



Herron
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Westpac

PROPERTY REPORT

Victoria



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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WESTPAC PROPERTY REPORT

VICTORIA
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Victoria

The Victorian property market has stabilised in recent months, and although Melbourne values have cooled there are still pockets of opportunity for long term gains.

Over the past 12 months Victoria has experienced an unprecedented level of construction activity, which has created a significant oversupply. Coupled with a tendency for overpricing, the residential market has contracted sharply. Despite this, the traditional spring selling season has seen an influx of properties listed for sale, and this has added to market saturation.

Given these conditions, many buyers are adopting a “wait and see” approach. As a consequence, house prices are expected to decline over the next 12 months, though some recovery is anticipated in late 2013. Nonetheless there are pockets of optimism throughout the market, and these offer strong opportunities for buyers, who are able to take advantage of today’s cooler conditions with extra scope for price negotiation.

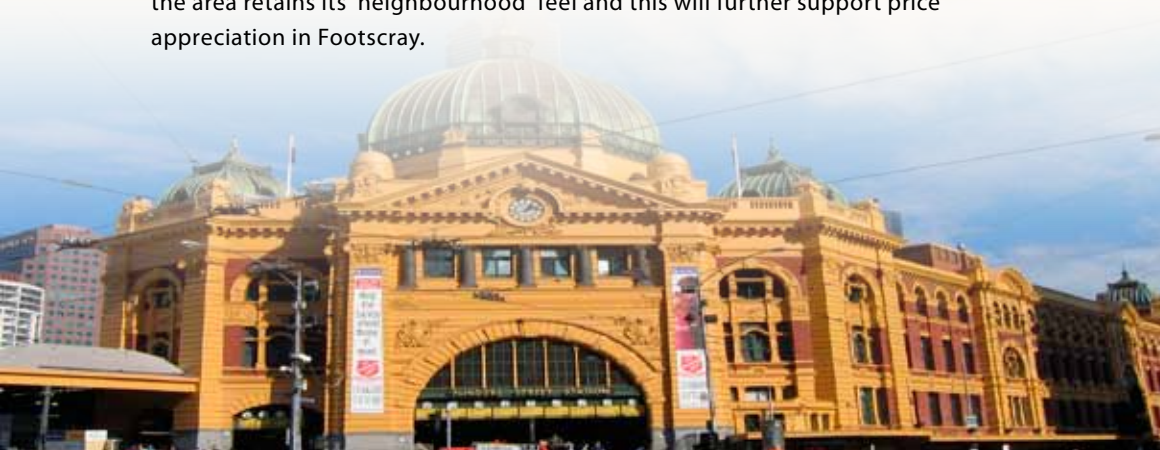
Melbourne

The past year has been challenging for the Melbourne market in general though certain areas, especially those within a five to 10 kilometre radius of the CBD, are tending to hold their value.

Footscray

With its close proximity to the city centre, Footscray is closing the desirability gap. The suburb features period homes in a vibrant, multicultural community that appeals to young professionals. With its rare combination of affordability plus proximity to the city, Footscray is definitely a suburb with growth potential, and this is further supported by a proposed \$350 million development of the Footscray railway station precinct. If approval for this project is granted, the development will change the landscape of Footscray, adding and creating government office space, housing, student accommodation, and community facilities. A draft housing strategy by Maribyrnong City Council, which aims to guide future housing development over the coming ten years, will help to ensure the area retains its ‘neighbourhood’ feel and this will further support price appreciation in Footscray.

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St Kilda East

St Kilda East continues to attract first time buyers and investors alike. Conveniently located just six kilometres from the CBD, the suburb boasts a diverse community that adds to the cosmopolitan feel of Carlisle Street. Already St Kilda East attracts predominantly young single people seeking an urban lifestyle, and with continued growth in demand for apartments, the suburb's median price of \$476,000 is likely to grow in tandem with rising land values.

Richmond

The trendy shopping strips, cafes, bars and pubs along Richmond's Swan Street, Bridge Street and Victoria Gardens are major drawcards for young professionals, first home buyers and investors. The location boasts additional advantages: the Melbourne CBD is only five minutes by train, while the famous sporting precinct featuring the Melbourne Cricket Ground (MCG), AAMI stadium and Melbourne Park tennis centre are also nearby. Richmond is currently experiencing a limited supply of new stock, and this has supported property values even in the current soft market.

Seaford

Further out from the city, Seaford offers strong growth opportunities for first home buyers and investors. The outlook alongside Port Phillip Bay gives the suburb an established bayside feel and although Seaford is 36 kilometres from the city, it enjoys strong transport links via the Nepean Highway, railway and Eastlink Freeway. The proposed Peninsula Link Freeway (due for completion in late 2013), will open up the suburb to the Mornington Peninsula.

Seaford is already undergoing gentrification and the suburb's homes, many of which date from the 1960s, provide opportunities for buyers to renovate and add value. Generous lot sizes create potential for redevelopment including dual occupancies. Taken together these factors suggest Seaford is likely to deliver strong gains over the medium to long term.

A population shift towards the urban growth boundary is creating potential for capital growth in Geelong - especially in the more affordable apartment market



Geelong

A population shift towards the urban growth boundary is creating potential for capital growth in Geelong – especially in the more affordable apartment market, and a number of luxury developments are already coming onto the market.

Geelong is certainly a viable alternative to Melbourne. The suburb is serviced by an efficient rail link and highway upgrades have reduced commuting times to the city. Residents enjoy a wealth of lifestyle options and local amenities including the Great Ocean Road, surf beaches, wineries, golf courses and excellent schools. A ring road is currently under construction and a significant rail upgrade valued at around \$4 billion will improve the regional network servicing Geelong, Ballarat and Bendigo.

Regional Victoria

Gippsland

Gippsland continues to experience static market conditions. However a low supply of rental housing and high tenant demand is supporting consistently strong returns especially in Sale, Traralgon and Morwell, with gross yields as high as 7.5%. Limited availability of vacant land in Traralgon adds to the area's potential for capital growth.

Mildura

The Mildura market is offering mixed signals at present. The rental market remains tight and gross yields of more than 5.5% are achievable. However approximately 40 new homes are presently under construction to be sold as house/land packages in the \$250,000 to \$300,000 price range, and there is speculation that a population increase may be needed to absorb this supply. Sales of serviced lots have tripled in the last quarter as a result of this investment activity and the market is starting to run out of available lots.

Recent statistics show Mildura's median house price is increasing though this trend is distorted by a number of houses being sold at the higher end of the price spectrum.

In the apartment market, the supply of new unit complexes is limited as developers struggle with availability of finance. Two townhouse developments have stalled recently as the developers are waiting for completion of pre-commitments. Nonetheless there is an evident undersupply of new units/townhouses particularly in favoured areas of the city, and over time this will support price growth.

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Bendigo

The market for residential property in Bendigo has slowed over the past three months and sales results have become patchy. Prior to this, Bendigo was enjoying very buoyant conditions with short selling times, however conditions now are probably best described as “normal”. Demand remains healthy with sales turnover continuing, and buyers range from owner occupiers looking to upgrade their homes through to investors taking advantage of a shortage of rental properties. Rental demand in Bendigo is underpinned by students from Latrobe University and yields can be as high as 7%, which places Bendigo above other nearby regional centres including Echuca and Shepparton.

There are a number of townhouse developments either in the planning stage or under construction in Bendigo, and these are worth watching as pre-sales have been solid. The city boasts a diverse unit market, with a median price of \$317,000 (Postcode 3550) or around \$207,000 for the greater Bendigo region. Highlighting the breadth of the unit market, conventional three-bedroom villas in outer suburbs like Eaglehawk and Kangaroo Flat are selling for between \$250,000 and \$280,000, with middle suburban areas such as Golden Square achieving prices between \$280,000 and \$350,000. The inner urban apartment market is also worth watching, with three-bedroom luxury apartments in a Mitchell Street development selling off the plan for around \$600,000.

The state government’s proposed investment in health infrastructure in Bendigo will continue to promote the town as a major regional growth centre, while a land shortage will underpin capital growth.

Echuca/Moama

The Echuca/Moama residential and rural sectors remain fairly subdued with only moderate demand and higher than normal supply volumes available to the market. There has been some downward correction in pricing over the past six to 12 months however the market now appears to have stabilised. The local economy is expected to benefit from an upswing in the local tourism/hospitality sector plus increasing commodity prices, which should generate gains for the local agricultural sector. This is likely to support property values over the medium to long term.

Source: Herron Todd White

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