



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

South Australia



Introduction

The Australian property market is experiencing mixed fortunes, and while 'upgraders' have taken over from first home buyers in many areas, the state of markets around the country is far from uniform.

Buyers in many areas remain hesitant following a string of interest rate rises with the possibility of more to come. Concerns over European debt woes, and the possibility of wider economic fallout also weighs heavily on the market.

In some areas where financial impact of tourism is particularly important, for example coastal Queensland and the south coast of West Australia, property markets remain generally subdued post the Global Financial Crisis.

Friction between the Federal Government and the mining industry had a negative impact on property markets in resource-rich regions, with many buyers adopting a 'wait and see' approach. However, with a more conciliatory new Prime Minister, and a lower rate of mining tax than originally proposed, property markets in mining regions may strengthen.

'Upgraders' fill the gap

One of the key features of today's market is a marked slowdown in first home buyer activity following the cutback in government incentives at the end of 2009. In many parts of Australia, prices at the low end of the market rose steeply throughout 2008/09 reflecting increased activity among first home buyers. In some cases prices rose beyond the value of the additional incentives, however, without continued strong demand from first home buyers, values at the lower end of the market could remain static for some time.

Upgraders are tending to fill the gap left by first timers, buoyed by increased home equity – the result of several years of strong price growth. The challenge for many upgraders may be selling their existing home. This is especially the case for owner occupiers whose properties are in the lower price ranges that traditionally appeal to first home buyers.

Yields rising

One positive outcome of a cooler market is an increase in rental yields through lower prices. This may see investors take the lead as the main market driver in the months ahead, particularly if home affordability worsens as a result of future interest rate rises.

Brendon Hulcombe

Chief Executive Officer, Herron Todd White

South Australia

Values are still rising in Adelaide's property market thanks to underlying confidence in the state's economic potential. This is despite economic uncertainties nationally.

Last year's boosted first home owner financial incentives helped to create a bubble of activity, possibly bringing forward the buying decision of many first home buyers.

As a result, over the last two years the lower end of Adelaide's property market has been saturated with buyers, and this may have pushed up values at the bottom of the market by as much as, if not more than, the value of the additional first home buyer incentives.

With the reduction in first home owner financial incentives, first home buyer activity has returned to normal levels and there will undoubtedly be a change of focus to other markets.

In South Australia and Adelaide, this change of focus may not necessarily mean increased upgrader activity. It may see upgraders resume their normal slice of the home buyer pie instead of being overshadowed by first time buyers.

Values are still rising in Adelaide's property market, thanks to underlying confidence in the state's economic potential.



Adelaide

Over the last quarter, growth has remained fairly steady in most Adelaide markets. The city's outer suburban areas have experienced quieter conditions in recent months though this has been compensated for by some growth in Adelaide's inner city suburbs and the prestige market.

Winter traditionally brings on slower market conditions, and the industry is watching with interest to see what will happen over the next six months in terms of real value changes.

Rental yields are still strong in Adelaide however the city's inner suburbs are showing lower yields despite a shortage of stock. Rents have been slow to move despite strong demand and in some cases rents have lagged behind the value growth of the past few years, contributing to declining yields.

Strong property values are still being achieved at the high end of the market with valuations exceeding \$4 million for established prestige homes. Quality apartments are also selling well though units of poorer quality are less keenly sought after.

Source: Herron Todd White

The information in this report has been prepared by Herron Todd White. The information is current as at the publication date only. Westpac Banking Corporation accepts no responsibility for its accuracy or completeness.

The information contained in this report is provided in good faith and has been derived from sources believed to be reliable and accurate. However, the report is not intended to be comprehensive or render advice and neither Herron Todd White nor any persons involved in the preparation of this report, accepts any form of liability for its contents.

This report is Copyright, and cannot be reproduced without written permission of Herron Todd White.

© Herron Todd White Copyright 2010

58 Offices, 600 People, Every State & Territory

Looking for peace of mind with your property decisions? Ask Herron Todd White to help. From pre-purchase property valuations to tax depreciation schedules for investors, from commercial, to residential, to rural property, we have someone in your corner working for you.

PH 1300 880 489

htw.com.au

admin@htw.com.au