



Herron
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Independent Property Advisors

Westpac

PROPERTY REPORT

NSW / ACT



National overview

Taken as a whole, the Australian property market has cooled over recent months though in a market as diverse as ours, there are pockets of growth even amid quieter conditions. Buyers who research the markets and choose wisely can be rewarded with both short and long term gains.

The key to success in today's market is to look for locations offering a competitive advantage. The Sydney suburb of Hunters Hill for instance is benefiting from the slowdown in the overall prestige market as buyers seek quality and amenity, but at a more affordable price.

More uniformly though, it's the resource-rich regional areas that are tending to buck the national trend of flat or falling prices. In a number of locations where mining is a dominant industry, strong price gains are supported by high employment and an undersupply of local housing stock. In the Queensland city of Gladstone for example, development of LNG infrastructure is creating significant demand for accommodation. The Mackay property market is also benefiting from mining expansion in the Bowen Basin.

Looking ahead

The best gains on property are made by buying when prices are low, and today's market offers ample opportunity to take advantage of improved affordability as the basis for future gains. Nonetheless it is essential to look for concrete factors that will underpin tomorrow's price appreciation. Indicators of growth can range from improvements to local transport infrastructure through to macro developments which can affect the prosperity of an entire city or region.

As a guide, the Gold Coast suburbs of Broadbeach and Surfers Paradise are likely to benefit from the construction of the new rapid transport rail system scheduled for completion in 2014.

In Darwin, several large-scale construction projects are due to commence next year including the INPEX LNG plant and the Marine Supply Base. These projects should lend support to the city's residential property market.

The general rules of sensible buying still apply even in areas with growth potential. Watch the market that you're planning to buy in, get an idea of how long a particular property has been listed and whether the price has been reduced. Bear in mind that the asking price is only a marketing guide, and in today's market, many vendors will expect an offer below this price.

Brendon Hulcombe
CEO, Herron Todd White

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New South Wales

Across New South Wales, the residential property market is experiencing quiet conditions as buyers weigh up a softening economic outlook against low and falling, fixed home loan rates, but some pockets of the state offer attractive gains and good potential.

Sydney

Over the past 12 months, a number of Sydney suburbs have delivered buoyant returns. Freestanding houses in the local government areas (LGAs) of Canada Bay (up 16.8%), Fairfield (6.3%), Blacktown (6.1%), Bankstown (5.3%) and Hunters Hill (4.6%) have been the city's top performers.

Concern over the outlook for the local and global economies is seeing buyers take a more conservative approach. This has proven beneficial for locations like Canada Bay and Hunters Hill, which have captured a greater share of the premium market while areas such as the lower north shore and Sydney's eastern suburbs have softened.

Proximity to CBD underpins values

In the apartment market the combination of low levels of new listings and stable interest rates appears to be creating conditions for a bullish market. Affordable suburbs located close to the central business district with nearby proximity to train lines are enjoying especially strong growth.

In particular, Ashfield (up 14.5%), Marrickville (12.2%) Canterbury (10.7%) and Lane Cove (8.2%) have outpaced the rest of the Sydney market. Low vacancy rates have allowed landlords to push rental growth higher than CPI (inflation) levels in these areas and this has further contributed to buyer demand in these suburbs.

A number of conditions point to an influx of investors at the affordable end of the Sydney market. Among them, the current share market volatility and fixed interest rates that are the lowest they've been since 2008, make residential property a very viable, long term investment.

In addition, the ability of self managed superannuation funds (SMSFs) to borrow to invest should support the lower end of the Sydney market.

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Inner West offers strong potential

Those suburbs currently performing well, notably Marrickville, Ashfield and Canterbury, should continue to deliver high rates of capital growth, possibly achieving price growth between 5% and 10% over the coming twelve months. This growth will largely reflect the interest of investors targeting affordable properties.

Western suburbs – steady rental returns

The outer western suburbs of Sydney, which have long been the domain of “mum and dad” investors, should continue to deliver healthy rental returns.

Anecdotal evidence suggests that vacancy rates are as low as 0.6% in some outer Sydney suburbs. This indicates that the western suburbs of Sydney should remain a viable area to invest in over the short to medium term, though steady returns, rather than significant capital growth, are most likely.

Regional NSW

In the current climate, regional areas offering strong, diverse local economies supported by a mix of agriculture, mining, tourism and education will continue to outperform. On this basis, key areas with growth potential include Armidale, Lismore, Coffs Harbour, Wollongong and Orange.

Wollongong

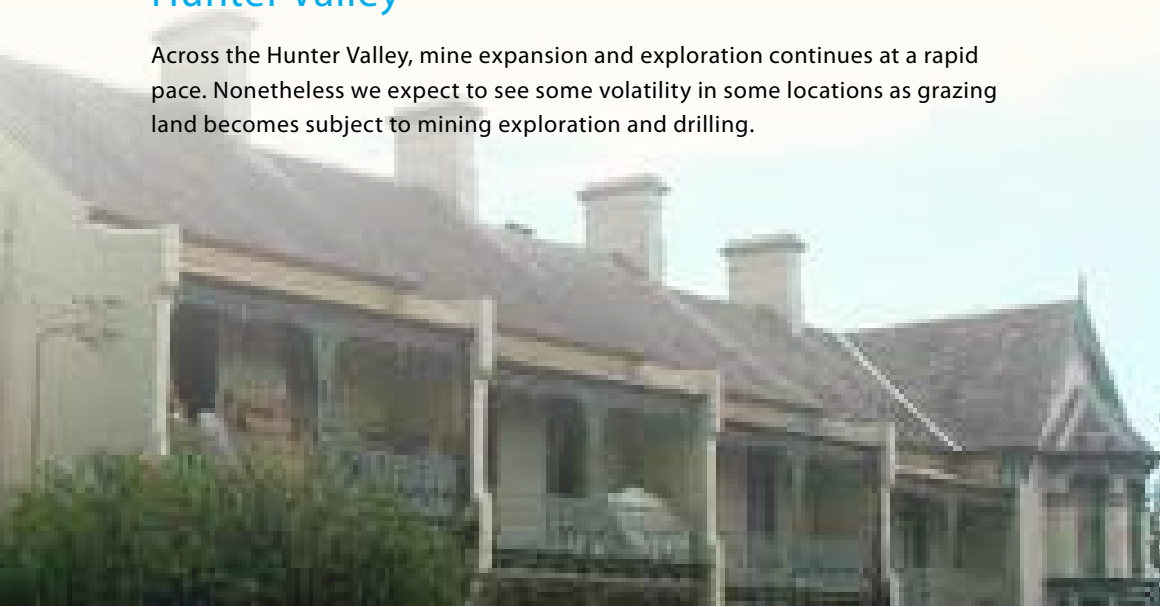
The consolidation of the manufacturing sector in Wollongong has seen the city hit hard by redundancies. While not good for the local economy, this is likely to produce some worthwhile buying opportunities especially in the southern suburbs of Wollongong towards Port Kembla and Shellharbour.

Further south, Goulburn is attracting renewed interest as the city’s water supply is finally secure thanks to construction of a new pipeline linking the city to Kangaloon Reservoir.

Hunter Valley

Across the Hunter Valley, mine expansion and exploration continues at a rapid pace. Nonetheless we expect to see some volatility in some locations as grazing land becomes subject to mining exploration and drilling.

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ACT

The Canberra market hasn't experienced significant change over the past 12 months. Buyers are showing a preference for new homes, so recent developments are attracting a premium price and selling fast. Consequently, off-the-plan purchases in Bruce and Belconnen are delivering positive capital growth.

Price growth is anticipated for the inner northern and inner southern suburbs, both of which offer close proximity to employment, schools and services, however rental returns are generally lower in these locations – usually between 3% and 4%. Outer areas such as Belconnen and Woden can offer higher yields of 5% to 6%.

Future growth areas include Greenway, Downer, Watson, Lyneham, Franklin, East Belconnen, Narrabundah and Ainslie.

Source: Herron Todd White

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