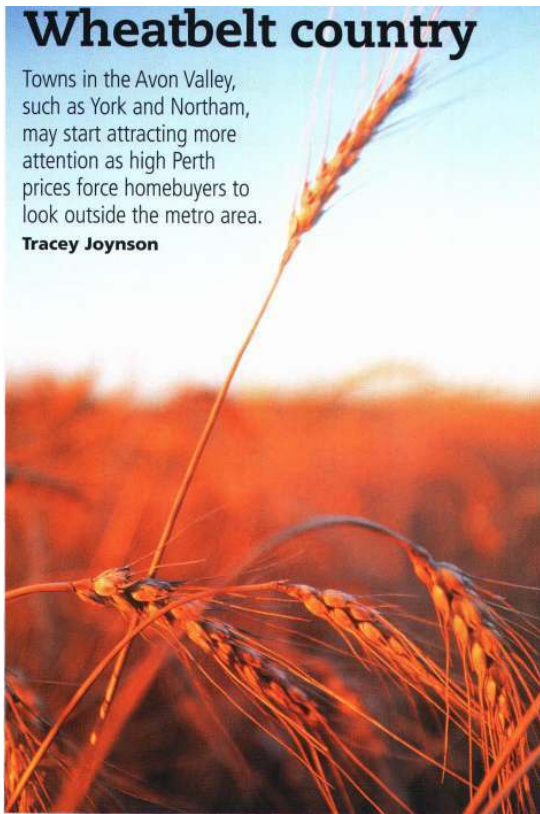


Wheatbelt country

Towns in the Avon Valley, such as York and Northam, may start attracting more attention as high Perth prices force homebuyers to look outside the metro area.

Tracey Joynson



HOME loan affordability is declining in Western Australia, according to the Real Estate Institute of Australia, as Perth's median house price in the year to September hovers around \$460,000.

You can't get much under \$300,000 in Perth, according to author and Destiny Financial Solutions founder Margaret Lomas, and that's usually the catalyst for people to start looking further away for housing because they're priced out of the city.

"In Sydney, it was really once the housing prices started heading up over the \$300,000 mark that people then started to look further afield and move out, and the same in Melbourne," she says. "History shows us what always happens after a boom is that the boom always waves out. And both York and Northam are within the distance that I would expect that that wave would occur.

"It's not infeasible to think that people would live in those areas and commute back to Perth for a job."

Lomas says the reason she knows that greater numbers of workers will

commute more than an hour from Northam and York to Perth is that a similar thing happened on the central coast of New South Wales.

Of the 400,000 people who live on the central coast, more than 130,000 commute to Sydney, which takes an hour and 45 minutes on the train.

People who live in Perth, Lomas says, often think you wouldn't commute from York and Northam but "I think you're only 10 years away from accepting that as a reality".

Lomas suggests investors take some interest in areas that still have affordable housing but are an achievable commute back to the city for work.

"You buy them now, you're probably not going to see a huge amount of growth over the next little while but keep them over the medium to long term and you're definitely going to have really good growth in them," she says.

A question of location

But will York and Northam's distance from the coast be a deterrent to homebuyers? Lomas doesn't think so.

"If you had asked me that question five years ago I would have said yes, considering what I know about Perth people and their affinity with the water and the sand," she says. "Except that then doesn't account for the explosion in Ellenbrook and Henley Brook.

"And I think the people you're going to see moving out there initially are going to be the people who can't afford anywhere else and they wouldn't be able to afford anywhere near the water anyway.

"The other thing that will probably happen is that the government in WA will recognise the need to upgrade transport from those outside areas back into the city as well.

"So what will happen is as people begin to move out to those areas then the council and the government will address the issue of upgrading the roads and making the commute by car a lot better."

A commuter train service already runs from Northam to Midland where it connects with the metro rail services.

but the journey takes more than one hour.

Damian Collins of Momentum Wealth believes there are better areas to invest in with more limited supply, strong demand fundamentals and good capital growth.

“You would look to buy in these areas more for lifestyle and perhaps a weekender away from Perth, not for investment returns,” he believes.

“Being relatively small towns, they’re not very diverse in terms of industries that support them.

“From a property investor’s perspective there’s a lot of available land supply which makes it less appealing as it will limit capital growth.”

Simon Brown of ValWest says the main positives for York and Northam are their proximity to the Perth metro area and the relative affordability in comparison to the metropolitan residential property market.

“For example, in Northam it’s still possible to pick up an older-style residential dwelling at values below \$300,000,” he says.

“Both towns are only an hour away from the Midland city centre. The upgrade of Great Eastern Highway between Mundaring and The Lakes has also enhanced access to both towns.”

Northam

Northam, with a population in the order of 7000 people, has the capacity to provide a wide range of government and community services for the surrounding locality, Brown says.

“Northam also benefits from having the train link to Perth,” he says.

“There’s also an increase in demand for rural lifestyle properties, usually

around two hectares, and this has seen areas within 10 kilometres to 15 kilometres of Northam – such as Clackline, Bakers Hill and Wundowie – growing in popularity as lifestyle localities.”

Brown envisages this will have a flow-on effect to Northam as the increased population requires greater local services.

“Northam has seen the Fairways Green Estate developed over the last six to twelve months and I understand that there has been reasonable demand for these lots,” he says.

“The supply of vacant residential lots might mean that values within Northam will remain stable for the time being.”

York

York, Brown says, has traditionally been a popular tourist destination due to its historic nature and this has resulted in it also becoming a popular retirement destination because people can downsize from a metro property and buy in York while still being close to family and facilities in Perth.

“Values for properties within York have stabilised in the last few months and the dramatic rises that were seen in 2006 aren’t evident at the time being,” he says.

“Agents within the township have noted that sales volumes have slowed... and that properties are generally taking slightly longer to sell.

“We’ve noted that there has been good demand from people seeking larger rural lifestyle properties up to 40 hectares in the York-Beverley region and it’s expected that this development will enhance York’s appeal as a lifestyle destination.”

One of the town’s historic hotels has

recently been renovated, Brown says, and as developments like this occur it will have a flow-on effect to the residential property market.

“York and Northam benefit from being country towns – so have a greater degree of affordability than metro properties – and can benefit from the country town lifestyle while being within a reasonable commuting distance to the Perth metro area,” he says.

“Also, I think it’s fair to say that whilst, similarly to the Perth property market, they saw a rapid increase in values, over the last six or so months things have stabilised and we’re unlikely to see the rapid value growth again for a while.”

Collins says York was the first inland settlement in WA and is known for its heritage buildings but its focus today is on tourism. York’s tourism attractions include heritage walks that meander around historic buildings, many of which have been heritage listed, and the York Motor Museum.

The town also boasts a winery growing three varieties – grenache, cabernet-sauvignon and shiraz – and an olive grove producing extra virgin olive oil, both on its outskirts.

Elders Real Estate York sales representative Michael Watts says many historic buildings were constructed during the gold rush of the 1890s and the picturesque town is surrounded by rich fertile farm land.

The Shire of York has adopted heritage policy guidelines for the town, providing objectives and guides for the conservation of heritage precincts and, while protecting and preserving the significant heritage values, it also aims

to allow new development that integrates with and enhances these values.

Collins says York has become a tree-change haven for people looking to leave the faster-paced life of Perth, yet at the same time be relatively close to the city.

It mainly thrives as a tourist town and hosts many events annually, he says, including a well-known jazz festival.

“It has good facilities including a hospital,” Collins says.

Interesting facts

Both York and Northam are nestled on the banks of the Avon River, just under 100 km inland from Perth, and the river is also the site of the annual Avon Descent – a two-day competition for paddlers and power racers. Northam is the regional centre of the Avon Valley and central wheatbelt, Collins says, with farms in and around the town primarily producing wheat, barley, oats, sheep, wool and cattle.

“It has good health and educational facilities including the CY O’Connor TAFE and Muresk Institute of Agriculture – a division of Curtin University,” he says.

“There is some tourism in Northam – festivals and activities such as hot-air ballooning.”

First National Real Estate Northam principal Steve Hill says Northam is traditionally an agriculture support services town but has more recently become a commercial centre for the Avon Valley district, providing medical, financial and educational facilities, retail shopping and lifestyle properties.

“It’s close enough to the metropolitan area, 75 kilometres or 55 minutes to Midland, to be considered a comfortable drive yet far enough away such that we

haven’t lost our charming country atmosphere where people will stop and talk or at least smile at you when you pass them down town,” he says.

Probably one thing Northam lacks is evening entertainment such as cinemas, Hill says.

In commenting on changes in Northam in recent years, he says after the completion of the Great Eastern Highway’s Northam bypass and removal of east-west heavy freight vehicles from passing through the town centre, the council and residents embarked on a streetscape revitalisation, restoring its main precinct streets, verges, lighting, car parking and river banks, making visits and shopping in Northam more pleasant.

Looking ahead

Northam offers plenty of opportunities to investors, Hill believes, because the town has a big government agency presence and its employees are constantly on the move.

“Demand for well maintained rental properties is strong and vacancy rates are low,” he says.

Watts says in the past both towns experienced a population and retail decline which started in the late 1950s but they’re now experiencing good population growth and a buoyant economy.

Hegney Property Group head of research Simon Moore says rural communities are constantly under pressure from population decline but York’s close proximity to Perth insulates it to some extent.

York has changed considerably, he says, as farms have been subdivided into acreages and hobby farms and they have appealed to people looking for weekend retreats or longer-term

retirement locations.

“With more focus on lifestyle properties for retirees, we could see a long-term increase in demand, however historical growth levels have been low,” Moore says.

“York will predominantly be a lifestyle proposition, rather than an area delivering strong investment returns.”

In the past five years, WA’s property boom has helped lift York’s median house price 22.5 per cent a year and pushed Northam’s median up 26.5 per cent a year, according to the Real Estate Institute of WA, but their medians are still below \$300,000.

York’s demographic mix includes farmers, retirees and descendants of early settlers, Watts says, combined with a new influx of tree-change lifestyle opportunists, fly-in, fly-out workers and daily commuters to the Perth CBD.

“About 70 to 100 people commute every day to Perth,” he says.

Both areas have an older age demographic, Collins says.

“Many younger people leave the area once they finish school to attend university or seek work in Perth,” he says.

York offers a secure, steady property investment, Watts says, thanks to its safe community, relaxed lifestyle, good facilities, shops, school, hospital and strong retail demand.

He suggests investors look for land banking and character residential opportunities as there are few commercial opportunities.

But Watts warns that rental returns and commercial yields don’t keep pace with Perth’s CBD and metro area.

He predicts future capital growth of about 7 per cent or 8 per cent in York while Collins expects 4 per cent to 5 per

cent growth in York and “perhaps a little bit less in Northam”.

Low population levels and a relatively large availability of land supply will affect prices for properties, Collins believes.

There are many planned land releases that will impact on both towns, Watts says.

“It’s likely that there will be an oversupply which may result in a slow take-up which will cause financial hardship to the ambitious developers,” he says.

In Northam, Hill says, there have been about eight developments released in the past two years due to relatively cheap broadacre land prices.

But he suggests that the new land with its higher pricing tends to sweep upward the pricing of older established vacant land.

“Similarly new housing construction at its increasing cost drags up the price of established housing,” Hill says.

“The impact of those major land developments should be general increased prices for established land and housing.”

Northam’s housing can still be acquired for relatively modest prices, he says, and rental prices have been quick to react to increasing tenant demand.

“Hence 1940s to 1960s three-bedroom, one-bathroom, well-maintained fibro homes can be purchased for \$240,000 to \$280,000 and generally have a tenant waiting list offering \$210 to \$230 per week,” Hill says.

In York, Watts says the cheapest houses are in the high \$200,000s to low \$300,000s and achieve the same rental returns as houses priced from \$400,000 to \$500,000.

In terms of rents, he doesn’t think

you’ll find anything under \$250 a week and at the premium end, owners might achieve up to \$350 a week, but that would be stretching it

The future for York is bright, he believes, with a safe lifestyle and everything you want but not in the hustle and bustle of town.

Hill sees strong growth for Northam given Perth’s high median house price and the redirection to Northam of first homebuyers who are prepared to commute to work plus property investors attracted to the modest property prices.


But Collins says both towns are relatively small and will remain so.

“York is more likely to appeal as it is considered prettier and a more desirable tree-change location,” he says. ■

“Being relatively small towns, they’re not very diverse in terms of industries that support them.”

MEDIAN HOUSE AND UNIT PRICES/RENTS					
	Year to Sept 2006	Year to Sept 2007	Change	Median rent	Population
Northam (H)	\$172,000	\$250,000	45%	\$220	6,010
York (H)	\$215,000	\$290,000	35%	\$260	2,087

Source: REIWA, ABS & anecdotal. Notes: H = houses



“York will predominantly be a lifestyle proposition, rather than an area delivering strong investment returns.”

The buying's cheap

Northam's inexpensive housing is one of the reasons Phil Eaton invested in the town.

"Out of all the regional centres in Western Australia, Northam has the lowest residential median house price and yet we're the closest to the metropolitan area," he says.

Northam's median in the year to September was \$250,000, while its nearest rivals were Kalgoorlie with \$270,000 and Carnarvon with \$310,000. The most expensive regional centre was Broome at \$653,000.

The fact that Phil has lived in Northam for the past 30 years and is the licensee of Elders Real Estate Northam also played a large part in his decision to invest in the area.

Northam is a tremendous place to live, he says, with a safe environment, great community spirit and only one set of traffic lights to negotiate.

About four years ago Phil paid \$95,000 for a two-bedroom, one-bathroom unit which now rents for \$220 a week and is worth about \$240,000.

Then about a year ago, he went halves in a three-bedroom, one-bathroom unit with his son Matt to help him get a foothold in the property market.

"He can't afford metropolitan property prices but it's a cheap leg-in to get into real estate in the country," Phil says.

They paid \$207,000 for the property which also rents for \$220 a week and is now worth about \$220,000 to \$225,000.

He says the two-bedroom unit has a higher value because it's slightly bigger and arguably in a better location.

Phil believes there will always be strong demand for rental properties in Northam because government enterprises regularly send their employees to the town for three-year terms and they don't always want to buy their own home.

"We're also finding that we're getting a number of fly-in, fly-outers locating to Northam so they can still have a country lifestyle and yet be only an hour from the airport," he says.

Dozens of people also commute to the metro area for work, either using the train or their cars, Phil reports.

"The road's been improved with sections of dual lanes making the trip a lot shorter," he says.



"It's a cheap leg-in to get into real estate in the country."