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**Westpac**

PROPERTY REPORT

*South Australia*



# National overview

*The warmer months traditionally represent one of the peak periods for residential real estate, and this year buyers are well-placed to take advantage of lower interest rates, a large volume of listed properties and improved affordability. However after a period of slow or no growth across many markets today's buyers need to look for areas with decent long term growth prospects – and location-specific factors must be considered to maximise long term gains.*

## Look for lifestyle

Inner city locations tend to perform well over time however lifestyle is a key factor in today's market. With careful research it is possible to combine amenity with affordability.

Adelaide suburbs within 5 kilometres of the CBD for instance are delivering consistent rental yields of up to 5% coupled with low vacancy rates.

In the ACT, near-city apartments in Griffith, Kingston, City, Turner and Lyneham are showing healthy rent returns of up to 6%.

The Hobart suburbs of Kingston and Moonah offer the strongest prospects for capital growth in Tasmania, based on a healthy local labour market. Units in Kingston can be purchased from the low \$200,000s – well below the city's median unit price of \$270,000.

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## Infrastructure matters

Infrastructure is a key theme of several residential property markets at present.

In Melbourne's satellite suburb of Mornington for example, the completion of the Peninsula Link Freeway in early 2013 will significantly cut travel times to the CBD, and underpin long term price growth. Homes and units can be purchased for under-\$400,000 making this area an option for first home buyers.

The affordable outer Sydney suburbs of Schofields and Riverstone will benefit from the widening of the M2 freeway, while values in two new suburbs - Oran Park and Edmondson Park, should be supported by the construction of a new train station planned for 2016.

On Queensland's Sunshine Coast property values have reduced substantially, however the construction of the new University Hospital will play a key role in bolstering future price growth and already rental vacancy rates are tightening.

## Resource boom continues to impact growth

Mining activity is likely to support price growth across a number of markets, although reports of a slowdown in China may impact buyer and investor confidence in some regions.

That said, in Western Australia the continued growth of the fly in/fly out workforce is expected to support growth in the Busselton area. The region is more affordable than Perth with many homes priced around \$300,000.

In Queensland's north, Rockhampton continues to experience price growth in its role as gateway to the minefields of the Bowen Basin. Older homes are priced from around \$300,000 and investors can secure weekly rents of \$320 to \$340.

In the Territory, high demand for residential property has impacted Darwin values. Units remain the most affordable option for first home buyers and investors, and in suburbs like Palmerston it is possible to pick up older 2-bedroom units priced from around \$320,000.

In today's market the key to achieving long term growth is buying into an area where there is a clear factor that will support demand – and property values over time. A low price simply isn't enough reason to believe you will make a capital gain.

**Brendon Hulcombe**  
CEO, Herron Todd White

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# South Australia

*The South Australian residential property market is far more affordable today than it has been for a number of years, and since the peak of the cycle in 2010 a 'buyers' market' has persisted. This presents good opportunities for first home buyers and investors to secure value on a property though it could be some time before we see the return of significant capital growth.*

The extended market correction in South Australia continues to create difficult conditions for vendors, and transaction activity remains subdued. There is no reason to doubt that over time price appreciation will return to the state's property market but at present several factors including the global and domestic economic outlook, are keeping a lid on price growth.

Until we see some positive indicators for these factors – and reassurance of a stable jobs outlook, it is possible that South Australia's residential market could experience further declines over the next 12 months.

## Adelaide

Figures from the Real Estate Institute of Australia (REIA) confirm that the Adelaide market has been something of a 'mixed bag' over the June 2012 quarter. The city's median house price rose by 3.4% over the period to \$395,000 while median prices for 'other' dwellings (chiefly units, apartments and townhouses) fell by 2% over the quarter to \$299,000.

The outer suburbs of Adelaide offer greater affordability to first home buyers with a median house price of \$316,000 (June 2012 quarter). However the prospects for future capital growth in these areas remain poor owing to a number of new constructions that are increasing competition.

As we head towards 2013, Adelaide's inner suburbs continue to offer the best options for first home buyers and investors seeking long term capital growth. Locations within 5 kilometres of the city centre have generally performed well providing some price appreciation over time and consistent rental returns in the order of 3% to 5% backed by low vacancy rates. Both Parkside and Norwood for example, offer a diverse range of housing stock and continue to be popular among buyers.

The well established suburbs of the inner city offer the additional appeal of high quality amenities notably local cafés, dining and entertainment strips and several shopping precincts.

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Despite price falls in recent years, the median house price of Adelaide's inner suburbs stood at \$600,000 in the June 2012 quarter. This may be beyond the budgets of some first home buyers however the lower end of the inner city market provides more affordable options including older, dated properties with the potential to add value through renovations. Units also tend to be cheaper with the median price of 'other' dwellings reaching \$325,000 in the June 2012 quarter. This could be an option worth considering for first home buyers keen to purchase in Adelaide's inner suburbs.

Investors hoping to achieve long term growth should also aim for locations as close to the CBD as possible. Within the near-city market a number of options are available in the popular 2-bedroom bracket including units, maisonettes and small houses. Many are now more affordable than they were several years ago, and it could also be worth looking at older dwellings dating from the 1960s and 1970s, which often have good renovation potential.

## Regional South Australia

### South East

The residential property market remains depressed in the state's South East, and for buyers this is translating to good value. The flipside is uncertainty in the local economy, and unless there is a pick-up in economic conditions particularly expansion of employment opportunities, we could see further falls in property values.

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## South Coast

Property values are down across the South Coast area, and the residential market is now very affordable especially among older housing stock. This may be a plus for first home buyers however without large industry or jobs growth to support the region's economy the potential for future capital growth is limited. Investors are already experiencing rising vacancy rates on the South Coast as new investment stock comes onto the market.

Taking a longer term view, the duplication of the Southern Expressway due for completion in 2014, is expected to provide people living in Adelaide's south with improved access to employment and community facilities. The project will also put Adelaide's southern beaches and the McLaren Vale wine region within easier reach, and offer support for economic activity in commercial and industrial areas like Reynella and Lonsdale.

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Source: Herron Todd White

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SOUTH AUSTRALIA  
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