



# Market Update

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## Buyers return to the SA market

After a slow start to the year, the South Australian property market is showing signs of recovery driven by healthy first homebuyer activity.

The State median house price experienced a 2.33% increase for the quarter to \$330,000, and a modest decline of 1.49% over the past year. Similarly, the median price in metropolitan Adelaide stabilised at \$358,000, a jump of 0.85% for the quarter.

REISA President Robin Turner said that the latest figures confirmed earlier predictions from real estate practitioners that market activity increased towards the end of last quarter.

“The June quarter has seen a jump in consumer confidence which is particularly highlighted by a 10% increase in transactions compared to the previous quarter,” said Mr Turner.

“Stable house prices and low interest rates have played a vital role in boosting consumer confidence and will ensure momentum remains consistent in the property market for the remainder of the year.”

Suburbs that recorded the best growth in the June quarter were predominantly in the more affordable outer western and northern suburbs. Royal Park, Allenby Gardens and Tea Tree Gully were standout performers, experiencing growth of 27.97%, 26.71% and 26.26% respectively over the past 12 months.

Mr Turner said the performance of these suburbs could be largely attributed to first homebuyers.

“The suburbs that performed the best in the June quarter predominantly had a median price in the \$300-\$400K range which is appealing to first homebuyers,” he said.

Mr Turner said the signs of recovery in the property market supported claims of an improving economy and South Australians should be comforted by the positive outlook ahead.

“The global economy has continued to stabilise over the past month, with many international markets showing continued signs of improvement,” said Mr Turner.

“In addition, the approval of two new residential developments in the CBD will bolster our local economy by providing relief to the undersupply problem in our housing market, plus provide employment opportunities for many South Australians.”

“The resilience of the housing sector in SA continues to highlight that our State is well equipped to ride through any challenges that lie ahead.”

**Note:** The median house price is a figure derived only from houses which have sold and settled within the time period. The median is the middle number from a list of figures arranged from lowest to highest and is the most common term used when referring to property prices.

Suburb	Sales Jun08	Median Jun08	Sales Jun09	Median Jun09	Median % Change
Royal Park	15	\$286,000	22	\$366,000	27.97%
Allenby Gardens	13	\$390,000	10	\$494,166	26.71%
Tea Tree Gully	14	\$297,000	20	\$375,000	26.26%
Modbury North	25	\$281,500	27	\$336,000	19.36%
Nairne	24	\$300,000	31	\$352,500	17.50%
Dernancourt	16	\$339,000	13	\$397,000	17.11%
Smithfield	15	\$250,000	13	\$290,000	16.00%
Hillbank	27	\$282,500	27	\$320,000	13.27%
Ferryden Park	14	\$356,250	14	\$400,000	12.28%
Broadview	12	\$395,000	17	\$440,000	11.39%
Adelaide Metro	4,560	\$368,000	4,764	\$358,000	-2.72%

Median House Prices— June Quarter 2009  
Top 10 growth suburbs with 10 or more sales in each quarter

## Auction activity picks up as consumer confidence lifts

Auction activity picked up considerably in the June quarter with the number of properties going under the hammer increasing by about 15%.

REISA President Robin Turner said this was a positive sign for the property market as it indicated a spike in consumer confidence.

“According to real estate practitioners out in the field, the number of people attending auctions has increased along with the number of sales,” Mr Turner said.

“The metropolitan auction clearance rate hovered around the 50% mark for the majority of the June quarter, showing welcomed consistency.”

Mr Turner said there were a number of strong auction sales at the top end of the market.

“Another sign of an improving market is the fact that the top 10 auction sales for this quarter were all in excess of \$1million suggesting a recovery at the top end of the market,” Mr Turner said.

“A property located in Balhannah took out the top auction sale for the quarter achieving a price of \$3.28 million — a record for the Adelaide Hills.”

Mr Turner said beachside properties and those located in Adelaide’s eastern suburbs in close proximity to the CBD also performed well at auction.

“The majority of the top auction sales were all in prime locations in Adelaide’s eastern suburbs or by the sea,” said Mr Turner.

“However, auction should not be restricted to properties in these locations as there were also a number of pleasing auction sales at the lower end of the market.”

Mr Turner said there were many benefits of using auction as a method of sale.

“The intense marketing campaign associated with auction is highly effective in generating interest amongst potential buyers, which can give vendors their ideal result in a shorter amount of time,” Mr Turner said.

“Vendors should always choose the method of sale they are most comfortable with and it is recommended that they consult with a REISA member about the best method of sale for their property.”

**Note:** *The auction clearance rate is calculated from the number of residential properties auctioned during the period and the number that were sold before, at or immediately after the auction.*

Week ending	Clearance rates
5-Apr	60%
12-Apr	62%
19-Apr	62%
26-Apr	52%
3-May	48%
10-May	57%
17-May	61%
24-May	44%
31-May	55%
7-Jun	47%
14-Jun	45%
21-Jun	65%
28-Jun	57%

Top 10 Residential Auction Sales		
Lot 11 Birchmore Rd, Balhannah	Bernard H Booth Pty Ltd	\$3,280,000
50A&B Fisher St, Fullarton	Smallacombe Mitcham	\$1,735,000
66 Hindmarsh Rd, Victor Harbor	Brock Harcourts Victor Harbor	\$1,660,000
7 View Rd, Walkerville	Toop & Toop Norwood	\$1,600,000
19 Spencer St, Stirling	Toop & Toop Stirling	\$1,370,000
439 The Parade, Kensington Gardens	Klemich Real Estate	\$1,320,000
8A Fuller St, Walkerville	Klemich Real Estate	\$1,232,000
210 Lower Esplanade, Aldinga Beach	Smallacombe Southern	\$1,175,000
64 Seaview Rd, Tennyson	Brock Harcourts Henley Beach	\$1,050,000
94 Second Ave, Joslin	Toop & Toop Norwood	\$1,000,080

Auction Clearance Rates— June Quarter 2009  
Based on residential properties auctioned in South Australia during the specified period

## Price continues to dictate the SA rental market

Despite evidence of a slowing rental market the vacancy rate for metropolitan Adelaide has tightened to 1.39% in the June quarter.

REISA President Robin Turner said Adelaide's tightening vacancy rate was still well below the national benchmark of 3%.

"A vacancy rate around 3% usually signifies a balanced rental market and Adelaide's vacancy rate has not exceeded 2% since June 2005," said Mr Turner.

The latest rental price data for the June quarter indicated Adelaide's median weekly rent for houses was now \$285, up from \$270 a year ago. The median weekly rental for units increased to \$250, a jump of \$25 over the past year.

"Anecdotal evidence from property managers suggest that properties priced less than \$250 per week are in high demand, whilst anything in excess of \$350 per week is attracting fewer enquiries," said Mr Turner.

"Although the rental market has slowed with the onset of the cooler months, the low vacancy rate is proof that if a property is priced accordingly it will let in a short amount of time."

The postcode of 5171, which includes McLaren Vale and McLaren Flat, recorded the best rental growth with an increase of 20.0% over the past year.

Other southern suburbs such as Bellevue Heights, Maslin Beach and Christies Beach also performed well recording increases of 16.4%, 15.9% and 13.1% respectively.

Mr Turner said the First Homebuyers Boost is still impacting on the rental market and will continue to do so until its expiry later this year.

"Many property managers have been reporting a higher number of lease breaks as many tenants take the opportunity to move out of the rental market," said Mr Turner.

**Note:** The weekly rental figure is derived from new rentals taken up within each postcode in the time period. The vacancy rate is based on a monthly residential vacancy rate survey conducted by REISA of about 5000 rental properties.

Metro Region	Vacancy Rate
City/ N Adelaide	0.97%
North	1.32%
East	1.59%
South	1.29%
West	1.56%
Hills	1.10%
Adelaide Metro	1.39%

Metro Vacancy Rates June Quarter 2009

Postcode	Main Suburbs	Volume Jun08	Rent Jun08	Volume Jun09	Rent Jun09	Rent % Change
5171	McLaren Flat, McLaren Vale	15	\$250	30	\$300	20.0%
5050	Bellevue Heights	15	\$290	15	\$338	16.4%
5170	Maslin Beach	10	\$220	15	\$255	15.9%
5021	West Lakes	10	\$270	25	\$310	14.8%
5066	Burnside, Erindale	35	\$350	40	\$400	14.3%
5112	Elizabeth, Hillbank	155	\$185	150	\$210	13.5%
5086	Greenacres, Oakden	115	\$260	125	\$295	13.5%
5012	Athol Park, Woodville Gardens	40	\$223	45	\$253	13.5%
5084	Blair Athol, Kilburn	75	\$248	65	\$280	13.1%
5164	Christies Beach	25	\$210	30	\$238	13.1%
	Adelaide Metro	6,472	\$270	6,011	\$285	5.6%

Median Weekly Rent for Houses— June Quarter 2009  
Top 10 growth postcodes (metro) with 10 or more rents in each quarter

## Strong yields highlight property as solid investment option

Stable house prices and consistently rising rents have seen the outer suburbs return the best yields for investors in metropolitan Adelaide during the June quarter.

All suburbs in the top ten are located in Adelaide's northern suburbs other than consistent performer, Hackham, which is located south of the CBD.

REISA President Robin Turner said that the suburbs that returned the best yields in the June quarter all had a median less than \$300,000, making these suburbs an affordable purchase option for investors.

"The suburbs providing the best rental yields were all very affordable investment options with the most expensive median being \$278,000 for Parafield Gardens," Mr Turner said.

"Smithfield Plains continues its run at the top of the list with a yield of 4.43%. Davoren Park, Andrews Farm and Salisbury Downs also performed well with yields of 4.34%, 4.29% and 4.28% respectively."

"Generally, the average yield for metropolitan Adelaide jumped to 3.32%, a modest increase from the last quarter."

Mr Turner said that any property has the potential to be a profitable investment as long as investors do their research first.

"Rental yields are an important element to take into consideration when purchasing an investment property," said Mr Turner.

"To secure a solid rental yield it is important for investors to balance the purchase price against the achievable weekly rent. Researching capital growth trends should also be taken into consideration when investing in property."

Despite tough financial times, Mr Turner said that now was the time for investors to consider getting into the market as tenant demand is stable and interest rates low.

"The softening market offers investors who are confident in their job security the perfect opportunity to purchase a viable investment property that provides comfortable yields," Mr Turner said.

**Note:** The rental yield is calculated by dividing the median annual rental income from the median house price of the suburb. A 20% leeway is given to account for expenses such as maintenance, bills, property management fees, etc.

Location	Median House Price	Median Weekly Rent	Yield Jun09
Smithfield Plains	\$202,500	\$215	4.43%
Davoren Park	\$202,000	\$210	4.34%
Andrews Farm	\$267,500	\$275	4.29%
Salisbury Downs	\$258,000	\$265	4.28%
Brahma Lodge	\$250,000	\$250	4.17%
Holden Hill	\$270,000	\$270	4.17%
Elizabeth Park	\$212,000	\$210	4.13%
Parafield Gardens	\$278,000	\$273	4.09%
Hackham	\$263,750	\$255	4.03%
Para Hills	\$270,000	\$260	4.02%
Adelaide Metro	\$358,000	\$285	3.32%

Rental Yields for Houses— June Quarter 2009  
Top 10 suburbs with more than 10 sales

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## Country house prices confirm economy is moving forward

House prices in regional SA experienced modest growth over the past quarter showing early signs of recovery right across the State.

REISA President Robin Turner said the median house price in country SA increased to \$246,000 – a jump of 2.50% for both the quarter and past year.

“The onset of winter and the arrival of some much needed rain has seen the regional property market flourish and the official figures indicate a positive outlook for the coming year,” Mr Turner said.

He said the latest figures identified Wallaroo as a solid performer this quarter.

“Wallaroo experienced strong growth in both sales and rental prices over the past year. The median house price increased by 43.94% to \$285,000 whilst the median rent jumped to \$220 a rise of 15.79%,” Mr Turner said.

Mr Turner said that many regional areas proved to be a strong investment option with promising growth to median house prices and rents.

“The solid performance of regional areas in the June quarter shows that they should not be discounted as an investment option,” Mr Turner said.

State-wide, the South Australian median increased to \$330,000, a jump of 2.33% for the quarter but a modest decline of 1.49% over the past year.

Regional Town	Sales Jun08	Median Jun08	Sales Jun09	Median Jun09	Median % Change
Wallaroo	25	\$198,000	21	\$285,000	43.94%
Murray Bridge	60	\$234,000	87	\$252,500	7.91%
Mount Gambier	116	\$215,000	127	\$225,500	4.88%
Port Lincoln	51	\$269,000	63	\$270,000	0.37%
Port Augusta	34	\$220,000	41	\$217,500	-1.14%
Renmark	20	\$160,000	15	\$155,000	-3.13%
Victor Harbor	115	\$340,000	151	\$315,350	-7.25%
Roxby Downs	14	\$432,500	2	\$398,750	-7.80%
Port Pirie	62	\$177,000	53	\$162,000	-8.47%
Whyalla	52	\$290,000	62	260,000	-10.34%
South Australia	6,289	\$335,000	6,598	\$330,000	-1.49%

Median House Prices - June Quarter 2009  
SA's main regional centres

Postcode	Regional Town	Volume Jun08	Rent Jun08	Volume Jun09	Rent Jun09	Rent % Change
5556	Wallaroo	35	\$190	45	\$220	15.79%
5290	Mount Gambier	160	\$180	175	\$200	11.11%
5700	Port Augusta	120	\$180	105	\$200	11.11%
5341	Renmark	50	\$160	50	\$175	9.38%
5253	Murray Bridge	140	\$200	150	\$210	5.00%
5211	Victor Harbor	110	\$220	105	\$225	2.27%
5540	Port Pirie	145	\$165	145	\$160	-3.03%
5606	Port Lincoln	115	\$250	95	\$240	-4.00%
5600	Whyalla	35	\$280	40	\$263	-6.25%
5725	Roxby Downs	65	\$440	55	\$380	-13.64%
	South Australia	8,961	\$250	8,639	\$270	8.00%

Median Weekly Rent for Houses - June Quarter 2009  
SA's main regional centres

## The million dollar question: Should I fix my home loan?

The issue confronting a lot of Australians right now is whether or not to fix the interest rate on their home loan.

With mounting market speculation that the Reserve Bank of Australia may lift official interest rates by year-end, there is little doubt many borrowers will now be looking to fix their home loan rate before rates rise.

So should Australians be looking at locking in a fixed rate? That's the million dollar question and the answer is different for everyone.

In its recent statement of monetary policy, the Reserve Bank said the cost of a three-year fixed rate home loan was close to the lowest level in at least 15 years.

So I imagine many people are watching the market and waiting until what they consider to be the last possible time to fix their interest rate.

But is fixing, even at the bottom of the market, always the best choice?

Firstly, it's worth remembering the restrictions that come with fixed rate home loans. In particular, there are limitations on the amount of extra repayments that can be made, there is often no redraw facility and, with some, potentially higher costs.

But if you are someone who likes to know exactly how much you are paying out from month to month, without having to worry that your repayments may increase, then fixed rates are for you.

It's also worth looking at where interest rates are likely to head over the coming years. There is some expectation by industry analysts that official rates may rise by around one per cent in the coming year, and between three and five per cent by 2013.

With variable rates still below fixed rates at present, the share of owner-occupier loan approvals at fixed rates remains low. Industry-wide, around three per cent of owner-occupier loan approvals are at fixed rates – remarkably lower than the decade average of 11.5 per cent.

And considering banks typically set their fixed rates several percentage points above the official RBA rate, for many people it may not be worth choosing or changing to a fixed rate loan in the short to medium-term unless they are seeking ways to better manage their cash flow.

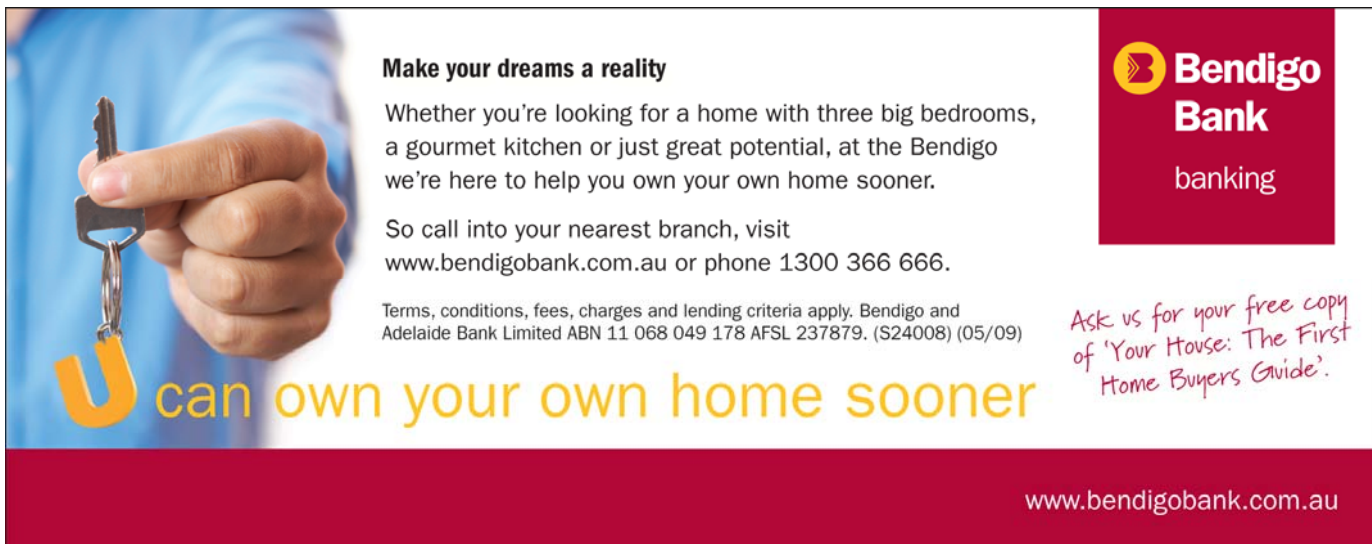
In fact, mortgage industry research over the past 27 years shows that a borrower with a variable rate loan was better off than a borrower with a fixed rate loan – 83 per cent of the time.

That being said, fixing your interest rate does have numerous advantages, especially in today's market. The current low interest rates are likely to only be seen once in a lifetime. And generally the best time to fix is when the interest rate cycle is close to the bottom – and that's now.

Crystal ball gazing aside - if there is any message to be gained from all of this, it's that now is the ideal time to consider your home loan options.

And the most important consideration when choosing a loan, be it fixed or variable, is to opt for one that you feel comfortable with.

**John Oliver, State Manager SA/NT  
Bendigo and Adelaide Bank**



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