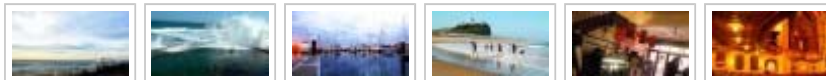


Hotspot: Newcastle tipped for strong growth

By Larry Schlesinger
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Photographs courtesy of Newcastle Tourism

Property investors looking for a regional residential investment outside of the major metropolitan areas could find strong growth opportunities among the approximately 41,000 houses in 37 suburbs in the municipality of Newcastle.

According to the BIS Shrapnel Residential Property Prospectus for 2011-14, prices in Newcastle are tipped to increase 18% over the next three years, the same pace as Sydney, as more Sydneysiders migrate north of the Hawkesbury River.

While the most recent ABS population figures for Newcastle show decreasing population growth – down to 1.2% for the greater Newcastle area over 2010, compared with annual growth of 1.3% from 2005 to 2010, BIS forecasts a pick-up on due to a housing shortage in Sydney and a combination of higher prices and increased interest rates.

Newcastle is one of just two regional markets in Australia (the other being Gladstone, Queensland) to be rated as offering strong buying proposition by the *St George/RP Data National Hotspots Report*.

A two-hour drive North of Sydney, Newcastle comprises about 157,000 residents. The majority of houses are detached (75%) and just 14% are units. Investors make up just over a third of the market.

The report recommends investors look out for opportunities either close to major working nodes such as the John Hunter Hospital or close to the CBD, but avoid properties close to industrial sites.

Further out from the city, houses close to public transport and retail amenities as well as those close to the waterfront could be good investments.

David Turner, branch director of WBP Property Group Newcastle, describes the current state of the Newcastle's property market as "two-speed", "with demand for dwellings in the lower price range remaining steady and property in the upper range performing less favourably".

Turner picks the centrally located suburb of New Lambton, which he says has performed well during the last year due to its offer of good value homes.

New Lambton house prices have risen from \$382,500 in June 2010 to \$502,500 in April 2011, a reflection of “variety of stock”

“February’s median price of \$440,000 is probably a closer reflection of median value which still represents an increase over the previous 12 months,” he says.

Another pick is the suburb of Hamilton, just 3.5 kilometres from the Newcastle CBD, where prices have risen from \$540,000 in June 2010 to \$590,000 in April 2011.

“Hamilton enjoys a central location with good access to services and amenities. Long-term trends have shown a steady increase and recently a more significant rise in property values in the area,” Turner says.

Local agent Andrew McGavin, director at Dalton Partners, says demand is particularly strong in the inner-city suburbs (those closest to the coast), where there is a shortage of properties up for sale.

“We can’t get enough properties to meet the demand,” he tells *Property Observer*.

McGavin picks the beach suburb of Merewether, along with neighbouring Merewether Heights and Adamstown – all about 3 kilometres from the Newcastle CBD – as potential hotspots.

“These are affordable family areas in the \$400,000 to \$600,000 range,” he says.

As for investor interest, McGavin says the market is not currently overrun, but there are “the odd few”. Primarily buyers are owner-occupiers.

Recent sales in Merewether include a four-bedroom two-storey house on 8 Flowerdale Avenue, which sold for \$667,500.

Properties in Merewether heights have sold for as low as \$480,000 (four-bedroom, one-bathroom house at 9, The Grove) and as much as \$680,000 (four-bedroom, two-bathroom at 8 View Street).

Property analyst and hotspotting.com.au director Terry Ryder is also bullish on Newcastle and the nearby Hunter Valley, predicting both growth in house prices and rents for the area in his June newsletter.

A possible uplift in property values in Newcastle is also tipped by Kerry McLeish in the Newcastle office of property valuers Herron Todd White.

McLeish says substantial investment around the port area should increase the capacity of coal loading and infrastructure expenditure, translating into higher local wages.

“Newcastle has taken some time to transition from an industrial- reliant urban area into a more balanced and well-rounded local economy; however, it looks like to the outside eye that we have replaced industry with mining,” McLeish says

Key Newcastle numbers

(As of January 2011)	(As of March 2011)
Median price: \$387,000	Median house price: \$365,000.
12-month change in median price: 13.8%	12 month changes in median price: 1.4%
10-year average annual change in median price (10 years): 10.4%	March quarter change in median price: 0.2%
Median weekly rent \$350	Lower quartile price: \$300,000
Indicative gross rental yield 4.7%	Upper quartile price: \$470,000

Avg discount: -5.5%

Source: REIA

Average time on market (days): 54

Average hold period (years): 8.4

Source: RP Data

Regional attributes

Capital growth expectations are supported by the Newcastle CBD's position as a major administrative centre for the region, while surrounding suburbs contain significant working nodes including a significant mining sector within the Hunter region, according to RP Data/St George.

It also benefits from excellent public transport and major roads, which support travel throughout the region. Beside buses, Newcastle has two train lines with a number of stations within the region, while travel by car is relatively easy via the Newcastle Freeway and the Pacific Highway.

The southern suburbs benefit from the Newcastle Inner City Bypass, while the western suburbs can travel to the CBD via the Newcastle Link Road, which also adjoins the Freeway.

As a major city, Newcastle has a number of major shopping centres scattered throughout the inner-ring as well as two major hospitals the John Hunter Hospital and the Royal Newcastle Centre.

It also home to the University of Newcastle.