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House vs Unit: What trends does 2020 bring for property investment?

The property markets were on a roller-coaster ride in Australia in 2019, so James Nihill plots out a course for the 2020 investor.



JAMES NIHILL

Last year, Australia's property markets had a rollercoaster ride with continued record-low interest rate and faster than expected market recoveries in both Sydney and Melbourne along with a Federal Election and Royal Commission in the banking sector.

But what can we expect in 2020 ... and what trends will the brand-new decade bring for property investors?

With our ever-increasing population and the high concentration of new jobs in metro areas, people are tending to flock to the city, meaning the "great Australian dream" is shifting and no longer represented by the traditional house and backyard in the suburbs.

While houses still tend to outperform units and remain one of the strongest investment opportunities, increasing prices have made the family dream home simply unattainable, particularly in our major cities and the reality is that more of us are living in apartments, townhouses and duplexes.

According to Domain, the number of people living in high-rise apartments (more than four storeys tall) has more than quadrupled and one in 10 Australians now lives in a unit.

It's no surprise that work-life balance leaves many of us seeking maximum convenience and living closer to key amenities such as shopping centres, schools and transport links means less time stuck in traffic and more leisure time instead.

According to CoreLogic data, apartments in growth areas located just outside of major cities are the best areas to invest in this year.

It is important to do the research though and check that the area is not at risk of oversupply - as developers have set their sights on these hotspots first.

Our quiet achiever Hobart is tipped to continue to perform well this year with the Tasmanian capital demonstrating strong gains over the past five years, for both houses and units.

Tasmania has risen to the top of many property investors lists, as increasing employment opportunities, tourism and affordable property prices – particularly compared with Sydney and Melbourne – continues to drive buyers from the Australian mainland.

According to Domain, Hobart's median house price jumped 35 per cent over the past three years to September at \$482,960 with unit prices increasing by more than 50 per cent to \$395,715 in the same period.

If you're considering an investment property, according to Domain data houses in Hobart rent out for an average of \$500 per week with an annual rental yield of 3.8 per cent, and units typically rent for \$460 per week reflecting a rental yield of 4.1 per cent.

In New South Wales, several areas are tipped for apartment price growth including Newcastle, Wollongong and Canberra.

Heavily influenced by Sydney's performance, the housing markets in both Newcastle and Wollongong are largely driven by their relative affordability.

Located just a few hours from Sydney these two regions are packed with bustling new bars and cafes and surrounded by scenic coastline, Newcastle and Wollongong have both sustained stable growth over the past five years and are an investor's dream.

According to the most recent monthly as supplied by CoreLogic, the average unit price in Newcastle sits at \$655,000, with an average annual growth of 5.31 per cent and gross rental yield of 3.9 per cent.

According to CoreLogic, Wollongong unit prices average at \$570,000 with an annual capital growth of 5.94 per cent and gross rental yield of 3.92 per cent.

Over the longer term, Wollongong has seen property prices show investors a 13.58 per cent return over the past three years.

According to Open Agent, high property prices in Sydney and high rental demand due to the education campuses have also inspired some 1,100 people to move into the region every week.

If you want to buy an apartment in a reliable rental market, then it is wise to keep Canberra on your shortlist.

The administrative capital has a diverse range of tenants from students to government employees with low vacancy rates.

According to Domain's quarterly house price report, the median unit price in Canberra is \$448,737 which is both affordable and demonstrates moderate growth, up 1.9 per cent year-on-year since June, 2018.

While there is plenty of growth opportunity this year to invest in apartments, it is critical that you consider a property based on your overall investment objectives and strategy.

Houses still tend to outperform units, though they are generally more expensive to purchase so most investors tend to start out with an apartment as a first investment.

Domain currently lists the national median price of a house as \$773,635 while a unit is currently \$539,256.

2020 is set to be a great time to invest in apartments.

But don't make the mistake of thinking any apartment is a good investment - always do your homework and seek professional advice before leaping into any investment opportunity.

<https://www.therealestateconversation.com.au/blog/james-nihill/house-vs-unit-what-trends-does-2020-bring-property-investment/australian-real>

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