Herron Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Queensland

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

"The key to success in today's market is to look for locations offering a competative advantage."

Queensland

The Queensland property market is currently experiencing two distinct extremes. Many parts of the state have seen values fall by up to 10% over the past year, while resource-rich regions have enjoyed strong gains, supported by high employment and an undersupply of properties.

Brisbane

Over the past 12 months, the Brisbane market has struggled to achieve capital growth, though this has provided the upside of improved rental yields. Investors are earning a gross yield of up to 6.5% in suburbs such as Caboolture, Logan Central and Ipswich.

The Brisbane market is expected to pick up over the next four to five years, and suburbs likely to reap the lion's share of gains will be those offering lifestyle appeal plus close proximity to the city. Suburbs worth considering include West End, New Farm, Paddington, Wilston/Windsor and Bulimba. These areas have typically experienced less retraction in downturns and historically have delivered the highest rates of growth for established housing.

Far North Queensland

Queensland's north continues to experience slow conditions with the Cairns median house price falling by about 10% since mid-2010. Well presented properties in desirable locations are achieving fully priced sales, but homes without unique features are tending to languish unless very attractively priced. The amount of ground lost in the Cairns market suggests it could take time for the market to return to normal conditions.

Townsville's property market is also at the bottom of its cycle, with no capital growth experienced over the past year. Those locations most likely to experience medium to long term growth include the perceived "middle class" suburbs with proximity to the city centre. The CBD unit market offers opportunities for gains as the current oversupply is seeing apartments sold at very low prices.

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Central Queensland

In the Emerald region, the mining towns of Blackwater, Dysart and Moranbah have seen values firm during 2011 with no signs of slowing due to high levels of resource sector employment and an undersupply of housing. Rental yields of up to 15% are being achieved, though the market remains heavily dependent on global demand for resources.

Within Emerald itself, capital growth is being realised for non flood affected properties particularly among strata titled units and duplexes. A number of residential subdivisions are under construction, and unless the market can absorb these properties we could see a slight correction of prices in Emerald over the next 15 months.

Gladstone has experienced strong capital growth as a direct consequence of an expanding workforce involved in the development of LNG infrastructure. Once these projects are completed, Gladstone could experience a dramatic decrease in accommodation demand resulting in an oversupply of properties.

In Mackay, median house values are among the highest for regional Queensland, and affordability is becoming an issue. That said, yields of around 9% are still possible on apartments, and mining expansion in the Bowen Basin and the expansion of the Dalrymple Bay coal loading facility should keep the rental market tight over the short term at least.

Gold Coast

Over the past year, Gold Coast values have dropped by around 10%. However, centrally located suburbs within close proximity to the new rapid transport rail system (due to commence operation in 2014) are likely to see healthy capital growth over the medium term. Contenders for price appreciation include Broadbeach, Surfers Paradise, Southport, Labrador and Parkwood, which will also benefit from the opening of the new Gold Coast Hospital.

Sunshine Coast

Two of the Sunshine Coast's main economic pillars, tourism and construction, are in the doldrums, and the local property market has been falling since late 2007. Lower prices are improving affordability, and this is seeing buyers return to the market, attracted by significant price discounts. For buyers with a long term view, locations east of the Nicklin Way on the Kawana strip will benefit from the construction of a new hospital.

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Toowoomba

Capital growth has been virtually non-existent in Toowoomba over the past 12 months due to the January floods and broader economic uncertainty.

Despite the number of good buys currently available and increasingly strong rent returns, the investor component of the Toowoomba property market remains stagnant. The flow-on effect from the natural resources boom in the Surat Basin has not had any significant impact on the Toowoomba market. It is the rural towns of Chinchilla, Miles and Dalby, which all service the Surat Basin, that are enjoying strong rental growth.

However, with Toowoomba's affordability when compared to other regional centres and its proximity to Brisbane and the coast, investment in the lower price brackets is considered a "safe bet" over the next four to five years. Properties in the lower to mid-range price points such as Newtown, Glenvale, Kearneys Spring, Wilsonton and Darling Heights are likely to reap the highest rent returns in the forseeable future, though with less buoyant capital growth.

The more affluent suburbs such as East Toowoomba, Middle Ridge, Rangeville, Highfields, Hodgson Vale and Westbrook, which historically have delivered the highest capital growth, are expected to maintain this tradition over time.

Source: Herron Todd White

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