Westpac

South Australia

Property Report – January 2016

HERRON TODD WHITE RESIDENTIAL

National Overview

As we head into 2016, two key factors are taking some of the heat out of a number of metropolitan property markets. APRA-initiated caps on investment lending are watering down demand among local investors. In addition, the Chinese government has increased restrictions on the amount of capital its citizens can take out of the country. This, too, is seeing a softening of demand from overseas investors.

POTENTIAL SAVINGS FOR UPGRADERS

It's worth stressing that we are not seeing property values tumble. Nonetheless, more-sustainable growth in our state capitals will benefit first home buyers as well as upgraders, who may have been sitting on the sidelines waiting for markets to take a breather.

Upgrading in the current market can mean selling your current home for a lower price than you may perhaps have achieved, say, 12 months ago. The trade-off is the potential to pocket valuable savings on a home in the next price bracket. As our experts across Australia confirm, the current market offers ample opportunities to take advantage of this strategy.

VALUE IN SOUGHT-AFTER SUBURBS

In Sydney, some locations are experiencing price falls. In Caringbah South, for example, the median house price has dipped from $1.582 million in June 2015 to around $1.28 million at present. Yet with proximity to the Cronulla beaches, nearby transport links and ample local facilities, Caringbah South is expected to deliver strong price growth over the long term.

In Melbourne, suburbs such as Balwyn and Balwyn North, in the city's east, were a favourite among Chinese investors. As this buyer segment withdraws, auction clearance rates are dropping from around 72% to as low as 30%. This has seen values fall by up to 10%, giving today's buyers excellent value for money.

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DECLINE IN RESOURCE SECTOR BOOSTS AFFORDABILITY IN PERTH

The end of the mining boom is the chief cause of price corrections across virtually the whole Perth market. Median prices in prestige locations such as Peppermint Grove have fallen by more than 10%. The lower end of the market is also more affordable. In suburbs such as Balga, to the north of Perth, vacant development sites formerly priced at $480,000 are now listing for around $420,000 – a saving of 12.5%.

Darwin hasn't escaped the weaker market conditions. Values in and around the CBD have dropped by 4% over the past year; and to the south, sales in Alice Springs have slowed noticeably, providing value-packed buying opportunities.

TASSIE MARKET PICKS UP

Tasmania's property market continues to perform below long-term averages, though this is a reflection more of a sluggish state economy than of a downturn in the property market. On a positive note, we are beginning to see increasing sales volumes leading to stock shortages in some areas, suggesting now is a good time to buy.

QUEENSLAND MARKET – A MIXED BAG

Brisbane values are reasonably static, with more of the same expected in 2016. The Gold Coast market is strengthening and is likely to pick up speed as we head towards the Commonwealth Games in 2018.

By contrast, a tapering of investor activity on the Sunshine Coast is creating opportunities in the $600,000 to $900,000 price range typically favoured by upgraders. For buyers in the north of the state, Mackay offers outstanding value. Prices have dropped by around 30% and quality homes that were once priced from $700,000 can now be picked up for around $550,000.

LOOK FOR THE POTENTIAL FOR LONG-TERM GAINS

Regardless of the savings that can be made in a cooler market, buyers still need to be mindful of the fundamentals that will underpin long-term capital gains.

If a location ticks the boxes for ample local facilities, strong transport links and nearby employment opportunities, buyers can be reasonably confident their property will notch up healthy value growth over time.

Brendon Hulcombe
CEO - HERRON TODD WHITE

South Australia

Adelaide

Adelaide's residential property market hasn't experienced the extraordinary upswings seen in Sydney and Melbourne in recent years but instead has proven to be more of a steady performer. It achieved property price growth of about 3.3% in 2015.

This stability has spared Adelaide from significant price falls. Nonetheless, certain locations are performing better than others. We have seen moderate declines in value in some outer suburbs to the north and south of the CBD, and this is more likely to reflect a moderation of these markets following the previous peak, rather than a general downward trend in values.

Despite some declines in value, Adelaide's outer suburbs are benefiting from the development of infrastructure, including new shopping facilities and significant road works. Collectively, these will help to support values in outer metropolitan locations over the longer term.

OPPORTUNITY TO TAKE ADVANTAGE OF PRICE DIFFERENTIALS

Given the relative good health of the Adelaide market, one strategy upgraders may consider is buying into affordable suburbs adjoining highly desirable locations. This can be a way to boost buying power, with the prospect of benefiting from healthy long-term capital gains as price rises ripple outwards.

As a guide to how this strategy could work, the beachside suburb of Warradale is located just south of more prestigious Glenelg. Despite the small geographic difference, there is a significant difference in median property values. In Glenelg, for instance, the median house price is $950,000 – far higher than the median price of $505,000 in Warradale.

The large lot sizes in Warradale lend themselves to development opportunities, and already the suburb is experiencing extensive redevelopment. With many large lots available in the area, upgraders can purchase an older home on a large block and either subdivide and build, or renovate the existing dwelling.

Another suburb where upgraders could employ a similar strategy is Fulham, where the median house price of $637,500 is below the $670,000 median value in neighbouring Henley Beach.

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Regional SA

Regional South Australia is likely to continue to offer good buying opportunities. Property values in a number of regional townships – particularly those in the Iron Triangle of Whyalla, Port Augusta and Port Pirie – are experiencing an ongoing correction as local unemployment rises following the slowdown of the resource sector. Therefore, those considering buying a property within the Iron Triangle will need to consider the impact that the uncertain local employment market will have on the region's real estate values in the short term.

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