon Park, but the construction of the new bus way and the Airport Link tunnel (due for completion in 2012) will bring Kedron closer to the city.

Values in Kedron have softened by around 5% to 10% since late 2007/early 2008, though values are expected to recover strongly once the market regains form and new infrastructure is completed.

Median values in the area are around \$537,500, and we believe this could rise on the completion of current transport projects.

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Gold Coast

The central Gold Coast suburbs of Ashmore and Benowa present good opportunities in the under \$500,000 price bracket. Their proximity to the beach gives these areas greater potential for capital gains than new western fringe house/land estates, many of which have over 10 months worth of housing supply listed for sale.

In a higher price bracket, Isle of Capri, Broadbeach Waters, Mermaid Waters, Burleigh Heads and Paradise Point (east of Oxley Drive) offer 1970's canal front housing in original but tidy condition along with fully renovated non-waterfront homes. Most properties are valued between \$750,000 and \$850,000, and the narrowing of prices between waterfront and non-waterfront properties suggests waterfront homes are due to escalate in price. Median values for these homes could rise to \$1,000,000 by 2015.

In the \$1 million-plus market, values in Mermaid Beach, Palm Beach and the Kingscliff estates of Salt and Casuarina have fallen by more than 30% in recent years. This presents an excellent opportunity to buy beachside lifestyle properties, often at less than replacement cost. The current \$950,000 value home could rise to \$1,200,000 by 2015.

Sunshine Coast

The state government has finally set a timetable for construction of the Sunshine Coast Hospital at Kawana, and this is likely to see the property market recover lost ground, making up for the fall in values of around 10% that have occurred since 2007.

In particular, Wurtulla offers some very cheap housing. Properties are available for under \$350,000, which look like good buying even now, and should offer longer term capital gains, potentially rising in value to around \$385,000 to \$400,000 by 2015. These properties are also likely to rent well.

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Surat Basin

Over the next five to ten years the region from Toowoomba west to Roma is expected to benefit from the planned strategic development of the Surat Basin as coal and coal seam gas (CSG) production expands.

Population projections indicate that the Surat Basin's resident population may increase by between 47,100 and 63,400 by 2021. Almost 90% of this projected growth is likely to occur in Toowoomba Regional Council area, with Western Downs Regional Council area receiving most of the remaining growth.

A number of towns including Dalby, Chinchilla, Miles and to a lesser extent Roma, have already seen considerable property speculation. Some regional centres may benefit more than others, depending on the location of industrial hubs and workforces.

Gladstone

The primary driver of the Gladstone market is the proposed development of several large infrastructure projects which will require a significant construction workforce. Around \$65 billion is expected to be invested in Gladstone via resource projects, and population and income growth can be expected if at least some of these projects proceed.

Although all approvals are yet to be obtained on the major projects, the companies involved continue to work towards the expected start dates and are already increasing employment in the area. Vacancy rates for residential accommodation have already fallen below 2%, and accommodation is now difficult to obtain.

Investing in Gladstone is not without significant risk. The market has historically been volatile with significant peaks and troughs and timing is critical. There have been many instances of projects being delayed or shelved in the past.

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Townsville

A number of Townsville's inner city suburbs are considered 'hotspots' over the medium to long term including North Ward, Townsville City, South Townsville and Belgian Gardens. These suburbs are close to the city centre and The Strand foreshores, and values are supported by a limited supply of vacant land.

Cairns

Anywhere in Cairns offers good buying at present as the market is at the bottom of the cycle. Values in better quality suburbs within 10 minutes of the CBD are expected to bounce back at a rapid pace. Noteworthy suburbs include Edge Hill, Whitfield, Freshwater, Stratford and City View.

Source: Herron Todd White

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