

# Light at the end of the tunnel

Prices in Brisbane's northern suburbs are holding up, rents are firming and the North South Bypass Tunnel offers investors a chance to get in ahead of a rising market. **Matthew Liddy** reports.

**P**AUL GRENNAN, A DIRECTOR WITH Herron Todd White (HTW) valuers in Brisbane, says the construction of the North South Bypass Tunnel in the Queensland capital represents a serious opportunity for investors as it should drive prices higher once it's complete. That means investors who buy now should profit later.

"There's a sort of golden period while it's in the planning stages and being built that allows you to get in before the market has made that correction," Grennan says. "In general one of the biggest opportunities that you'll ever have in the property market is infrastructure."

The tunnel will link Bowen Hills on the northside of the Brisbane River to Wooloongabba on the southside, allowing drivers to bypass the inner-city and the

Story Bridge on cross-town trips. If all goes to plan, that will remove traffic from existing roads and improve peak hour travel times. Construction has recently begun and the tunnel is due to open in the second half of 2010.

On the northside of town, suburbs considered likely to see a benefit from the tunnel include Albion, Wilston, Windsor, Enoggera, Kedron, Stafford, Nundah, Lutwyche, Clayfield and Wooloowin. Zillmere is also named as a northern suburb likely to power ahead, though largely for other reasons.

The Airport Link toll road and Northern Busway are other proposed infrastructure projects that may improve transport for the northern suburbs.

## Gathering strength

Like most of Brisbane, the northern suburbs have faced a period of consolidation since the hectic price rises of the first years of the new millennium. However, Rod Hart, a partner with Herriot's valuers on the northside, says there are signs the market is strengthening, with demand strong and the number of listings falling.

"There are still no major increases to prices as yet, so we're not getting to that stage but provided the property is well priced they're selling within a 30-day period," Hart says, adding that agents are "getting to the stage where they're all scratching for listings again".

"It signals that we've turned the corner and we would rate the market now as a strengthening market."

Andrew Coronis from Coronis Realty, which has offices at Stafford, Arana Hills and Aspley, agrees, saying the market is "stable to buoyant".

"It's not running away at a million miles an hour and the prices aren't increasing at a million miles an hour but we're certainly attracting a lot of buyer enquiry," he says.

Coronis says his offices track all buyer enquiries, which are up 10 to 15 per cent on four to five months before. Owner-occupiers are driving the demand, although some investors are rejoining the hunt.

"Normally in a raging market, in the north Brisbane market, 30 per cent of our sales go to investors. Currently it's below 10 (per cent)," he says.

Most of the investor interest is in the

commercial sector and in purchasing blocks of units, Coronis says.

"The more experienced investor is still buying but the first-time investors are probably a bit more cautious at the moment."

Hart says there are some indications that interstate investors are "quicker to snap up properties than the locals, realising that there is still a good market in the Brisbane CBD and the Brisbane suburbs".

"Some of the locals are missing out on properties because the interstate investor is quicker to take advantage of a property that's on the market," he adds.

Coronis says blocks of flats can produce gross yields of 4.5 to 6 per cent, while duplexes are slightly lower and houses lower again. However, the vacancy rate is extremely low and rents are rising. Coronis, whose offices manage 1600 properties, says only 1 per cent of those are vacant.

That's pushing up rents. The median weekly rent for three-bedroom houses in Brisbane's inner north was \$300 in the June 2006 quarter, up a full \$30 from 12 months earlier, according to the Residential Tenancies Authority. The outer north saw a \$15 rise.

"Every time our property managers are putting a new rental on the market they're increasing it by \$10 or \$15 a week and still getting smashed with enquiry," Coronis says. "We really can't keep up with the demand at the moment. Generally speaking every house has more than one application, so the landlords at the moment can be very choosy on who they pick to put in their properties."

## PROPERTY FACTS

### Median prices

SUBURB	HOUSES			UNITS		
	12 MONTHS TO MARCH 2005	12 MONTHS TO MARCH 2006	12 MONTH %CHANGE	12 MONTHS TO MARCH 2005	12 MONTHS TO MARCH 2006	12 MONTH % CHANGE
Albion	\$390,000	\$381,000	-2.3%	\$282,500	\$301,000	6.5%
Clayfield	\$610,000	\$662,000	8.5%	\$235,000	\$259,000	10.2%
Enoggera	\$355,000	\$352,500	-0.7%	\$240,000	\$222,000	-7.5%
Kedron	\$357,000	\$346,500	-2.9%	\$238,000	\$247,000	3.8%
Lutwyche	\$393,000	\$375,000	-4.6%	\$247,000	\$253,000	2.4%
Nundah	\$340,000	\$373,000	9.7%	\$232,000	\$244,500	5.4%
Stafford	\$310,000	\$310,000	0.0%	\$190,000	\$240,000	26.3%
Wilston	\$490,000	\$580,000	18.4%	\$311,000	\$295,000	-5.1%
Windsor	\$410,000	\$420,000	2.4%	\$265,000	\$265,000	0.0%
Woolloowin	\$475,000	\$452,000	-4.8%	\$235,000	\$260,000	10.6%
Zillmere	\$250,000	\$265,000	6.0%	\$218,500	\$225,000	3.0%

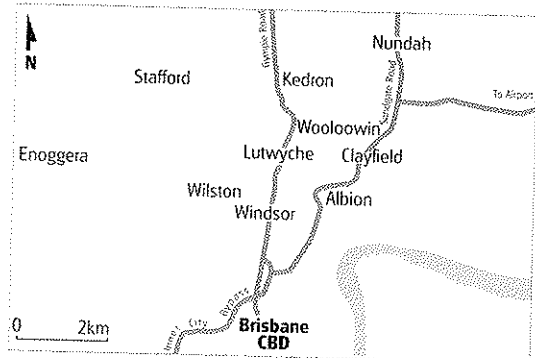
### Median weekly rents

	3-BRM HOUSES		2-BRM UNITS	
	JUN-05	JUN-06	JUN-05	JUN-06
North Brisbane (inner)	\$270	\$300	\$220	\$230
North Brisbane (outer)	\$245	\$260	\$200	\$210

### Population (2001 Census)

Albion	2,203
Clayfield	9,303
Enoggera	6,107
Kedron	11,397
Lutwyche	2,542
Nundah	8,328
Stafford	5,618
Wilston	3,475
Windsor	6,016
Woolloowin	5,491
Zillmere	7,747

Source: APM, RTA, ABS



One caveat on the improving rents is that some investors saw weekly rents fall \$5 or \$10 two or three years ago, meaning the current increases are only returning rents to where they were before that.

Rental increases aside, most investors in Brisbane's northern corridor are buying for capital appreciation – and it's here that the North South Bypass Tunnel could come into play.

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## CASE STUDY

## It's all happening at Nundah

GEORGE GRUBETIC SPOKE to API about 10 days after adding a unit at Nundah, 8 km north of Brisbane's CBD, to his investment portfolio, which also includes a unit at southside Holland Park and another at Toowong in the inner-west. Before making the purchase, George spent weekend after weekend scouring the Brisbane market for the best buy.

He had been concentrating on Coorparoo on the southside but after having a contract fall through there, Nundah took his fancy and he hasn't looked back.

George's latest purchase is a two-bedroom, one-bathroom unit in a six-pack built in 1976; he paid \$205,000. It's in original condition but "all the foundations were there", he says. For instance, it's only about 400 m from the train station, though George says you can't see or hear the train. It's also close to the major Toombul shopping centre, parks and schools.

Nundah is changing, George says, with multi-level units going in around the train station and a new retail and commercial hub in development. He's glad he ended up buying there and not at Coorparoo.

"Two years ago, you'd go, 'Nundah? Sleepy old Nundah?' And you go there now and (there's just) the developers there, the new shopping centre complex that's going in, the upgrade of Toombul itself, and then you've got DFO (Direct Factory Outlets) and the whole airport construction."

Following on from renovating his Toowong unit, George plans to spend up to \$12,000 revamping his Nundah purchase, including a new bathroom and kitchen, new carpet and tiles, and a coat of paint. His first thoughts were to renovate and sell, but he's now thinking of using the renovation to attract a higher rent and holding for capital growth in the long term.

"I'm targeting the rental market slightly higher than probably the median average in that area," he says.

A vacancy rate of about 1 per cent, plus the renovation, should help deliver rent of \$245 to \$265 a week, George says, with the lower end of that range being "very conservative". If he achieves a return towards the upper end of that range, George says the property will cost him \$50 to \$60 a week out of his own pocket. But he's confident the capital growth will offset those costs.

"Looking at the council plans and the development that's going on in that area and the whole beautification (that's happening)... I think there's going to be more capital growth in that sector of inner-city Brisbane than there will be anywhere else."

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### Underground impact

Grennan says his research suggests the tunnel will have differing effects on four different types of properties, based on their proximity to the tunnel itself.

**Outside fringes:** properties located in the suburbs surrounding the entry and exit points to the tunnel should benefit because they will not only have better links to the

other side of town, but if done properly the tunnel will take cross-town traffic off the existing roads into the CBD.

"That will make travel into the city better for that range of suburbs purely because it diverts some of the traffic away from where it's going now," Grennan says. "That makes the lifestyle amenity better."

**Close to entryways and exits:** the tunnel

will see some houses close to its entries, exits and feeder roads resumed. Grennan says while the owners of those properties will be compensated, there's also the issue of whether extra noise and disturbance will affect properties that are nearby but not directly in the path of the roadworks. He believes few properties will feel much of an effect.

"Looking at the maps, it doesn't seem like there's anywhere where it's not already a busy road," he says. "It's not like there's a quiet street or even a roadway that carries moderate volumes of traffic that will suddenly have all this extra traffic. They're already fairly busy thoroughfares."

**Inside the tunnel radius:** those suburbs located inside the extremes of the tunnel will benefit because the new route will take traffic off current roadways, Grennan says.

Coronis agrees the benefits here could be considerable.

"My biggest thought with freeing up the main roads is hopefully there'll be a better community feeling in some of the strip shops and hubs of retail," he says. "If there's too much traffic running through the middle of a strip shopping centre like Stafford or Lutwyche on the northside for example, or even Clayfield, you can't create a good café precinct."

"Taking all that cross-town traffic and through-town traffic away from it hopefully will free up the roads. If it frees up the roads, hopefully the commercial sections in all those areas will increase and then people will want to live around the newer infrastructure that's put there."

**Directly above the tunnel:** Grennan says the Sydney experience suggests properties located directly above a tunnel don't lose any value – unless they're located close to a vent.

He says he consulted HTW's Sydney office to find out whether resales of properties directly above a tunnel were selling for less than identical properties that are close by but not directly above a tunnel.

"The answer is they can't detect it," he says. "The market's not penalising owners who live directly over the tunnel."

"The only exception is in Sydney there's some areas where there's venting coming out of the tunnel. If you're close to the venting that's like having a power line right in front of your place or a Telstra exchange



pillar box in front of your place – it's a negative. That's where I see the negative."

Those suburbs that pick up the tunnel's benefits should see greater price rises than other suburbs that aren't affected by the tunnel, Grennan says.

He adds, "There's a lot of population going into some of these trendy suburbs such as New Farm, Newstead, Bulimba, Hawthorne and as those populations grow, more pressure is exerted on the limited roadways out of those suburbs into the city. You may find that other suburbs that haven't done so well in the past but now have the benefit of easier access via the tunnel will do better in comparison."

However, Grennan says the tunnel is unlikely to affect prices until it's completed and people have become used to using it.

"In my experience with infrastructure works, even for the very positive types of works, like say the Green Bridge (between Dutton Park and St Lucia), the market doesn't tend to acknowledge those works

in terms of improved value until they're actually up and running. Even when they're under construction we don't often see improvements in value," he says.

As Grennan says, this presents an opportunity for investors willing to take a long-term view. Hart agrees the tunnel is likely to produce value increases in the northern suburbs.

"I'm of the view that whenever a major traffic asset is put into an area and then suddenly that area becomes more accessible to the CBD, that it only advances the area," he says. "Certainly there will be some properties around – the unfortunate ones – where they are near the busway or the bypass or near the ventilation stacks. There may be some loss of value for those who are immediately affected by that property but the overall suburb advances."

### From Albion to Zillmere

Northern suburbs tipped for price growth due to the tunnel range from the

undervalued Albion through the revitalised Nundah to the blue-chip suburb of Clayfield. Even before work on the tunnel begins, PRDnationwide Research has named the Albion house market as a potential hotspot for 2006.

"With close proximity to the CBD and a relatively low median house price, Albion houses appear to be undervalued," PRDnationwide's *Brisbane Hotspots* report from December 2005 says.

Herriot's, on the other hand, has looked further north, naming Zillmere as the only Brisbane suburb on its list of the top 10 Queensland hotspots for 2006.

Zillmere is benefiting from better access to the major regional shopping centre at Chermiside.

In addition, Brisbane City Council has refurbished the local shopping centre, the local Callaghan Park has seen major improvements, including a large new clubhouse, and higher-density development around the train station is taking off. ■

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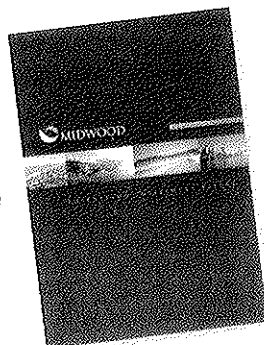
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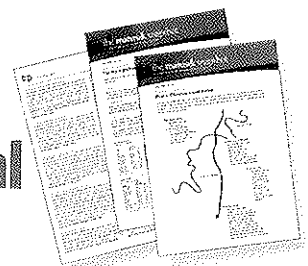
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