



Herron
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Independent Property Advisors



PROPERTY REPORT

Queensland



National overview

Despite perceptions that affordability is a challenging issue in today's residential property market, a budget of \$500,000 still offers Australian investors and owner-occupiers a generous array of options even in Sydney, Melbourne, Brisbane and Perth.

What will \$500,000 buy these days?

Half a million dollars is something of a magic number in residential property as it marks the price limit for many first homebuyers, investors and downsizing retirees. With this in mind, we set out to discover just what \$500,000 buys around the nation, and in many markets, the answer is a surprisingly wide choice of quality properties.

Specifically, we asked state-based Herron Todd White teams what they would recommend buying with a budget of \$500,000 if they were:

- an investor;
- an owner occupier (single or couple) without children;
- an owner occupier with a family.

Cooler prices have improved value

We found that the slowdown impacting markets over the past 12 months has provided exciting buying opportunities. Properties that a few years ago would have been well beyond this price bracket can now be secured for \$500,000 – in some cases with change to spare. Nowhere is this more apparent than in Brisbane, the Gold Coast and Sunshine Coast where an investor with a budget of \$500,000 could pick up not one, but potentially two rental properties.

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Yields topping 17% in outback areas

Even in Sydney, one of the nation's most expensive cities, suburbs like Auburn and Parramatta offer units priced at \$370,000 with gross yields of up to 5.7% - an appealing combination of affordability and healthy returns. As our report illustrates, in some mining towns such as Queensland's Chinchilla, yields can soar to 17% - but with long term prosperity linked firmly to global demand for resources, such investments are highly speculative.

Vibrant lifestyles for owner occupiers in Melbourne

For owner occupiers, a price limit of \$500,000 offers a wealth of choice. In Melbourne's inner city suburb of Footscray, significant urban renewal is occurring and while houses are still available for around \$500,000 there is a good selection of apartments priced from around \$310,000.

Adelaide continues to offer good buying, and in suburbs like Flinders Park and Torrensville \$500,000 will secure a 3-bedroom house on a generous lot with the added appeal of nearby beaches.

Quality suburbs and high yields in Perth

In Perth, \$500,000 buys a wealth of options from inner city apartments generating yields of 6% through to 4-bedroom houses in established suburbs like Willetton, Bassendean and Ocean Reef that combine proximity to the CBD with local amenities and quality schools.

Darwin – don't miss the boat

In Darwin it is still possible to pick up apartments priced below \$500,000 in city fringe suburbs like Larrakeyah. But with an influx of workers expected once construction begins on the new Inpex LNG plant, Darwin prices look set to climb again, and investors could be the key beneficiaries.

The Apple Isle fits the bill

In Tasmania, \$500,000 will secure a quality house or unit virtually across the state, with the possible exception of more expensive prestige suburbs like Sandy Bay, Battery Point and Central Hobart, which is great news if you're considering a move to our southernmost state.

Brendon Hulcombe
CEO, Herron Todd White

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Queensland

In many parts of Queensland the market has repriced significantly since the peak in late 2007/early 2008, and today's buyers don't have to spend anything like \$500,000 to secure a good home, unit or investment property in many localities. Nonetheless there is a growing sense that the bell to ring the bottom of the market is being dusted off and prices could start to climb.

Brisbane

Investors

Investors with a budget of \$500,000 can pick up relatively basic properties in Brisbane's mid-ring suburbs such as Mitchelton, Keperra or Kedron, which are all located within 10 kilometres of the CBD. Properties in these locations are currently providing rental yields of 4.5% to 5%, however from a growth perspective investors should aim for larger allotments as these provide the option to subdivide in the future.

Owner occupiers – single, without children

Near-city locations typically appeal to owner occupiers with no children, and unrenovated cottages on smaller allotments (less than 400sqm) can still be found for under \$500,000 in Woolloongabba, East Brisbane, Kelvin Grove and Red Hill. These locations offer easy access to the CBD plus nearby shops, cafes and entertainment precincts.

Slightly further out, Newmarket and Alderley feature older 1950s and 1960s homes, which can be purchased for up to \$500,000. The advantage here is larger lot sizes of up to 550sqm and both suburbs are well serviced by shops, restaurants and public transport.

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Families

On the north side, Everton Park offers family-friendly features such as shops and schools plus good public transport links particularly train services. In the under-\$500,000 price bracket, typical homes are brick and tile 1970s houses on blocks of around 607sqm.

To Brisbane's south, the line of suburbs of Tarragindi, Greenslopes, Holland Park and Camp Hill provide post-war dwellings on allotments of 607sqm. These suburbs are located within five to seven kilometres of the CBD and are also well served by shops and public transport.

Gold Coast

Investors

For investors with a budget of \$500,000 it is possible to acquire multiple properties in the Gold Coast and enjoy good returns. For example, 3-bedroom townhouses in the Oxenford/Upper Coomera area will cost around \$250,000 and command weekly rent of up to \$370. One bedroom units in the Southport/Surfers Paradise area are selling for \$150,000 to \$160,000 and returning weekly rent of approximately \$240. Another option would be to purchase a duplex pair in the Southport/Labrador area with the land component of the property adding to potential for long term capital growth.

To the north, areas such as Parkwood, Molendinar and Arundel offer close proximity to the new Gold Coast Hospital and Griffith University. With 4-bedroom houses available for less than \$500,000 these locations also offer potential for reasonable capital growth.

Owner occupiers – single, without children

A large stock of home units is currently available on the Gold Coast, and from Main Beach to Burleigh \$500,000 will buy a quality 2-bedroom high rise apartment with ocean views. Body corporate fees can be high in these buildings, which may deter some investors. Also in this price range, duplex/villa units are available on the western side of the Gold Coast Highway from Southport to Burleigh Heads. Or take a look at Hope Island where \$500,000 will buy a modern, well-appointed 3-bedroom home with pool on a smaller lot.

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Families

It is possible for families with a \$500,000 budget to pick up a 4-bedroom brick house with swimming pool in a variety of suburbs. Inner locations such as Ashmore, Robina, Runaway Bay and Burleigh Waters offer homes aged 20 years-plus, while further out, locations like Pacific Pines, Coomera Waters and Helensvale offer more modern homes.

Sunshine Coast

Investors

Now is the time to look for properties with access to the major arterial routes, which are expected to underpin capital growth once the local property market returns to growth conditions. Houses along the Kawana strip can be picked up for \$400,000-plus, renting for up to \$450 per week. There is also a wide choice of units priced below \$300,000 in Maroochydore, Mooloolaba and Caloundra, and these typically rent for \$300-plus weekly. The construction of the Sunshine Coast University Hospital scheduled to begin in 2013 is expected to support future price appreciation on the Sunshine Coast.

Owner occupiers – single, without children

There are plenty of options priced below \$500,000 along the coast, and unit buyers have the choice of water views or homes with generous living areas. The back streets of Mooloolaba, Maroochydore, Coolum and Noosaville are all worth a look for their proximity to the café precincts.

Families

On a budget of \$400,000 to \$500,000 family-focused buyers can choose from a wide selection of 3- to 4-bedroom houses on lot sizes of 300-600sqm in suburbs spreading from Pelican Waters to Tewantin. Homes priced below \$400,000 can be found in suburbs like Bellvista, Little Mountain, Sippy Downs and Tewantin.

Now is the time to look for properties with access to the major arterial routes....



Regional Queensland

Darling Downs

Toowoomba is a strong regional centre with affordable housing, and a budget of \$500,000 will buy a 3-bedroom prestige villa in a secure complex or a high rise unit with city views. This type of property tends to appeal to working professionals without children rather than investors as capital growth tends to be low, though yields are in the range of 4% to 4.5%. Alternatively \$500,000 will secure a new 4-bedroom, 2-bathroom home in the modern residential estate of Middle Ridge, or one of the older historical suburbs of East Toowoomba, North Toowoomba, Mount Lofty and South Toowoomba.

It is worth noting that at present \$500,000 will buy a new 4-bedroom furnished dwelling in Chinchilla, where resource companies sourcing worker accommodation are paying weekly rents between \$600 and \$1,700 with lease terms of up to two years. This equates to gross yields of around 17%, and undoubtedly this is very appealing for many investors though long term capital growth across the Surat Basin is highly speculative. The buoyancy of the local property market is directly linked to global demand for commodities and is highly exposed to any changes in environmental legislation that could impact mining activity.

Central Queensland

Over the past 12 months the majority of investment activity in Central Queensland has focused on the town of Moranbah or the city of Gladstone.

Residential prices and rents in Moranbah have been bolstered by the prosperity of the local coal mining industry. The median price is currently over \$600,000 and a budget of \$500,000 will secure a very basic 3-bedroom dwelling commanding a weekly rent of up to \$1,500.

In Gladstone, the construction of several large industrial projects has placed considerable pressure on rental accommodation as the city's population has grown rapidly, swelled by an influx of workers. New residential construction and subdivision development is alleviating supply pressures and \$500,000 can still purchase a modern 4-bedroom house or 3-bedroom unit, which will attract weekly rents of up to \$600. If the market continues on its current upward trend, it will not be long before value for money in this price bracket will be significantly reduced. Investors already in the market have enjoyed strong short term capital growth to date however once construction of key employing projects is complete there is a real risk of a market correction.

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Mackay

Mackay is also experiencing a major increase in accommodation demand with rental vacancies currently at just 0.7%. This has put substantial upward pressure on rents over the last six months, and a number of new estates on the northern beaches are producing 4-bedroom dwellings priced up to \$500,000 with achievable rents of \$500 to \$550 weekly.

Owner occupiers in the under-\$500,000 market may wish to look beyond Mackay to more affordable regions of Central Queensland. In Rockhampton for instance, \$500,000 will still buy a spacious 4-bedroom brick dwelling in a modern suburb on the north side (rent \$480-500/wk). On the Capricorn Coast a budget of \$500,000 is enough to secure a modern 3-bedroom unit with ocean views however these areas are not expected to experience significant capital growth over the short term.

Families looking for lifestyle options priced below \$500,000 can find comfortable homes in Bundaberg and Hervey Bay. Prices in these markets have remained steady over recent months and are expected to remain at similar levels for the foreseeable future.

Townsville

Townsville's inner city unit market has seen a number of new developments placed in the hands of receivers in recent months with stock now selling for drastically reduced prices. Suburbs like Townsville City, South Townsville, North Ward and Belgian Gardens offer properties priced below \$500,000 though they generally require some work.

For families, the newer residential estates around Fairfield Waters, Annandale, Douglas and North Shore offer appealing amenities such as parks, walking tracks, education and shopping. A budget of \$500,000 will buy a modern 4-bedroom home with double lock-up garage and a swimming pool.

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Cairns

The Cairns market offers a wide variety of property sectors, styles and locations, many priced below \$500,000, and it is a very much a buyer's market at present. As a guide, the current median price for houses is around \$330,000 or \$280,000 for new units though there are very few brand new apartments coming onto the market due to low levels of construction activity.

For \$500,000 buyers can secure a well-located modern executive style dwelling in a good suburb or a near-new CBD unit. Do note, the rental market for properties priced between \$300,000 and \$400,000 is much stronger in terms of yield and vacancy rates than for more expensive properties, so the lower price range is definitely worth focusing on.

Cairns is still at the bottom of the residential property cycle and buyers need to have a long term focus. Investors are advised to look for properties with a sustainable rent return.

Source: Herron Todd White

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