



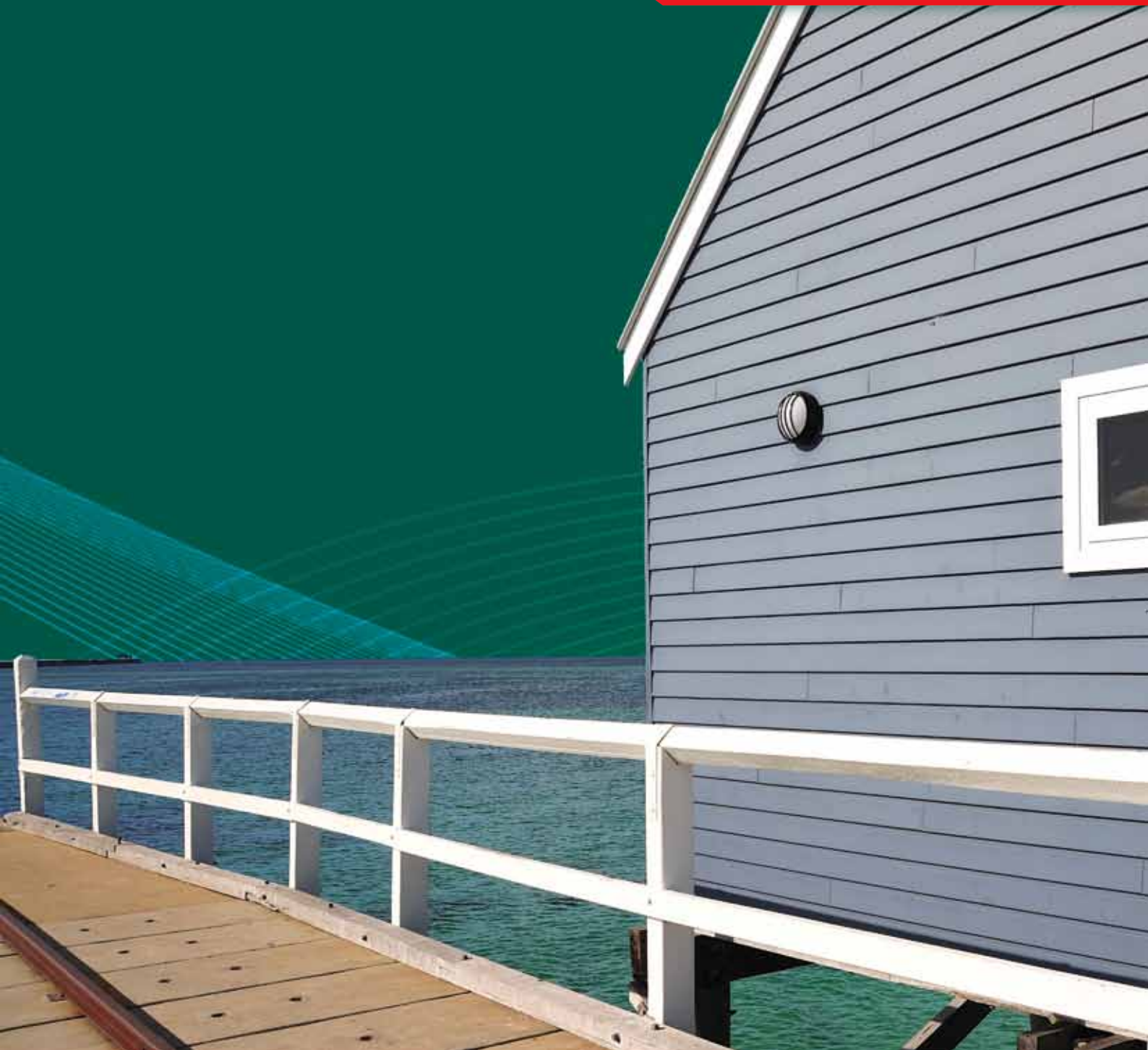
Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

South Australia



National overview

Despite perceptions that affordability is a challenging issue in today's residential property market, a budget of \$500,000 still offers Australian investors and owner-occupiers a generous array of options even in Sydney, Melbourne, Brisbane and Perth.

What will \$500,000 buy these days?

Half a million dollars is something of a magic number in residential property as it marks the price limit for many first homebuyers, investors and downsizing retirees. With this in mind, we set out to discover just what \$500,000 buys around the nation, and in many markets, the answer is a surprisingly wide choice of quality properties.

Specifically, we asked state-based Herron Todd White teams what they would recommend buying with a budget of \$500,000 if they were:

- an investor;
- an owner occupier (single or couple) without children;
- an owner occupier with a family.

Cooler prices have improved value

We found that the slowdown impacting markets over the past 12 months has provided exciting buying opportunities. Properties that a few years ago would have been well beyond this price bracket can now be secured for \$500,000 – in some cases with change to spare. Nowhere is this more apparent than in Brisbane, the Gold Coast and Sunshine Coast where an investor with a budget of \$500,000 could pick up not one, but potentially two rental properties.

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Yields topping 17% in outback areas

Even in Sydney, one of the nation's most expensive cities, suburbs like Auburn and Parramatta offer units priced at \$370,000 with gross yields of up to 5.7% - an appealing combination of affordability and healthy returns. As our report illustrates, in some mining towns such as Queensland's Chinchilla, yields can soar to 17% - but with long term prosperity linked firmly to global demand for resources, such investments are highly speculative.

Vibrant lifestyles for owner occupiers in Melbourne

For owner occupiers, a price limit of \$500,000 offers a wealth of choice. In Melbourne's inner city suburb of Footscray, significant urban renewal is occurring and while houses are still available for around \$500,000 there is a good selection of apartments priced from around \$310,000.

Adelaide continues to offer good buying, and in suburbs like Flinders Park and Torrensville \$500,000 will secure a 3-bedroom house on a generous lot with the added appeal of nearby beaches.

Quality suburbs and high yields in Perth

In Perth, \$500,000 buys a wealth of options from inner city apartments generating yields of 6% through to 4-bedroom houses in established suburbs like Willetton, Bassendean and Ocean Reef that combine proximity to the CBD with local amenities and quality schools.

Darwin – don't miss the boat

In Darwin it is still possible to pick up apartments priced below \$500,000 in city fringe suburbs like Larrakeyah. But with an influx of workers expected once construction begins on the new Inpex LNG plant, Darwin prices look set to climb again, and investors could be the key beneficiaries.

The Apple Isle fits the bill

In Tasmania, \$500,000 will secure a quality house or unit virtually across the state, with the possible exception of more expensive prestige suburbs like Sandy Bay, Battery Point and Central Hobart, which is great news if you're considering a move to our southernmost state.

Brendon Hulcombe
CEO, Herron Todd White

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South Australia

The Adelaide residential property market is continuing to experience difficult conditions, though price falls of up to 10% in 2011 translate to good buying opportunities in the popular under-\$500,000 price bracket. Elsewhere in the state, the mining industry is dictating the availability of properties priced below \$500,000.

Adelaide

Investors

The current subdued state of Adelaide's market provides real opportunities for motivated investors to secure a bargain. Vacancy rates continue to remain low and currently sit at around 3% to 4%. There has been a slight rise in vacancies over the last six to 12 months but tenant demand is expected to remain reasonably stable during 2012.

A budget of \$500,000 would buy a well located 1- or 2-bedroom townhouse or apartment located close to the Adelaide CBD. It may also be possible to secure a small cottage or attached dwelling in the eastern suburb of Norwood, or Parkside to the south.

Investors are advised to steer clear of new constructions in the outer, particularly northern, suburbs. Prices in these areas are being inflated by poorly informed investors, many of whom are interstate buyers.

Owner occupiers

Home buyers without children will also find appeal in the inner city or near city locations noted above, where townhouses, apartments and cottages are still available for under \$500,000.

Families may wish to consider locations slightly further afield though still within a 10 kilometre radius of the city centre. Here, \$500,000 will buy a 3-bedroom house on a generous allotment, with the potential to add value through renovations or extensions. The western suburbs including Flinders Park and Torrensville, offer the added appeal of being located close to local beaches.

Vacancy rates continue to remain low and currently sit at around 3% to 4%.

Regional South Australia

South Coast (Victor Harbor to Goolwa)

With \$500,000 to spend, buyers can virtually take their pick on the South Coast. This sort of money would buy anything from a seafront apartment, riverfront townhouse, lakefront/marina front house, golf course fronting property or even small acreage.

Investors

Large family style homes command higher rents than smaller dwellings and the best yields can be found among slightly older houses with a garden. These properties also offer good potential for capital growth and the opportunity to add value through renovations especially if there is a significant land component. Locations worth a look include Victor Harbor or Goolwa in the modern residential estates.

Owner occupiers – single, without children

There is no shortage of properties that may suit buyers without children. In particular plenty of houses, units and apartments are suitable for retirees and offer views of the water – either ocean or river. For \$500,000 buyers can expect a high quality house or new apartment, though the region's apartment market is oversupplied and is therefore unlikely to achieve noteworthy capital growth over the next few years.

Families

Newer estates offer excellent value for money, and in the current market, houses can sometimes be bought for less than replacement cost. There is also plenty of vacant land for families wishing to build a new home.

A well-appointed 4-bedroom, 2-bathroom conventional family home can be picked up for anywhere between \$350,000 and \$450,000. However \$500,000 will secure a larger high quality house offering sea views, direct golf course access or other lifestyle features.

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Mount Gambier/ South East

Investors

Landlords can still pick up properties with ocean views for under \$500,000 in the state's South East and this type of property is likely to deliver the best future growth. Coastal locations with strong potential for long term gains include Robe and Beachport, and in these suburbs a budget of \$500,000 will afford a modest dwelling possibly with views.

Owner occupiers

For singles without children it is worth looking at any dwelling offering ocean views. For families with children, \$500,000 will buy a rural living style allotment of around five acres on the edge of Mount Gambier. This type of property usually features a modern home with a decent shed and pergola area.



Iron Triangle/ Roxby Downs

Investors

Roxby Downs can be an appealing location for investors as the local mining industry is generating strong growth and healthy rental demand. The market is expected to rise further once the Olympic Dam mine expansion gets underway, and this will put additional pressure on the rental market.

At present, 3- and 4-bedroom homes of reasonable quality are selling for between \$400,000 and \$500,000, and commanding yields of around 6% to 7%.

To the south, Whyalla has experienced increased demand for rental properties however this is yet to impact local values. Property prices in other areas surrounding Roxby Downs remain unchanged and no noteworthy market activity is expected until work begins on Olympic Dam and jobs are created.

Owner occupiers

Owner occupiers buying in Roxy Downs face considerable competition from investors. Better value may be gained in other areas like Port Pirie, Port Augusta and Whyalla where \$500,000 represents the top end of the market. Of all of these areas, Whyalla probably offers the strongest employment opportunities and local amenities.

Source: Herron Todd White

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WESTPAC PROPERTY REPORT
SOUTH AUSTRALIA
APRIL 2012