Herron Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

South Australia

National overview

In this edition of the Westpac Herron Todd White Residential Property Report, we are putting the spotlight on the opportunities for cashed-up investors and self-managed super funds (SMSFs).

Softer residential property prices around the country are presenting opportunities for aspiring landlords and DIY superfunds, and we'll take a look at some of the stand-out investment real estate markets.

A buyer's market

With lending still tight and confidence relatively low, competition for quality homes is comparatively thin on the ground, particularly in the entry level markets that are typically popular with investors. While prices are yet to hit bargain basement levels, it's fair to say they have flattened out. This is good news for cashed-up investors and SMSFs looking for long-term capital gains.

Leading the way is the Western Australian market, which has stabilised after a booming period of growth. Similarly, there has been a slight drop in Tasmanian real estate values after 10 years of strong returns. Indeed some markets in and around Hobart, such as Sandy Bay, South Hobart and West Hobart, recorded growth of more than 200% over the last decade.

Property a long term investment

While buyers, particularly first timers, might be taking a wait-and-see approach, rental markets around Australia are still relatively strong. As a result, vacancy rates are low and this is keeping rents steady, which is good news for investor cash flow.

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Location, Location, Location

A resounding message from around Australia is that the investment properties with the best prospects of long term growth are located close to city CBDs, regional centres and infrastructure. Melbourne is a case in point. A wave of building activity and apartment development applications continue in suburbs close to the city, defying the national slowdown. It seems it's a classic case of 'build and they will come', as there appears to be strong demand for new apartments in the inner city, and steady sales.

Regarding the impact of infrastructure and employment on housing prices, it is also worth keeping an eye on Australia's resources sector, especially in South Australia and the Northern Territory. In Adelaide, market watchers are anxiously awaiting the announcement about the future of BHP Billiton's multi-billion dollar expansion of Olympic Down, the world's largest known uranium deposit. Likewise in the NT, it seems that Inpex's multi-billion dollar Ichthys LNG Project is getting closer to reality, with the issuing of pipeline licences.

We expect the Adelaide and Darwin real estate markets will experience major boosts when these initiatives come to fruition and the projects start employing workers – both in terms of sales activity and rentals.

Queensland finds its feet

After a rough start to the year, Queensland is slowly getting back on its feet. We are pleased to report that the town of Toowoomba is experiencing slow but steady growth and a stable rental market. About 400 kilometres away in Gladstone, 2011 is also shaping as a very 'robust' year. The rapidly developing coal seam gas industry has fuelled residential development and growth across the board – in terms of real estate values and rents. Vacancy rates have shrunk below 1% and tenant demand appears to be increasing. It is truly pleasing to hear some good news coming out of the Sunshine State.

Brendon Hulcombe
CEO, Herron Todd White

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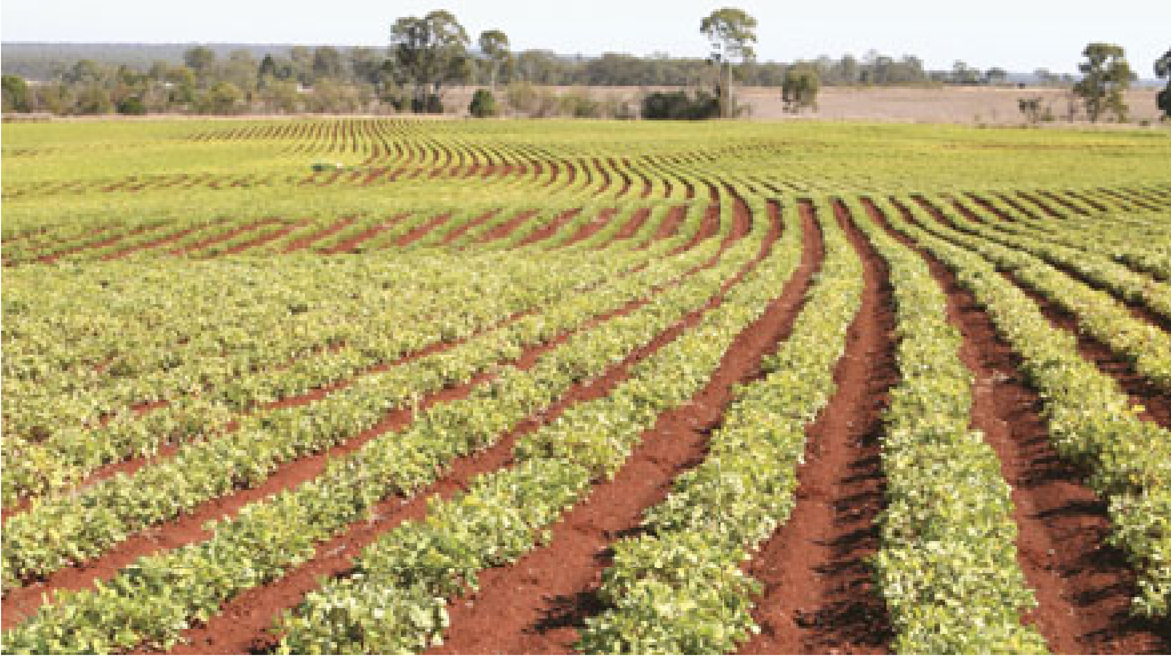

South Australia

Adelaide

Like many Australians, Adelaide investors are hesitant about leaping into the property market as the threat of interest rate rises remain, and the economy remains shaky at best. As a consequence, Adelaide real estate prices are soft, which is not good for overall short term capital growth prospects. But, for investors and self-managed super funds (SMSFs) looking for a quality, longer-term investment, a subdued market is a great time to buy.

Another timely advantage of softer prices is the fact that rental returns are holding ground – meaning steady investment yields. Future growth in Adelaide still depends to a large extent on the proposed multi-billion dollar expansion of Olympic Dam, located 560km north of the city near Roxby Downs. Owned by BHP Billiton, the dam is the world's largest known uranium deposit and the fourth largest copper and gold deposit. BHP is expected to make a decision about the proposed expansion at the end of the year, but if it goes ahead it is expected to generate population growth, stimulate the economy and increase demand for housing. This has the potential to drive property prices and rents upwards.

House market

Adelaide's inner eastern and southern suburbs are traditionally popular, particularly period cottages and smaller houses. These provide investors and SMSFs with an affordable entry point into the market, and are also popular with tenants. As a consequence, vacancy rates have remained low, fluctuating around 1% with steady yields of 3-5%. We believe suburbs in the inner east and inner southern suburbs have the potential for solid long term growth.

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Parkside/Fullarton/Myrtle Bank (Inner South Region)

Parkside, Fullarton and Myrtle Bank are some of Adelaide's most popular inner southern suburbs, and are located between 2km and 6km from the CBD. They are close to the South Eastern Freeway and offer good public transport services to the city. They are also well served with local facilities, including the popular Unley Road shopping and dining precinct. Median prices include Parkside ($617,500) Fullarton ($649,000), and Myrtle Bank ($725,000).

Norwood/Beulah Park (Inner East Region)

The neighbouring suburbs of Norwood and Beulah Park are just a few kilometres away from the Adelaide CBD, and are part of a thriving cosmopolitan community that also has some famous heritage buildings such as the Norwood Hotel and the Norwood Town Hall. It is also home to an area known as The Parade, which comprises business and professional services, as well as a collection of popular restaurants, cafes, fashion boutiques and hairdressers. The Parade hosts the annual Norwood Parade Food and Wine Festival, which attracts in excess of 80,000 people. The median house price for Norwood is $791,000, and Beulah Park ($667,750).

Apartment/unit market

North Adelaide/Walkerville (Inner North Region)

North Adelaide is located north of the River Torrens and consists mainly of residential areas. This makes it an extremely attractive location for professionals working in the city. Vacancy rates have been tight in recent times at less than 1% but it is important to take your time when deciding where to invest.

A major feature of North Adelaide is the nearby Adelaide Parklands, which feature gardens, horse paddocks, a golf course and many sporting fields, including the famous Adelaide Oval.

North Adelaide's neighbour, Walkerville, is located on the north-eastern border of the CBD and it is the region's smallest council area, covering just 3.5sqkm. Properties range in style from single fronted cottages and higher density units, to mansions. The median price for North Adelaide is $462,650 and $395,000 for Walkerville.

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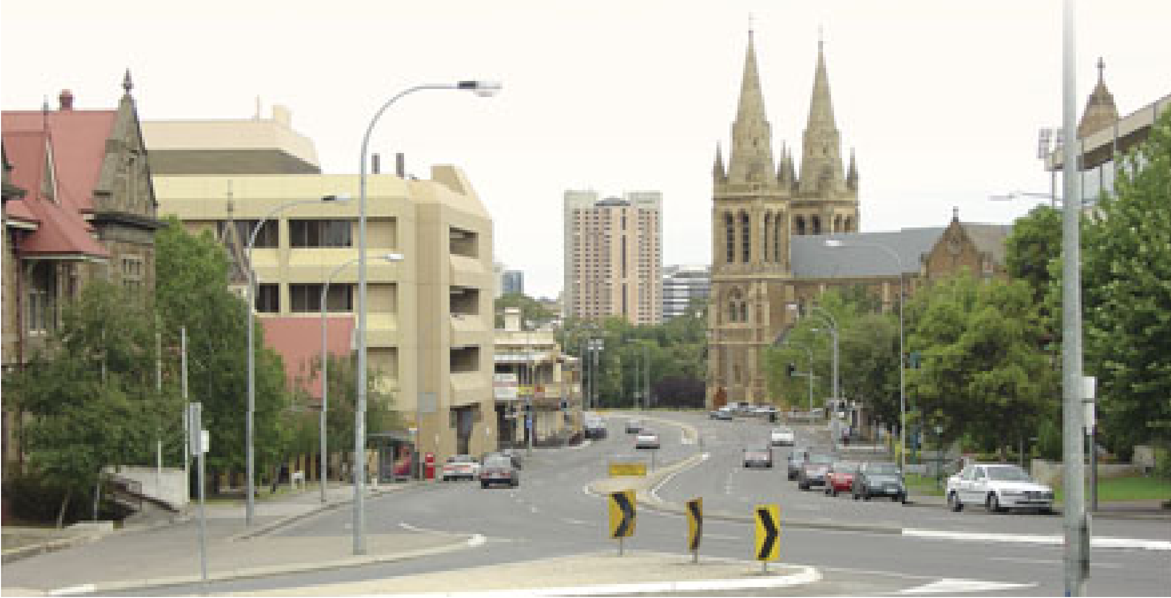

St Peters/Norwood (Inner East Region)

Located just a few kilometres east of the Adelaide CBD, this is South Australia's oldest local government municipality. Moreover it has maintained its heritage, with the preservation of landmarks such as the local town hall and pub.

The region in and around St Peters and Norwood is home to some 34,000 residents and about 6,000 local businesses, and it has an enviable reputation for its cultural diversity, and vibrant yet casual cosmopolitan atmosphere. This is a very leafy area with about 180 hectares of parks and gardens. In recent years the area has been targeted for higher density residential developments, given its proximity to the Adelaide CBD. It is now highly sought after by tenants and as a result, vacancy rates sit at slightly more than 1%, while average investment yields have remained steady at 3-5%. The median unit price for St Peters is $248,500, while its $483,000 for Norwood.

Source: Herron Todd White

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