



Herron
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Independent Property Advisors

Westpac

PROPERTY REPORT

South Australia



National overview

Taken as a whole, the Australian property market has cooled over recent months though in a market as diverse as ours, there are pockets of growth even amid quieter conditions. Buyers who research the markets and choose wisely can be rewarded with both short and long term gains.

The key to success in today's market is to look for locations offering a competitive advantage. The Sydney suburb of Hunters Hill for instance is benefiting from the slowdown in the overall prestige market as buyers seek quality and amenity, but at a more affordable price.

More uniformly though, it's the resource-rich regional areas that are tending to buck the national trend of flat or falling prices. In a number of locations where mining is a dominant industry, strong price gains are supported by high employment and an undersupply of local housing stock. In the Queensland city of Gladstone for example, development of LNG infrastructure is creating significant demand for accommodation. The Mackay property market is also benefiting from mining expansion in the Bowen Basin.

Looking ahead

The best gains on property are made by buying when prices are low, and today's market offers ample opportunity to take advantage of improved affordability as the basis for future gains. Nonetheless it is essential to look for concrete factors that will underpin tomorrow's price appreciation. Indicators of growth can range from improvements to local transport infrastructure through to macro developments which can affect the prosperity of an entire city or region.

As a guide, the Gold Coast suburbs of Broadbeach and Surfers Paradise are likely to benefit from the construction of the new rapid transport rail system scheduled for completion in 2014.

In Darwin, several large-scale construction projects are due to commence next year including the INPEX LNG plant and the Marine Supply Base. These projects should lend support to the city's residential property market.

The general rules of sensible buying still apply even in areas with growth potential. Watch the market that you're planning to buy in, get an idea of how long a particular property has been listed and whether the price has been reduced. Bear in mind that the asking price is only a marketing guide, and in today's market, many vendors will expect an offer below this price.

Brendon Hulcombe
CEO, Herron Todd White

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South Australia

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Over the last decade, Adelaide's residential property market has experienced very strong capital growth with prices rising by an average of around 9.7% annually. The last five years, a period that includes the global economic crisis, have seen growth rates slow, though values have still climbed by a respectable 7% per annum on average.

As a result of the solid gains enjoyed over this extended period, many home owners and investors have begun to regard annual price appreciation of this magnitude as the 'norm'. However industry figures indicate the market has exited this part of the cycle and residential property activity is now far more subdued.

Challenging conditions

Over the past 12 months in particular, the Adelaide market has experienced challenging conditions.

Reduced buyer activity is seeing a steady rise in the number of homes listed for sale. Expectations of price discounting among buyers are clashing with inflated price expectations of vendors, and many sales are only being secured after extensive marketing campaigns coupled with generous discounting.

Property prices on average across metropolitan Adelaide have retracted by up to 5% since last spring. In such a flat market, it is difficult to pick out the best performing suburbs as thin sales activity can distort median figures. That said, some types of property, including houses with desirable characteristics, are tending to retain a higher value and are generally more attractive to buyers, meaning less time on the market.

Well located dwellings with good proximity to the city, public transport facilities, popular schools, universities or leisure and dining precincts also tend to be more sought after and may show slightly better capital growth over time.

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Looking ahead - where to find growth

At this point it is difficult to speculate whether the Adelaide market has reached the bottom of the cycle or if there is still some way to go with further declines ahead. Either way, little capital growth is expected for residential property over the short to medium term (up to five years).

Traditionally the Adelaide property market has been a solid performer with less of the rollercoaster highs and lows seen in other mainland capitals. Accordingly, it is likely that the present trough will be relatively shallow. Land prices are expected to remain reasonably stable especially in the inner suburbs, though the cost of housing is not expected to become more affordable any time soon.

Yields likely to remain healthy

Yields in Adelaide have remained quite consistent at around 3% to 5% and this is expected to continue over the medium to long term.

In recent times, Adelaide's outer northern suburbs have been returning the highest yields of about 5%. The low entry cost of this market, which ranges from \$200,000 to \$250,000 has also made this area quite attractive to investors.

However it is worth noting that these suburbs are starting to show signs of oversupply, in part due to the increase in new homes built using the first home owner stimulus package. Vacancy rates have also increased significantly in recent months. Taken together, these factors are expected to have a negative impact on capital growth and rental returns over the short to medium term.

Longer term outlook

Capital growth will return to the Adelaide residential property market, but not in a hurry. Long term, the prospects are positive, with Herron Todd White expecting metropolitan Adelaide to generally experience capital growth of at least 10% and possibly even 20% over the next five to ten years. Suburbs with excellent proximity to the city such as Unley, Prospect and Norwood could potentially achieve slightly higher gains.

Source: Herron Todd White

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