



Market Update

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Property market endures challenging times

First homebuyers have helped cushion the South Australian property market over the past few months with the median house price only dropping modestly over the March quarter.

The median price in Adelaide experienced a small decline over the March quarter to \$355,000, which was a 1.39% drop for the quarter and a 2.27% decrease over the past year.

“The market has been tough over the past few months with the number of transactions down compared to this time last year. However, the active presence of first homebuyers assisted in keeping the momentum consistent,” said REISA President Robin Turner.

Official figures highlighted that buyers are seeking out suburbs according to their affordability with suburbs such as Sellicks Beach, Old Reynella and Salisbury Heights experiencing yearly growth of 25.10%, 19.86% and 17.32% respectively.

“The strength of these suburbs is further proof that first homebuyers are extremely active at the moment. There is no doubt that the first homebuyer boost has helped many people buy their own home which has many long-term benefits for South Australia,” Mr Turner said.

Mr Turner said that anecdotal evidence from real estate practitioners suggested an increase in market activity towards the end of the quarter.

“Anecdotal evidence from real estate practitioners suggested that the inquiry rate and sales volumes increased towards the end of the quarter due to lower interest rates and increased home affordability,” he said.

“Mortgage rates have fallen considerably over the past six months making homeownership more accessible for many Australians.”

Mr Turner said there were many reasons to be positive about the outlook of the property market in South Australia.

“There are many encouraging signs in the market offsetting the negative implications of the global downturn. The resilience of the housing sector in South Australia continues to highlight that our State is well-equipped to tackle the challenges that lay ahead,” he said.

“History shows that current conditions in the economy are cyclic and once the turbulence of the global downturn has passed the Australian economy will emerge stronger than ever.”

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 Mar08	Median Mar08	Sales Mar09	Median Mar09	Median % Change
Hove	18	\$498,000	11	\$647,000	29.92%
Sellicks Beach	14	\$248,000	15	\$310,250	25.10%
Old Reynella	10	\$284,500	15	\$341,000	19.86%
Salisbury Heights	27	\$280,000	22	\$328,500	17.32%
Tranmere	18	\$481,000	15	\$550,000	14.35%
Evanston Park	32	\$285,000	34	\$319,000	11.93%
Pooraka	16	\$270,000	26	\$302,000	11.85%
Blackwood	12	\$393,500	13	\$440,000	11.82%
Ferryden Park	22	\$354,500	12	\$395,000	11.42%
Davoren Park	22	\$193,000	22	\$215,000	11.40%
Adelaide Metro	4,676	\$363,250	4,165	\$355,000	-2.27%

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

Auction activity remains consistent in March quarter

The auction clearance rate for metropolitan Adelaide remained stable in the March quarter, averaging 46% for the period.

Just over 370 properties went to auction throughout the quarter with 173 properties being sold before, at or after auction.

A Leabrook Estate secured the highest price for an auction property selling for \$3.305 million, a record auction sale for South Australia.

REISA President Robin Turner said there were encouraging signs in the marketplace suggesting that auction activity picked up heading into the June quarter.

“Although buyers remain cautious, a reduction in mortgage repayments, due to the significant drop in interest rates, has increased consumer confidence.”

“Anecdotal evidence from real estate practitioners indicates that the number of properties being put up for auction increased towards the end of March and is set to continue momentum into the June quarter.”

Mr Turner said auction is an effective method of sale that provides many benefits to buyers and sellers alike.

“Auction is the most transparent method of sale as bidders are aware of competitors and have more control over their offer.”

“For sellers, a well-planned auction campaign can accelerate the sale process. The intense marketing campaign associated with auction sales increases buyer interest drawing attention to the auction date”

Mr Turner said it was important for buyers to familiarise themselves with the auction process before bidding for a property.

“When buying at auction it is important that buyers familiarise themselves with the auction process by attending several auctions before hand as this helps people understand what will happen on the day of auction.”

“Similarly, sellers should consult with their real estate practitioner to determine 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
18-Jan	38.4%
25-Jan	37.5%
1-Feb	47.1%
8-Feb	42.1%
15-Feb	45.2%
22-Feb	42.9%
1-Mar	60.0%
8-Mar	40.6%
15-Mar	48.7%
22-Mar	45.9%
29-Mar	38.9%

Top 10 Residential Auction Sales		
27 Statenborough St, Leabrook	Toop&Toop Norwood	\$3,305,000
515 The Esplanade, Grange	Toop&Toop Norwood	\$1,360,000
37 Lockwood Rd, Erindale	Toop&Toop Norwood	\$1,010,000
13 Churcher St, Thorngate	Elders Prospect	\$970,000
124 Stanley St, North Adelaide	RV Jordan Property	\$950,000
40 Broadway, Glenelg South	Brock Harcourts Glenelg	\$900,000
6 Raldon Gr, Myrtle Bank	Toop&Toop Norwood	\$880,000
7 Thornton St, Dulwich	Jackman & Treloar	\$880,000
40 Cleland Ave, Dulwich	Toop&Toop Norwood	\$870,000
2/31 The Esplanade, Henley Beach Sth	Toop&Toop Pt. Adelaide	\$865,000

Auction Clearance Rates— March Quarter 2009

Based on residential properties auctioned in South Australia during the specified period

Rental demand eases as tenants move out of rental market

The vacancy rate for metropolitan Adelaide has eased to 1.76% as some tenants seized the home affordability opportunity to move out of the rental market and into their own home.

“Anecdotal evidence from property managers indicates that tenant enquiry eased as improvements in housing affordability created the opportunity for many renters to own their own home,” said REISA President Robin Turner.

The latest rental price data for the March quarter recorded Adelaide’s median weekly rent for houses at \$290 per week, up from \$260 a year ago. Units are now attracting \$240 per week, an increase of \$30 over the past year.

Mr Turner said that rents continue to rise consistently in many areas across Adelaide, however, it was properties in affordable price ranges that were most in-demand throughout the March quarter.

“Outer suburbs such as Taperoo, Darlington, Marion and Athol Park all performed well this quarter with rents increasing by 21.59%, 20.00%, 14.81% and 14.77% respectively,” said Mr Turner.

“These suburbs offer affordable properties located within close proximity of high quality facilities such as schools, shopping centre and public transport.”

“Higher-end suburbs such as Walkerville, Hazelwood Park and Findon also performed well, attracting strong tenant demand due to their proximity to the CBD.”

Mr Turner said in the current market landlords need to carefully set the rent for their property to ensure it doesn’t remain vacant for an extended period of time.

“Price is still dictating the amount of time a property remains vacant with anecdotal evidence from property managers suggesting that properties in the higher price range are taking longer to lease.”

“It is important for landlords to be aware of current market conditions and REISA members will be able to provide timely advice regarding the rental price and marketing plan for your investment.”

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	1.07%
North	1.02%
East	1.90%
South	1.93%
West	3.55%
Hills	1.35%
Adelaide Metro	1.76%

Metro Vacancy Rates March Quarter 2009

Postcode	Main Suburbs	Volume Mar08	Rent Mar08	Volume Mar09	Rent Mar09	Rent % Change
5081	Collinswood, Walkerville	40	\$340	45	\$425	25.00%
5152	Crafers, Stirling	25	\$324	20	\$395	21.91%
5017	Osborne, Taperoo	35	\$220	25	\$268	21.59%
5047	Darlington, Seacombe Heights	50	\$250	45	\$300	20.00%
5025	Flinders Park, Kidman Park	40	\$300	30	\$350	16.67%
5023	Findon, Seaton	80	\$260	60	\$300	15.38%
5066	Beaumont, Hazelwood Park	45	\$390	45	\$450	15.38%
5043	Ascot Park, Marion	70	\$270	70	\$310	14.81%
5012	Athol Park, Woodville Gardens	40	\$220	35	\$253	14.77%
5048	Brighton, Dovar Gardens	75	\$305	65	\$350	14.75%
	Adelaide Metro	5,550	\$260	6,180	\$290	11.54%

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

Strong yields in North pleasing for investors

The Northern suburbs have continued to return the best rental yields in metropolitan Adelaide in the March quarter.

The latest figures illustrate that returns have remained stable with the top 10 suburbs providing yields within the low 4% range, similar to the previous quarter. The metropolitan Adelaide figure stabilised at 3.17%.

“Smithfield Plains has again recorded the best yields in Metropolitan Adelaide, with other Northern suburbs such as Para Hills West, Brahma Lodge and Salisbury North also performing solidly,” said REISA President Robin Turner.

“The suburbs that provided the best yields in the March quarter all had a median house price well below the metropolitan median of \$355,000, making the initial costs affordable for many investors.”

“Softening house prices make property an attractive option for many investors especially with lower interest rates leading to a reduction in mortgage repayments.”

Mr Turner said that any property can return good rental yields as long as investors are smart about the choices they make.

“Investors seeking a solid rental yield need to balance the purchase price against the weekly return, taking into account the long-term capital growth potential.”

“It is important for buyers to do their research when purchasing an investment property, considering factors such as location and accessibility to facilities such as schools, public transport, shopping centres and health services.”

Mr Turner said engaging a professional property manager to oversee the management of your rental property is a wise step for landlords.

“Your investment property is an important asset. Therefore it makes sense to protect your investment by engaging a REISA property manager to oversee the management of your property.”

“REISA property managers have a larger pool of tenants to choose from, have an in-depth knowledge of the legalities surrounding tenancies and leave you without the stress associated with managing an investment property.

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 Mar09
Smithfield Plains	\$192,000	\$203	4.41%
Para Hills West	\$264,250	\$270	4.26%
Brahma Lodge	\$248,000	\$248	4.17%
Salisbury North	\$235,000	\$235	4.17%
Salisbury East	\$260,500	\$260	4.16%
Reynella	\$272,000	\$270	4.14%
Rosewater	\$283,500	\$280	4.12%
Surrey Downs	\$285,000	\$280	4.10%
Ridgehaven	\$274,000	\$280	4.08%
Elizabeth Downs	\$205,000	\$200	4.07%
Adelaide Metro	\$355,000	\$270	3.17%

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

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Regional house prices modestly soften

House prices in regional SA modestly softened over the March quarter, mirroring State-wide patterns as the global downturn takes its toll on the Australian economy.

The median house price for country SA dropped 2.7% for the quarter to \$238,500 - down 6.5% compared to the same time last year.

"It was inevitable that house prices would eventually feel the pinch of the global downturn, but the important thing is that regional sales volumes have only dropped 10% highlighting the resilience of the SA market," said REISA President Robin Turner.

Mr Turner said that regional towns within commutable distance to metropolitan Adelaide are proving to be an attractive option for buyers and renters seeking affordable properties.

"House prices in Murray Bridge, which is an hour commute to the CBD, experienced growth of 9.77% for the quarter and a 6.15% jump over the past year. Similarly, rents jumped 22.22% in the past year," said Mr Turner.

"First homebuyers have particularly been willing to expand the search for their dream property to regional areas."

Regional Town	Sales Mar08	Median Mar08	Sales Mar09	Median Mar09	Median % Change
Murray Bridge	81	\$227,500	74	\$241,500	6.15%
Victor Harbor	147	\$320,000	82	\$331,000	3.44%
Walleroo	33	\$220,500	24	\$226,000	2.49%
Port Pirie	68	\$169,250	57	\$171,000	1.03%
Whyalla	63	\$280,000	47	\$272,000	-2.86%
Mount Gambier	152	\$236,375	141	\$225,000	-4.81%
Port Augusta	42	\$227,500	40	\$207,000	-9.01%
Port Lincoln	69	\$280,000	50	\$253,000	-9.64%
Renmark	17	\$195,500	12	\$169,500	-13.30%
Roxby Downs	22	\$447,500	5	\$380,000	-15.08%
South Australia	6,704	\$330,000	5,782	\$323,375	-2.01%

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

Postcode	Regional Town	Volume Mar08	Rent Mar08	Volume Mar09	Rent Mar09	Rent % Change
5253	Murray Bridge	77	\$180	170	\$220	22.22%
5540	Port Pirie	165	\$150	165	\$170	13.33%
5556	Walleroo	40	\$190	30	\$215	13.16%
5606	Port Lincoln	125	\$215	125	\$243	13.02%
5211	Victor Harbor	75	\$220	85	\$230	4.55%
5290	Mount Gambier	200	\$190	195	\$195	2.63%
5700	Port Augusta	100	\$180	105	\$180	0.00%
5341	Renmark	55	\$170	55	\$170	0.00%
5725	Roxby Downs	35	\$460	45	\$440	-4.35%
5600	Whyalla	35	\$295	35	\$250	-15.25%
	South Australia	7,715	\$240	8,842	\$270	12.50%

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

The recession we couldn't avoid

In mid-April, when both Kevin Rudd and the Reserve Bank announced that the Australian economy was inevitably heading toward recession, it made official what most people had known for some time.

With the majority of the world's most developed economies already in recession, and the Australian economy contracting in the final quarter of 2008 and the first quarter of this year, the lingering hopes that Australia might largely avoid the serious economic difficulties affecting the rest of the world was effectively dashed.

As increased globalisation has seen the world's economies become ever more reliant upon international trade over the past 20 years, the possibility of Australia escaping unscathed from a global crisis was always going to be highly unlikely.

So, if the recession of the early 90s is known as the recession we had to have, perhaps this will be remembered as the recession we couldn't avoid.

When comparing the two recessions from a home buyers perspective, there is one glaring difference between then and now.

Back in April 1990, interest rates were 15.5% and an interest rate cut wasn't forthcoming until August of that year. Rates remained in double figures until May 1991 before taking a couple of years to fall to 4.75% in July 1993.

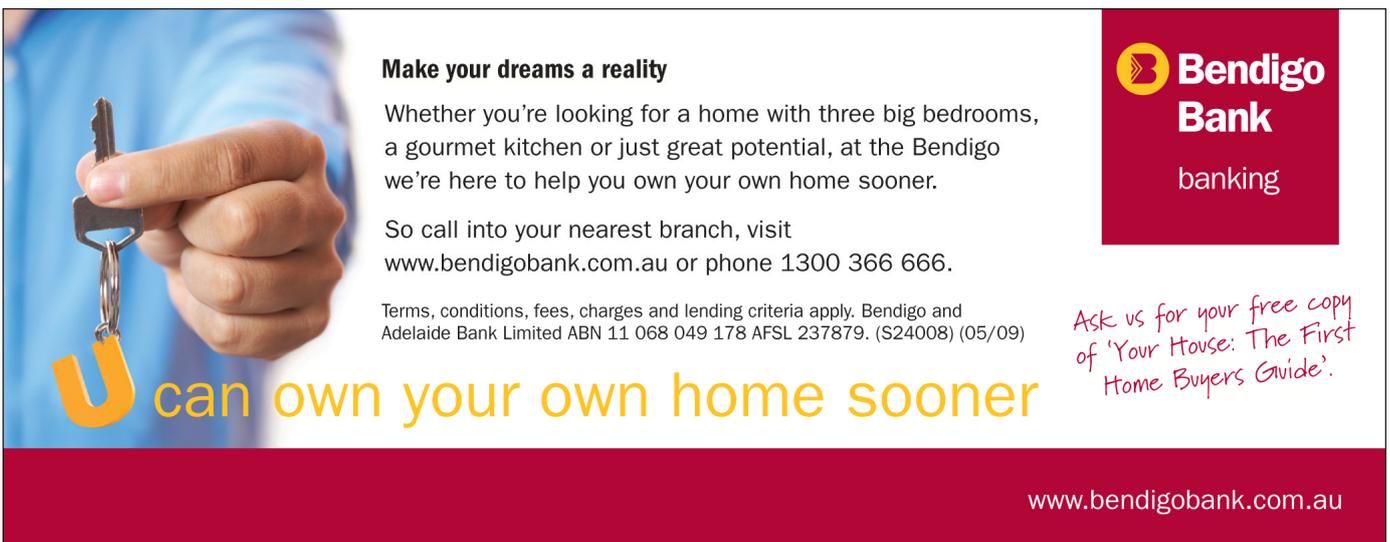
This is obviously vastly different to the situation today. Although the Reserve Bank of Australia didn't move on interest rates this month, it has been cutting rates since September last year, and while rates are already very low at 3.00%, they could yet drop further.

The low rates have taken the pressure off those with variable home loans and also stimulated activity in the first home buyer market, with many now looking to take advantage of the prevailing conditions.

How quickly things change. Remember, it was only 12 months ago that housing affordability was of prime concern to government and the housing industry. However, the interest rate cuts, along with the stimulus packages and the doubling of the first home owners grant, have eased affordability and helped buoy the first home buyer market.

Of course, the severity of the global situation still means we live in an unpredictable environment which is prone to rapid change. But for the moment, it is a good time for first home buyers with a solid deposit (at least 10% of the property purchase price but more is better) who are confident of future stability in their employment to get into the market.

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



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