

MERIDIAN AUSTRALIA

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# THE MERIDIAN REPORT //VOLUME 4

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Your research and analysis report on  
the current Australian property market





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## First Home Buyer Incentives by State

In July 2000, the First Home Owner Grant Scheme (FHOGS) was established to offset the impact of the Goods and Services Tax (GST) and assist eligible first home owners to purchase a new or existing home<sup>1</sup>. According to the ABS, first home buyers are typically aged between 25-34, and prefer higher-density living<sup>2</sup>. At this age, incomes are limited and cost of living is growing, therefore, the grant aims to ease the financial burden of prospective first home buyers. The grant does vary from concessions on state stamp duties to additional grants purchasing regional areas.

The following report will discuss the first home buyer grant per state government and identify the properties available for first home buyers within each states threshold.

Median dwelling prices are sourced from BIS Shrapnel, Domain Group, Realestate.com.au. Information on the First Home Owner Grants are sourced from each states government website.

### New South Wales

The median house price in Sydney is over \$1.1 million. In acknowledgment of Sydney's rising property prices, the NSW Government developed a new set of measures in an effort to make it easy for First Home Buyers to enter the property market. From 1 July 2017, stamp duty for new and established homes valued up to \$650,000 has been abolished; and there are concessions on stamp duty for properties up to \$800,000.

Even with this grant, properties valued under \$650,000 and located in close proximity to the CBD are few and far between. With the median house price within a 10-kilometre radius of the CBD above \$2 million, a first home buyer's choice of location is limited. In fact, according to the Domain Group, the median house for property located even 25km+ is \$770,000, only enough to receive a minor stamp duty concession.<sup>3</sup>

To secure a brand new property and receive the stamp duty exemption, first home buyers will need to purchase in areas over 60km away from the Sydney CBD. Some areas include Penrith, Campbelltown and where median house prices range from \$600,000-700,000. In these suburbs, a first home buyer can purchase a brand new 4 bedroom house and be eligible for the full government incentive.

For apartments, the median price of property located 25km+ from the CBD was measured at \$620,000. Therefore, options are available in suburbs closer to Sydney CBD such as Parramatta, Punch-bowl, and Hornsby. As at August 2017, numerous 2-bedroom units are being sold ranging from \$600,000 - \$650,000. However, quality should be considered,

<sup>1</sup> <http://www.firsthome.gov.au/>

<sup>2</sup> <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4130.0~2013-14~Main%20Features~First%20Home%20Buyers~7>

<sup>3</sup> <https://www.domain.com.au/news/what-firsthome-buyers-have-to-compromise-on-to-buy-a-sydney-home-for-less-than-650000-20170704-gwwe4x/>

Whilst these properties are relatively close to the city, they are well over 10 years old and may require repair work or renovation.

While the FHOG and stamp duty exemption could save first home buyers up to \$34,000, with prices as they are, purchasers have little choice unless they are willing to buy over 40km away from the Sydney CBD.

From an investment perspective, it is essential for those considering utilizing the FHOG to purchase their first home to do their research and seek guidance from an appropriately qualified professional.

Between 2008 and continuing up unto the present, Sydney median house prices have experienced exponential growth all the while, wage growth has remained subdued. The combined effect of this has seen as substantial deterioration in the affordability measure, with 43% of household incomes being spent towards a mortgage.

In acknowledgement of the above, investors seeking to take up the first home owners incentive in the present climate will be subject to higher mortgage repayments which will likely reduce the ability to generate savings, thus proving to be a costly endeavour.

## Victoria

Over the last decade, Melbourne's property market outperformed Sydney, and has resulted in a similar deterioration in the affordability measure. In acknowledgement of the impact this holds over those whom are looking to enter the property market for the first time, the Victorian government abolished stamp duty for property valued up to \$600,000, and stamp duty concessions are available on properties up to \$750,000. Additionally, the state government introduced a \$20,000 grant for new homes located in regional Victoria, valued up to \$750,000. This initiative came into effect as of July 1, 2017.

At March 2017, the median unit price in Melbourne was \$532,700. This would imply that there is substantial opportunity for first home buyers to purchase this dwelling type within this market. Suburbs of interest for buyers includes Clayton, Glenroy and Essendon which have a median unit price of \$515,000, \$465,000 and \$470,000, respectively. In these suburbs, first home buyers can purchase a brand new 1 bedroom apartments within 20km of the Melbourne CBD.

The latest policy, a \$20,000 grant for homes purchased in regional Victoria, aims reduce congestion issues by spreading the metropolitan population into regional Melbourne.

Consequently, there has been a spike in interest in regional areas such as Geelong, Yarra Glen, and Sunbury; where median house prices of \$630,000, \$580,000 and \$420,000, are observed respectively (March 2017- RP data). Much like Sydney, these are areas over 40km away from the CBD. Both Melbourne and Sydney predominately city centric, meaning that the majority of job growth is concentrated within the CBD's. In the absence of employment nodes in these areas, it is questionable whether the \$20,000 grant will be of such significance to entice migration to these areas.

## Queensland

As at 2012, First home buyers in Queensland were eligible for a \$20,000 First Home Owners Grant (FHOG) when purchasing a new property valued at less than \$750,000. In the 2017 budget, the Queensland Government decided to extend the current FHOG.

Between 2008 and 2015, the Brisbane property market experienced a correction in median whereby median house prices increased by 12%. Consequently, Brisbane has experienced a significant improvement in the affordability measure. As at March 2017, the median house price was \$544,200; this is well under the \$750,000 threshold required to be eligible for the FHOG. With this in mind, first home homeowners in Brisbane can comfortably purchase brand new 4-bedroom house within 20km of the city and be entitled to the entire grant. Similar conditions were observed in Sydney and Melbourne in 2010 and 2014, respectively.

As for apartments, the most expensive suburb is Hamilton, with a median unit price at \$430,400. With house and unit prices at a comparatively affordable level, Brisbane is attracting first home buyers, owner-occupiers and investors. According to BIS Oxford Economics, Brisbane has experienced a slight uptick in the number of first home buyer and change over buyer loans over March quarter 2017, while investor loans have been steadily increasing since March 2008.

## Australian Capital Territory

In January 2016, the ACT's FHOG was reduced from \$10,000 to \$7,000 and is only applicable to new or substantially renovated property valued under \$750,000.

As at March 2017, the median house price of Canberra was \$657,300, making it the third most expensive city in Australia. Within 5km of the Canberra CBD's suburbs have median house between \$785,000 – \$2.52 million. Since the government grant only applies to brand new or substantially renovated property, first home buyers will need to purchase relatively far away from the CBD if they are intent on purchasing a house.

Examples of opportunities can be identified in Calwell and Macgregor; suburbs located 15km which have median house price of \$543,000 and \$462,000 respectively.

<sup>4</sup> BIS Shrapnel

As at March 2017, the median unit price has reached \$422,000. Over the past 8 years, Canberra has been hit with record levels of unit construction. Consequently, unit prices have increased a by 12.5% over the period. At present, the current median unit price allows first home buyers the option to buy brand new 2-bedroom apartment within 5km of Canberra CBD.

## Western Australia

Due to recent downturn in mining and resource sector, Western Australia is currently facing economic headwinds.

In an effort to reel in budget spending and allow for redistribution of funds to projects aimed at stimulating the economy, the WA government changed to the closing date of the \$10,000 FHOG on properties valued up to \$750,000 from December 2017 to June 2017. Shortening the grant allowed the State Government to fund an extra \$20 million into higher priority areas.<sup>5</sup>

Median house prices of the coastal suburbs of Perth such Burns Beach, Hillarys and Swanbourne range from \$860,000 to \$1.76 million, therefore no grant is available. As at March 2017, the median house price of Perth was \$538,700. Accordingly, those seeking the first home owners grant will have to sacrifice proximity to the beach order to receive the \$5000 grant. Affordable suburbs around the CBD include Herne Hill and Thornile where median house prices range from \$393,000 to \$400,000.

With the median unit price currently \$405,800, first home buyers interested in purchasing apartment have a plethora of options. Coastal suburbs, such as Scarborough and North Beach, are within the government threshold with a median 2-bedroom unit price of \$466,000 & \$525,000, respectively.

## Northern Territory

Interestingly, Darwin was the highest performing city from 2004-2014, growing 201% in the 10-year period (BIS Oxford Economics). As at 2014, the median house price in Darwin was \$620,800. Consequently, the affordability measure was strained and first home buyers were priced out of the market. To combat this, the Northern Territory Government removed the \$600,000 threshold on the current grant. As at 2015, First Home Buyers will receive a \$26,000 grant when purchasing a new or established property valued at any price.

Currently, the median house price of Darwin is \$591,000, this equates to a decrease of 5% since 2014. With no price threshold on the government grant and strengthened affordability, first home owner's choices have improved. As at December 2016, the median inner-city house price was \$720,000 and therefore largely unaffordable option for First Home buyers. However, while inner city houses are out of reach for first home buyers, suburbs as Moulden, Gray, and Driver are located approximately 16km away from the CBD, and have a median house price of 346,000, \$410,000 and \$425,000, respectively, representing a viable option.

<sup>5</sup> <https://www.realestate.com.au/news/cuts-to-first-home-owner-grant-in-wa>

## South Australia

The South Australian government currently has multiple incentives in place for first home buyers. As at October 2012, first home buyers are eligible for a \$15,000 FHOG for new home purchases valued up to \$575,000.

### Off The Plan stamp Duty Concession

Full stamp duty concession on transfer of new or substantially refurbished apartment capped at stamp duty payable on a \$500,000 apartment. Applies to purchases of apartments within the City of Adelaide, Bowden Village, and area known as 45 Park, Gilberton. Partial stamp duty concession for apartments up to 30 June 2017.

Additionally, those who purchase off-the-plan apartment property before September 30th 2017 are eligible for a \$10,000 per-construction grant for new properties valued up to \$575,000 ( applicable to purchases within pre-difined areas of the CBD) . By purchasing an off-the-plan property valued under the threshold, First Home Buyers can potentially reduce their capital outlay by up to \$25,000.

The median house price in Adelaide is \$452,000. Much like Perth, prospective home buyers have limited choice for coastal suburbs. When looking inland, first home buyers can purchase a brand new 3-4-bedroom house located within 13km of the CBD, and still receive up to \$25,000 from government grants. Areas include Port Adelaide and St Agnes, which have a median house price of \$400,000, and 408,000, respectively.

For further information, please visit: <http://www.revenuesa.sa.gov.au/grants-and-concessions>

## Tasmania

Reflecting a low level of income and minimal employment drivers, Hobart has the lowest median house price of the state capitals at \$414,200<sup>6</sup>. First home buyers in Tasmania are eligible for the \$20,000 FHOG grant when purchasing new property. In addition to this, there is no cap applicable to the value of the asset, The grant had been scheduled to drop to \$10,000 from July 2017, however, in an effort to boost jobs in the construction industry, the Tasmanian government extended the grant for an additional 12 months.<sup>7</sup>

With relatively low house prices, first home buyers aiming to obtain the government incentive, have a wide variety of choice. However, while the overall median house price of Hobart is low, inner city medians are relatively expensive (when disposable household income for this demographic is factored in), ranging from \$580,000 to \$645,000. Therefore, affordable suburbs are located over 5km away. Suburbs include Moonah, Mornington, and Austin's Ferry, which have a median house price of \$330,000,

\$305,000, and \$334,000, respectively

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***Each state governments FHOG coincides their current economic condition. As outlined above, the affordability issues in Sydney and Melbourne have forced first home buyers to buy over 40km away from major CBD's. Therefore, it is no surprise more and more home owners are moving interstate.***

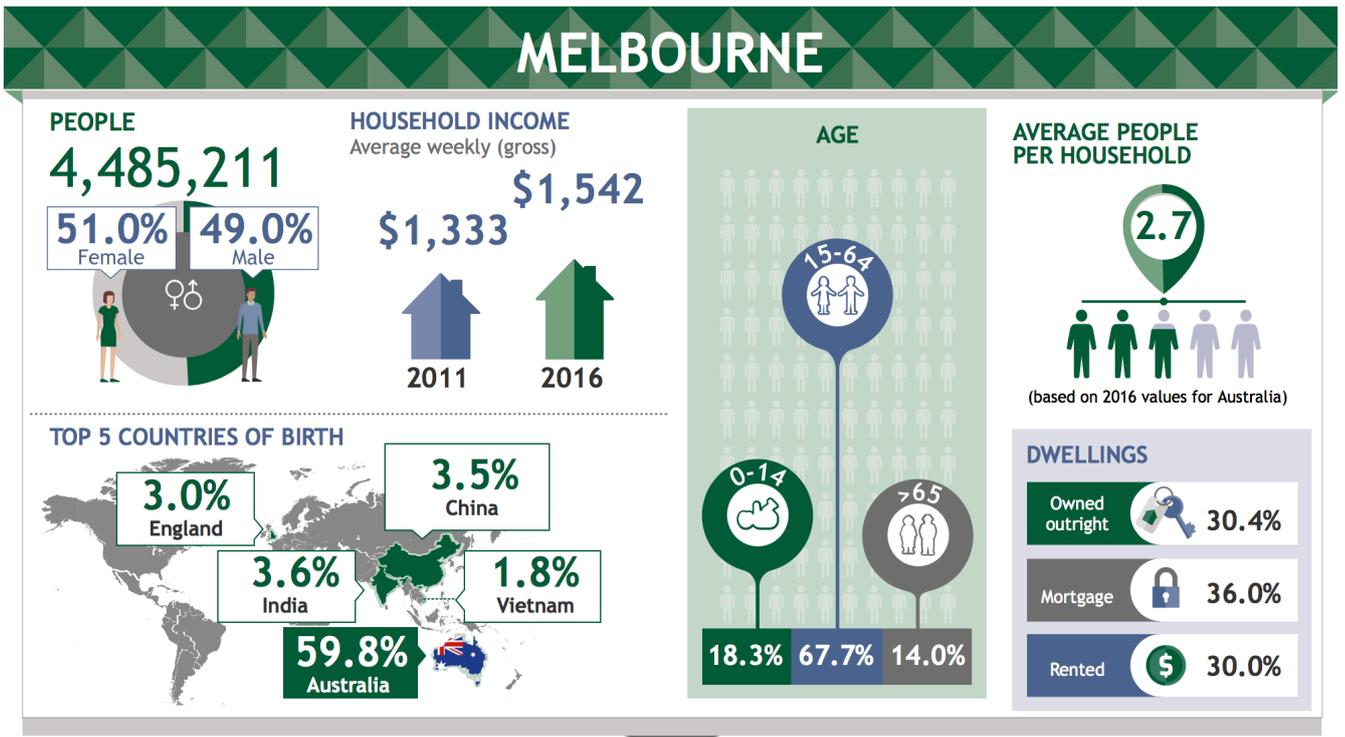
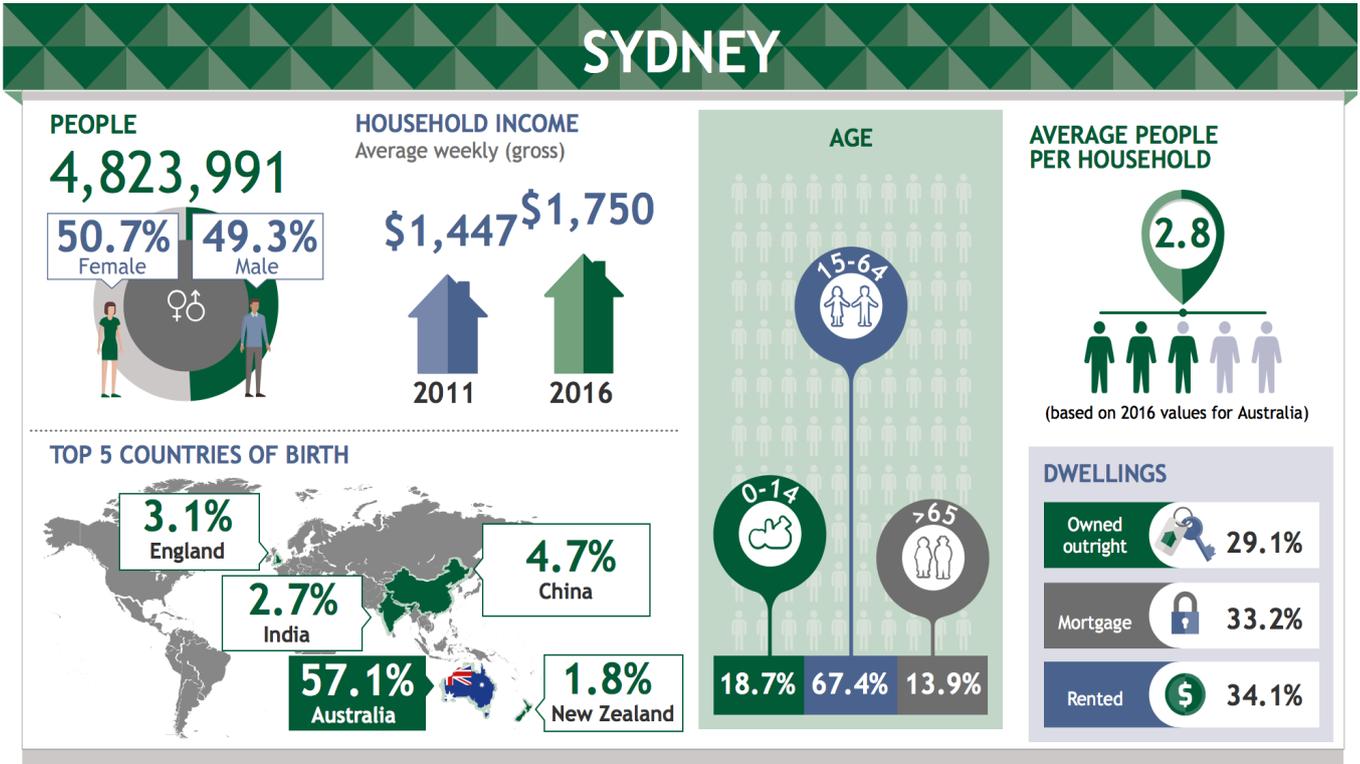
***As for the rest of the country, first home buyers can comfortably receive the entire government grant and purchase within close proximity of the CBD.***

<sup>6</sup> BIS Shrapnel

<sup>7</sup> <http://www.abc.net.au/news/2016-05-25/budget-boost-for-first-home-owners-grant-tasmania/7444384>



# CENSUS OVERVIEW

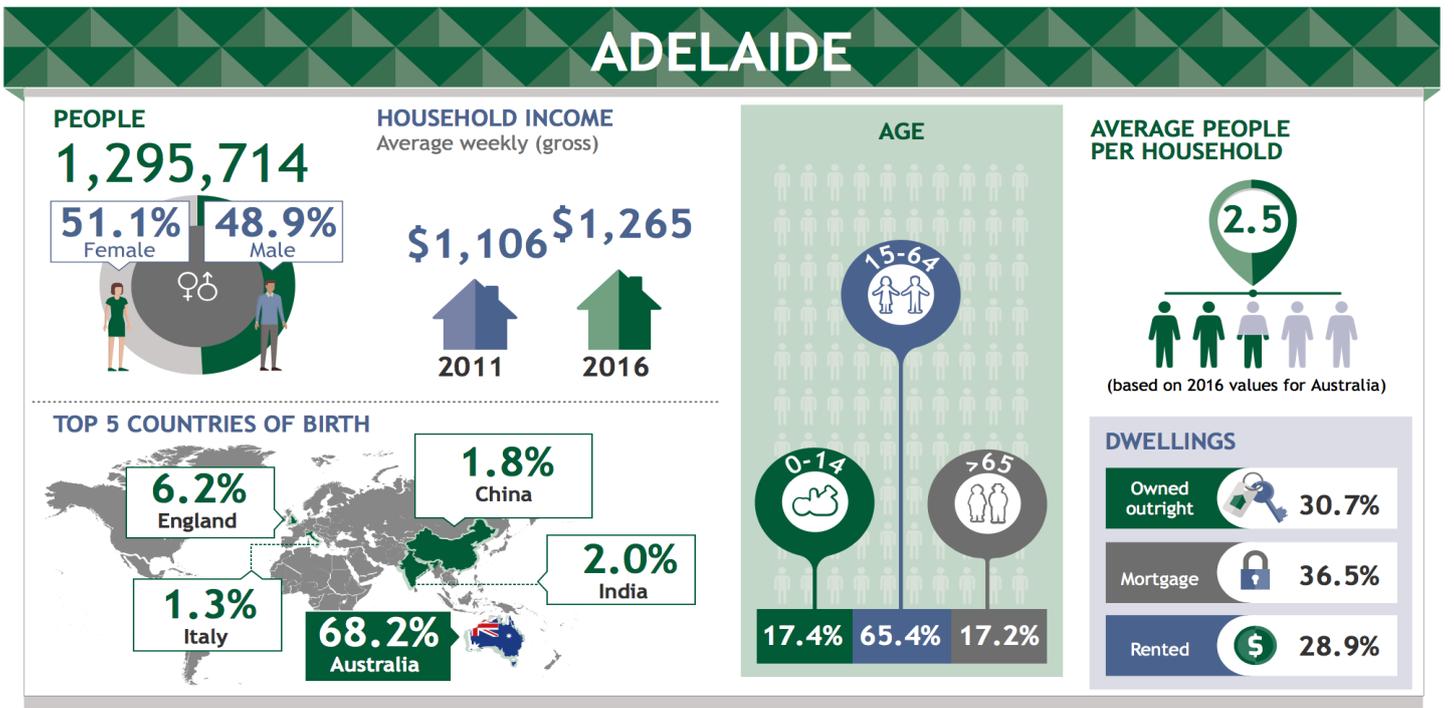
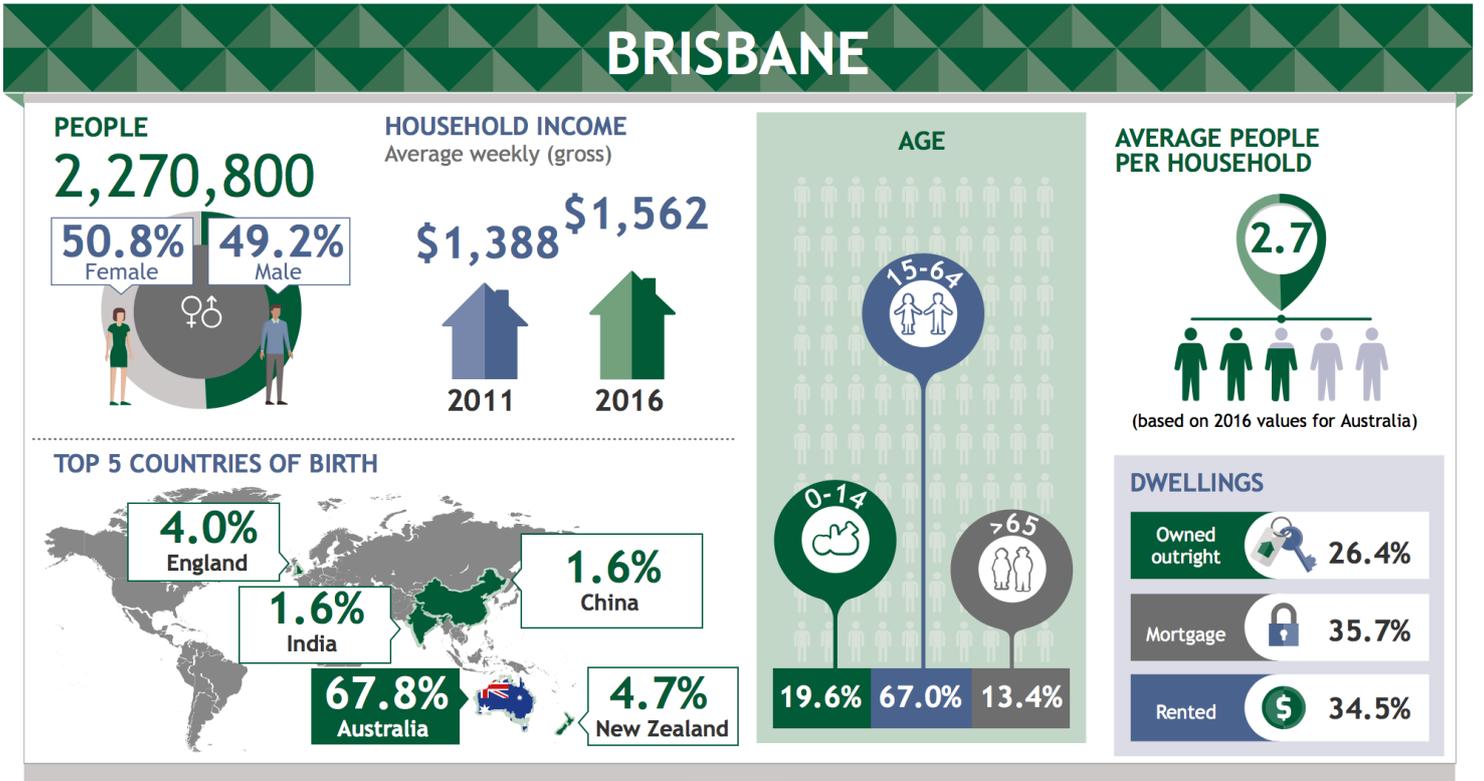


**DWELLINGS**

Owned outright	29.1%
Mortgage	33.2%
Rented	34.1%

**DWELLINGS**

Owned outright	30.4%
Mortgage	36.0%
Rented	30.0%



# PERTH

**PEOPLE**

1,943,858

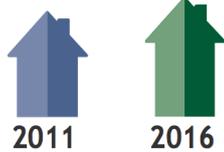
50.4% Female 49.6% Male



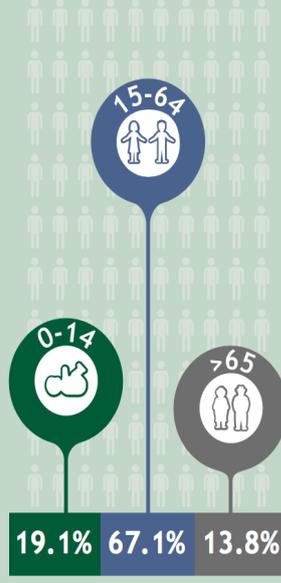
**HOUSEHOLD INCOME**

Average weekly (gross)

\$1,459 \$1,643

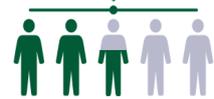


**AGE**



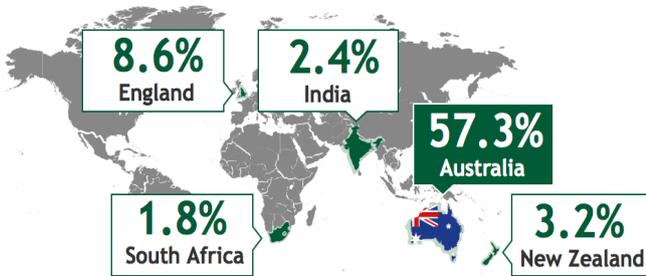
**AVERAGE PEOPLE PER HOUSEHOLD**

2.6

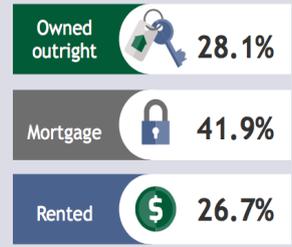


(based on 2016 values for Australia)

**TOP 5 COUNTRIES OF BIRTH**



**DWELLINGS**



# DARWIN

**PEOPLE**

136,826

47.5% Female 52.5% Male



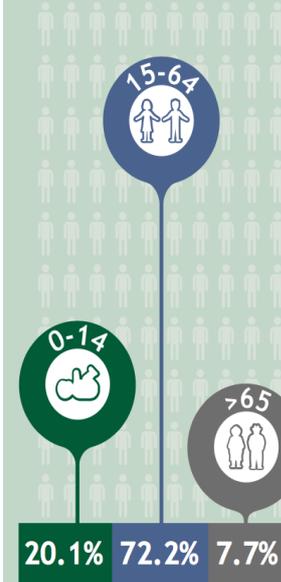
**HOUSEHOLD INCOME**

Average weekly (gross)

\$1,806 \$2,183

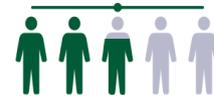


**AGE**



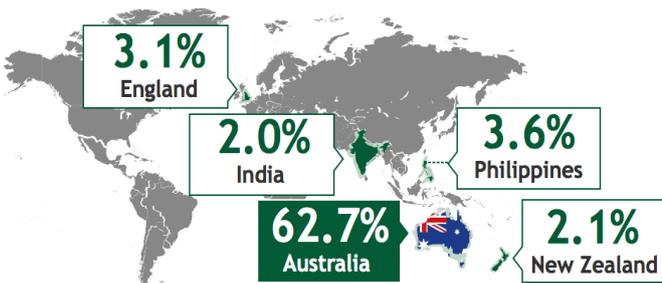
**AVERAGE PEOPLE PER HOUSEHOLD**

2.7

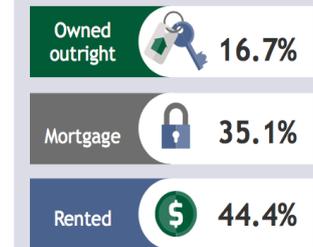


(based on 2016 values for Australia)

**TOP 5 COUNTRIES OF BIRTH**



**DWELLINGS**



# HOBART

## PEOPLE

222,356

51.5% Female 48.5% Male



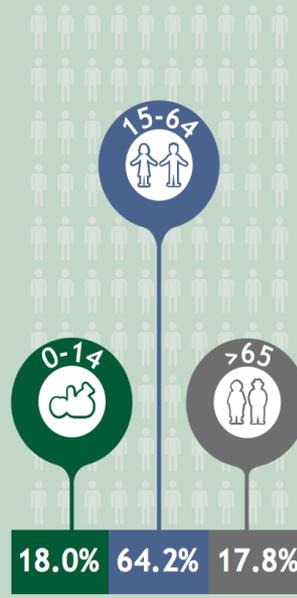
## HOUSEHOLD INCOME

Average weekly (gross)

\$1,065 \$1,234



## AGE

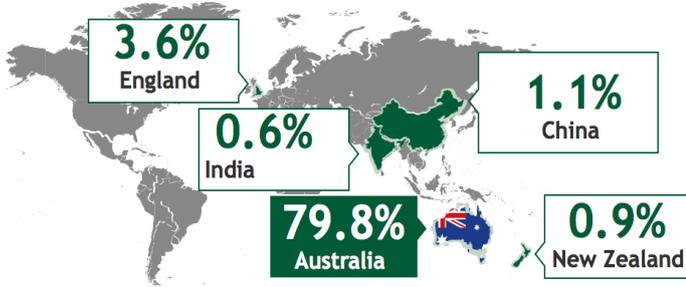


## AVERAGE PEOPLE PER HOUSEHOLD



(based on 2016 values for Australia)

## TOP 5 COUNTRIES OF BIRTH



## DWELLINGS

Owned outright 32.9%

Mortgage 35.2%

Rented 28.5%

# CANBERRA

## PEOPLE

396,857

50.8% Female 49.2% Male



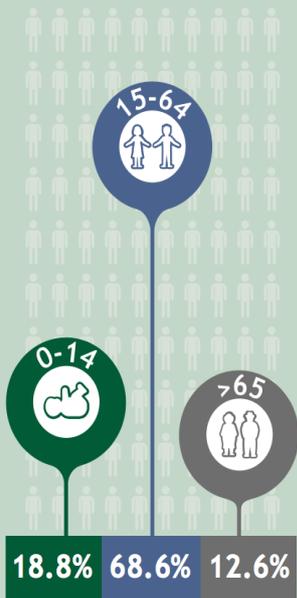
## HOUSEHOLD INCOME

Average weekly (gross)

\$1,920 \$2,070



## AGE

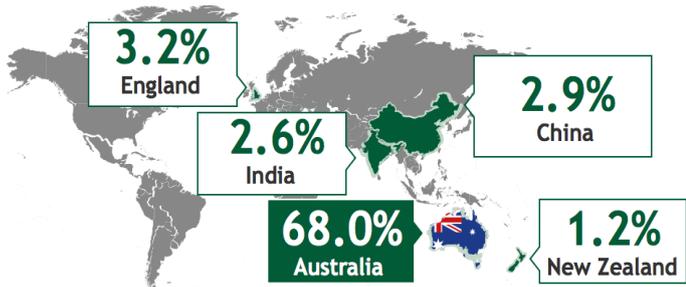


## AVERAGE PEOPLE PER HOUSEHOLD



(based on 2016 values for Australia)

## TOP 5 COUNTRIES OF BIRTH



## DWELLINGS

Owned outright 27.0%

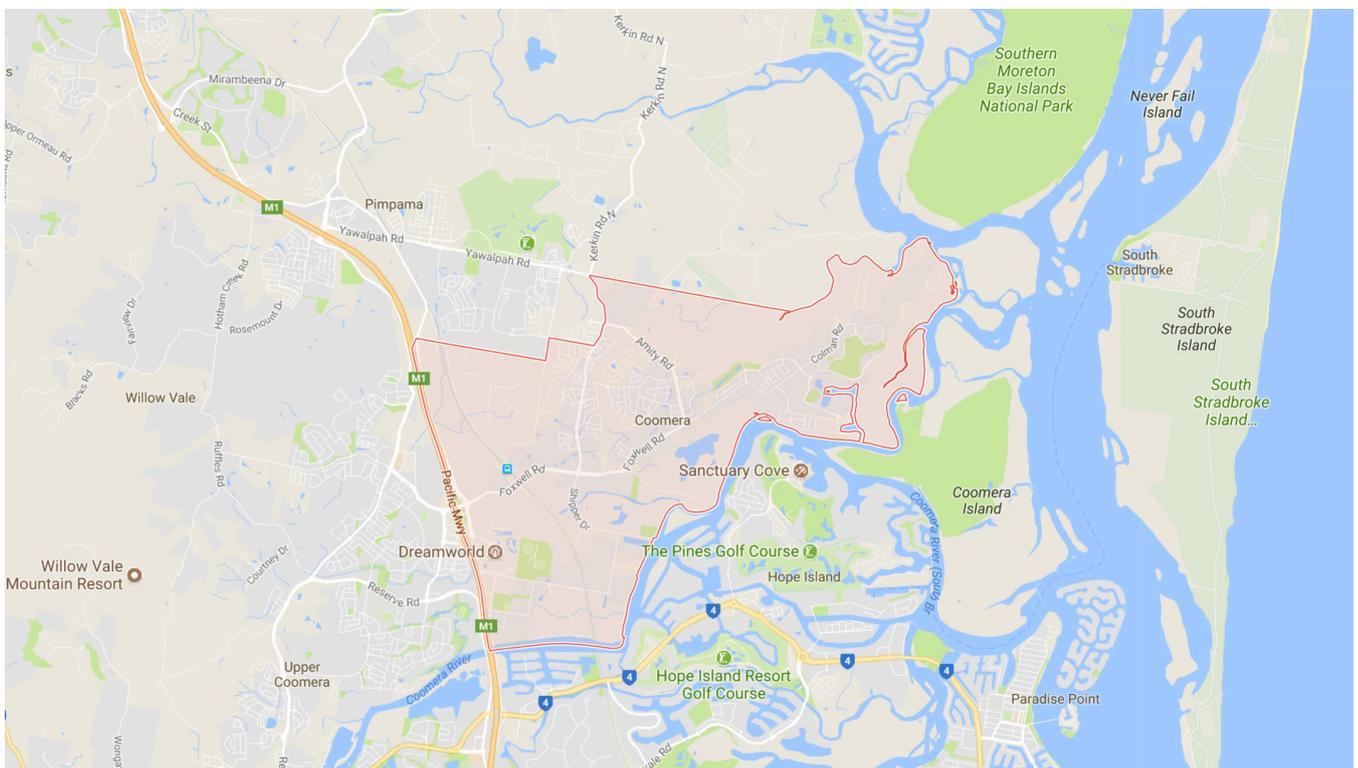
Mortgage 38.4%

Rented 31.8%

## SPOTLIGHT: COOMERA QUEENSLAND

Coomera is a suburb located 20km North of the Gold Coast, and 50km south west of Brisbane CBD. It is part of the Gold Coast City Council and has a population of 13,305 people. Coomera has been receiving investment attention recently, as it is home to a leisure centre used in the upcoming 2018 Gold Coast Commonwealth Games. Capital growth expectations have been increased due to the economic influence of Games. While the economic effect from the Games is positive, a more comprehensive analysis must be conducted.

This report will cover the macro analysis of Coomera, QLD, and provide unbiased commentary on the market. The entirety of the 2016 ABS data has not yet been released, in which case, the data from 2006 and 2011 Census has been used.



## Employment

A property market in close proximity to a large Central Business District (CBD) with a diversified employment base is typically a lower risk market. A growing CBD will drive the local economy by attracting a higher socio economic demographic. An increase in this demographic of a market is typically linked to an increase in demand for dwellings and property prices.

Located 20km from Gold Coast and 50km from Brisbane CBD, Coomera is regional. Regional areas typically have high unemployment rates as they are located too far away from major developing CBD's which offer a diverse range of employment.

As at March 2017, the unemployment rate of Coomera was 6.2%. While this has improved since the 2011 census (7.2%), it still sits above the national average (5.7%)

Over the last 5 years, Coomera's employment has transitioned from tourism to construction. The major industries in Coomera include a construction (21.3%), sales and rental (13.7%) and professional services (11.7%). While employment is diversified, it has lacked growth. Between 2011 – 2016 incomes have only increased 8%, this a relatively weak trend signifying minimal economic growth. Economic growth is an underlying driver of property prices.

## Infrastructure

In preparation for the 2018 Commonwealth Games, the construction of the Coomera Sports & Leisure Centre has recently complete, which is set to host various types of Commonwealth events. To assist with the congestion caused by the Games, a \$74.4m redevelopment of the Coomera Exit from the M1 motorway is also currently underway. Outside of the Games, Westfield have begun works on a \$1 billion upgrade of the Coomera Town Centre, expected to be finished in 2018.

Additionally, the Queensland Government is spending \$50 million on a new primary school within Coomera.

The above infrastructure projects, are strong economic drivers as they create employment and population growth. This stimulates demand for housing in the area.

## Ownership

A market with a high owner-occupier rate is likely to have a less volatile performance in relation to price movement, and reduced downturn risk. As owner-occupiers are considered less likely to sell their home for a discount, or lower price in times of economic distress, than an investor.

According to the ABS, in 2016 Coomera, 38.8% of dwellings are currently owner occupied, while 61.2% are investor owned (rented). The national average is a split of 70%/30 (Homeowners/Investors). Coomera's ownership balance is therefore well below the national average. It is also important to note, that this equation in fact declined. In 2011, 44.2% of Coomera was owner occupied, that represents a decrease of homeowners by 5.4%.

Due to this, Coomera is a relatively volatile area when compared to the average Australian market.

## Rental Yields

Rental yields are an important fundamental, which can have a strong influence on investor demand.

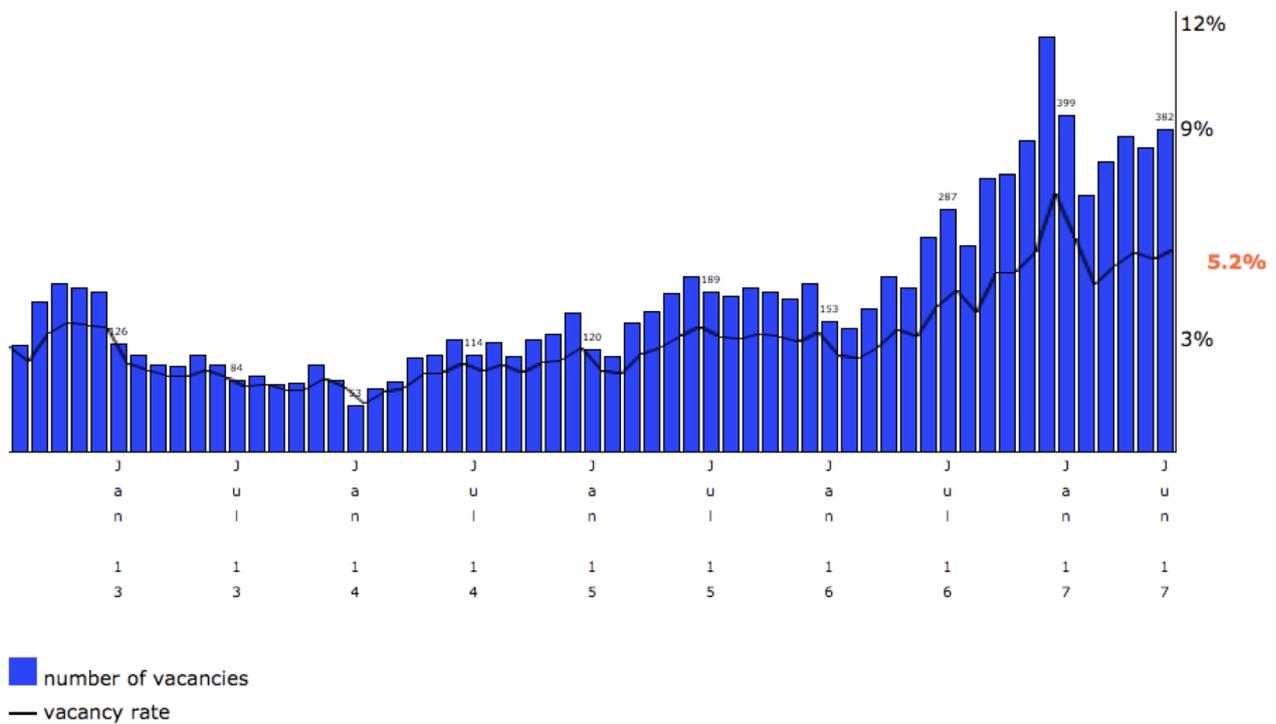
Rental yields in Coomera are currently sitting at 5.7% for units, and 4.5% for house. These yields are relatively high and are common in regional areas, which have relatively high rental yields, coupled with relatively higher risk due to lower owner occupier balance.

## Current Supply & Yields

A vacancy rate of 3% is considered a ‘balanced market’ where there is enough supply of rental properties to meet demand. Until recent years, Coomera has had a relatively stable vacancy rate, however, this has rapidly changed. Since July 2016, a large amount of construction has entered the market. Coomera’s vacancy rate peaked at 8% in January 2017, and is now currently sitting at 5.2% as at June 2017. While the vacancy has decreased sharply, it is currently at an oversupplied level.

### Residential Vacancy Rates

Postcode 4209



## Future Supply of Dwellings

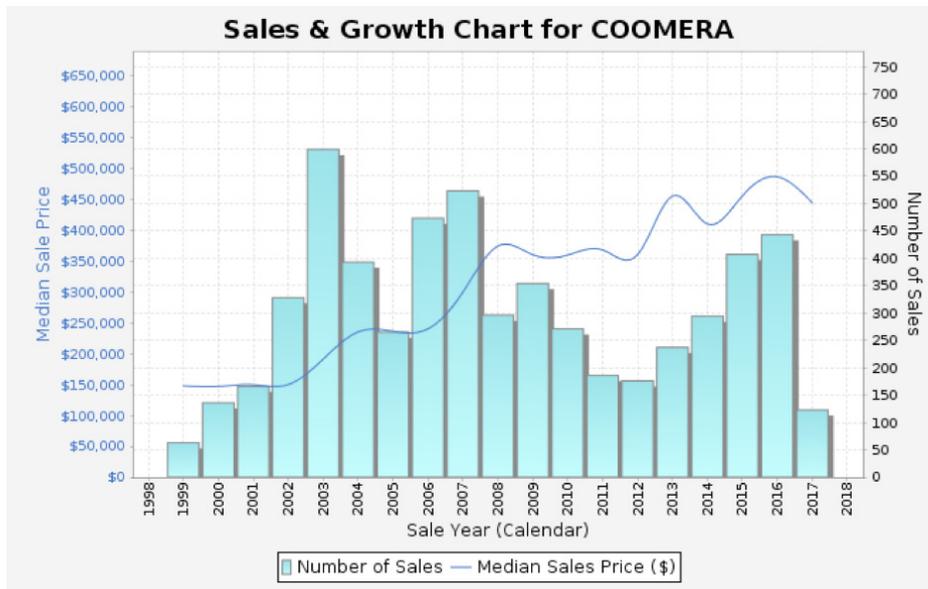
As at 2016, Coomera had an average household size of 3.1 people. Between 2011 and 2016 the population of the area increased from 8793 to 13305 or 10.26% over 5 years. If that trend continued that would mean an additional 902 people per year for the next 5 years or a requirement 1445 new dwellings. As it stands there are development applications lodged for 3994 new dwellings to be completed between today and the end of 2021.

With a surplus of property currently on the market and the future supply expected to outweigh population growth, prices in Coomera are not pressured to increase.

## Past Growth

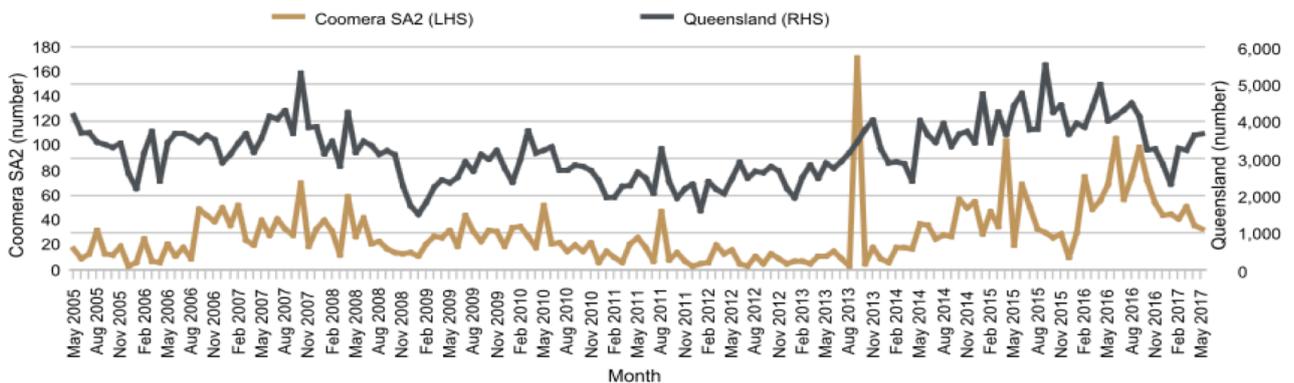
Coomera’s last measurable growth period was from 2002 – 2008. In this phase, prices grew 149%, much like majority of QLD at the time. Since 2008, prices have been dramatically fluctuating (see below). This is common trend for regional areas and can be largely attributed to its small population size of 13,305. Markets this size are particularly sensitive economic events.

This is evident is Coomera’s growth spurts in 2012, 2015 and 2016. It likely this growth was triggered by the demand for construction jobs for the Commonwealth Games. While these construction jobs have generated demand for housing, they are only temporary, and prices are likely to decrease once construction is finished and demand declines.



This is evident is Coomera’s growth spurts in 2013 and 2015. The announcement of the Games in November 2011, caused an influx of residential development into Coomera. In August 2013, residential building approvals spiked, and had been on an increasing trend until November 2016. Additionally, the works on the Leisure Centre and road upgrade for the Games commenced in 2015, which coincides with Coomera's most recent growth period. The Games spurred a large amount residential and infrastructure construction and generated a strong demand for housing. However, these jobs are only temporary, and once construction is finished, net migration is expected to decrease and demand for housing will diminish.

**Figure 13 Number of residential building approvals, Coomera SA2 and Queensland**



Source: ABS 8731.0, *Building Approvals, Australia*, various editions

## Outlook

Being one of the five suburbs that are home to the Commonwealth Games 2018, Coomera is currently in the limelight. The various infrastructure projects in construction will have a positive impact on job growth and the livability of the suburb. While the current infrastructure spending is attracting minimal homeowner demand, Coomera's strong affordability and rental yields is generating a high amount of investor demand. This has placed upward pressure on prices in recent years. However, there are more factors which need to be considered in order for an area to achieve superior long term growth.

As outlined in the earlier part of this document, Coomera is a heavily oversupplied market. The Queensland Government is projecting a strong population growth of 8.1% per year. However, this is not enough to overcome the projected supply. Additionally, Coomera is a market dominated by investor owned property, this creates an unpredictable and volatile market, which is evident in Coomera's price fluctuations over the last 5 years. Moreover, with such a high investor ownership, if there was a downturn in the economy, the Coomera property market is subject to increased downturn risk.

Events, such as the Commonwealth Games have a strong impact on employment levels. However, it is anticipated that following the conclusion of the Games, demand for jobs will contract. It is unlikely the lesser employment industries in Coomera, will be able to sustain as much economic growth in which the Games contributed.

In acknowledgment of this, price growth is expected to maintain an upward trajectory up until the Commonwealth games. Conversely, in the absence of further employment opportunities, future growth prospects are expected to dampen over the medium/long term as supply increases.

*Sources: SQM Research, Cordell Connect, PriceFinder, ABS, Gold Coast City Council, Queensland Government*

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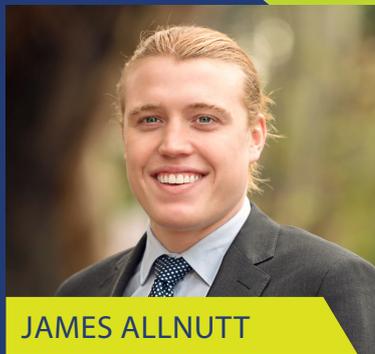
W: [WWW.MERIDIANAUSTRALIA.COM.AU](http://WWW.MERIDIANAUSTRALIA.COM.AU)

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JAMES ALLNUTT

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CONSULTANT