



Market Update

CONTENTS

Sales.....	Page 2
Auction.....	Page 3
Rents.....	Page 4
Yields.....	Page 5
Regional	Page 6
Financial.....	Page 7

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Market recovers as metropolitan house prices rise

Adelaide's house prices have continued to defy economic uncertainties by jumping 6.3% over the past 12 months.

The median house price for metropolitan Adelaide hit \$382,500 for the December 2009 quarter, which is a 6.3% increase from last year.

"This is a solid increase for this stage of the recovery cycle and came despite three interest rate rises as well," REISA President Michael Brock said.

"This clearly demonstrates the faith people have in investing in bricks and mortar and the reliability of the property market in Adelaide."

Mr Brock said the figures were even more promising because the Federal Government's additional first homebuyers' boost halved at the beginning of the quarter.

"It gives us plenty of confidence that the property market will still continue to grow now that the boost has finished and we have reverted back to the existing \$11,000 grants for established homes. People will still continue to enter the property market because they know it is a good investment, not because they get a one-off cash bonus."

The beachside suburb of Somerton Park was the standout suburb this quarter, recording a 35.6%

increase to its median house price over the past 12 months to \$685,000.

"This southwest corner of Adelaide performed quite well, with Clarence Gardens, Dovar Gardens and South Plympton also having price increases of more than 18% over the past 12 months," Mr Brock said.

"This is quite a popular pocket of Adelaide as it is near enough to the beach without having the beachside price tags."

He said the northern suburbs of Willaston, Burton and Hillbank also produced strong rises.

"These areas are also very affordable, along with Holden Hill which was another strong performer."

"The number of transactions was also up significantly in the December quarter, showing that people must have confidence in the market and their employment to continue to invest in property."

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 Dec08	Median Dec08	Sales Dec09	Median Dec09	Median % Change
Somerton Park	18	\$505,000	23	\$685,000	35.6%
Broadview	11	\$366,000	17	\$470,000	28.4%
Willaston	24	\$261,500	19	\$320,000	22.4%
Clarence Gardens	10	\$425,500	13	\$520,000	22.2%
Dover Gardens	13	\$356,750	11	\$425,000	21.9%
Burton	30	\$267,500	36	\$325,200	21.6%
Hillbank	23	\$295,000	24	\$355,000	20.3%
Paradise	10	\$372,500	15	\$445,000	19.4%
Holden Hill	17	\$295,000	15	\$350,000	18.6%
South Plympton	17	\$355,000	14	\$420,000	18.3%
Adelaide Metro	4,297	\$360,000	4,561	\$382,500	6.3%

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

Auction sales gain momentum

South Australians are increasingly using auction to transact property with both the number going to auction and the clearance rate rising in the December quarter.

REISA President Michael Brock said 821 properties went under the hammer in the last quarter of 2010.

"This is 200 more than the September quarter and by far the highest number we've had in over a year," Mr Brock said.

"Both vendors and buyers have had an increase in confidence in the auction system - and rightly so. Auction is the most transparent method of sale where everyone's offer is out on the table."

"Of these 821 properties, 497 were sold either before, during or immediately after the auction leaving an overall clearance rate of 60%."

Mr Brock said a \$3 million sale at Unley Park topped the list of auction prices this quarter, which was also the third-highest auction sale for the year.

He said auction was not only the domain of the top end market though, with properties at all price points worthy of consideration.

"17% of our residential auction sales are for properties \$300,000 or less so it is definitely an option for some vendors," Mr Brock said.

"Properties at the lower end of the scale can sometimes be auctioned for their affordability—buyers never want to miss a bargain!"

"Auction also generally speeds up the time spent on the market and this has big appeal for those keen to sell and settle quickly."

He said an auction marketing campaign was very structured but still allowed offers to be accepted before the day.

"This gives both the vendor and buyer their desired result, leaving everybody happy."

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
4-Oct	58%
11-Oct	67%
18-Oct	67%
25-Oct	67%
1-Nov	68%
8-Nov	57%
15-Nov	56%
22-Nov	56%
29-Nov	56%
6-Dec	50%
13-Dec	56%
20-Dec	57%
27-Dec	NA

Top 10 Residential Auction Sales		
12 Omar Place, Unley Park	Toop & Toop – Norwood	\$3,000,000
13 Hazelwood Ave, Hazelwood Park	Klemich Real Estate	\$1,771,000
15 Bedford St, Kensington Park	Toop & Toop – Norwood	\$1,620,000
16 Gladstone Rd, North Brighton	Phil McMahon – Glenelg	\$1,527,500
23 King St, Brighton	Phil McMahon – Glenelg	\$1,480,000
45 Church Tce, Walkerville	Bernard H Booth	\$1,446,000
32 Wilkinson Rd, Parkside	Klemich Real Estate	\$1,350,000
101 First Ave, Joslin	Toop&Toop – Norwood	\$1,330,000
44 Adelaide St, Maylands	Klemich Real Estate	\$1,275,000
16 Durham St, Henley Beach	Brock Harcourts – Henley Beach	\$1,267,000

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

Rental prices increase as market stays tight

The western suburbs were in high rental demand during the December quarter with prices in these areas rising steadily over the past 12 months.

Postcodes in the northwest corner encompassing Woodville North, Port Adelaide and Kilkenny all featured in the Top 10 list this quarter, as well as southwest postcodes near Morphettville and Netley.

“New rentals in the postcode 5012 in particular—which includes Woodville North and Mansfield Park—jumped by a massive \$60 in one year,” REISA President Michael Brock said.

“Belair and Glenalta’s postcode of 5052 also increased by \$65 and is in high demand from top end renters.”

Mr Brock said the number of houses rented during the quarter had dropped from this time last year, but the vacancy rate was still tight.

“This drop in renters has come about due to the extra First Homebuyers’ Boost encouraging many people to exit the rental market and purchase their own home. This has also had an effect on the number of investors in the market and we desperately need more to help to balance out the supply and demand.”

“Now that the First Homebuyers’ Boost has finished and we have reverted back to the previous grants, hopefully more investors are encouraged back into the market.”

The median weekly rent for houses in metropolitan Adelaide increased by 5.4% over the past 12 months to \$295 per week. The vacancy rate stayed tight at 1.19%.

“A tight rental market will inevitably push prices up but it is still important for investors to be realistic and ensure their price is appropriate for the area and type of property,” Mr Brock said.

“Price quite often dictates the time it takes to lease so if a property remains vacant for a while, easing the price may help.”

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	0.67%
North	1.14%
East	1.28%
South	1.40%
West	1.05%
Hills	1.57%
Adelaide Metro	1.19%

Metro Vacancy Rates December Quarter 2009

Postcode	Main Suburbs	Volume Dec08	Rent Dec08	Volume Dec09	Rent Dec09	Rent % Change
5012	Woodville North, Mansfield Park	50	\$220	40	\$280	27.3%
5052	Belair, Glenalta	15	\$295	15	\$360	22.0%
5015	Port Adelaide, Ethelton	55	\$280	65	\$330	17.9%
5089	Highbury	20	\$268	25	\$310	15.9%
5043	Morphettville, Marion	70	\$288	95	\$330	14.6%
5009	Allenby Gardens, Kilkenny	35	\$265	30	\$300	13.2%
5037	Netley	50	\$290	35	\$325	12.1%
5171	McLaren Vale, McLaren Flat	25	\$250	15	\$280	12.0%
5075	Dernancourt, Paradise	50	\$280	40	\$313	11.8%
5118	Gawler, Willaston	60	\$255	85	\$285	11.8%
	Adelaide Metro	5799	\$280	5,499	\$295	5.4%

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

North providing solid yields

Smithfield Plains has returned to the top of the list for rental yields in the December quarter with an average return of 5.2% - the highest yield recorded since the financial downturn hit.

“With a median house price of \$212,000, this represents very good value for an investor wishing to get into the market,” Mr Brock said.

“Many suburbs in the north and south produce good yields and this is mainly because the entry point is so affordable and there are numerous tenants propping up demand.”

He said rising house prices across Adelaide helped to soften the average metropolitan yield to 3.21%.

“This is not an issue though because it means the long-term capital growth of the property is increasing, which is the main objective with owning an investment property.”

“Yields are good in the short-term, but the best thing is the almost-guaranteed capital growth of the asset over time.”

Mr Brock said interest rate rises may play a factor on yields in 2010, but investors should not be deterred.

“The official cash interest rate is still only 3.75% which is quite low compared to previous years. Investors should always leave room for an increase to interest rates when planning their budgets and also take into account property management fees and other bills.”

“The beauty about an investment property is that many things, such as the interest you pay, are tax deductible but it still doesn’t allow you to be reckless with your spending.”

“With careful planning and professional management, property can be a great investment.”

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 Dec09
Smithfield Plains	\$212,000	\$265	5.20%
Hackham West	\$250,000	\$260	4.33%
Gawler South	\$281,000	\$285	4.22%
Salisbury North	\$254,000	\$255	4.18%
Morphett Vale	\$285,000	\$280	4.09%
Blakeview	\$270,000	\$265	4.08%
Brahma Lodge	\$270,000	\$265	4.08%
Salisbury	\$260,000	\$255	4.08%
Pooraka	\$337,000	\$330	4.07%
Davoren Park	\$205,000	\$200	4.06%
Adelaide Metro	\$382,500	\$295	3.21%

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

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Regional SA's property market moves forward

Regional SA's property market is steadily moving forward with many areas producing strong results in the December quarter.

The State-wide median house price increased by 6.7% over the past 12 months to \$352,000. The median rent rose to \$275 per week.

REISA President Michael Brock said Whyalla was a standout with the median house price breaking \$300,000 for the first time.

"This recovery is remarkable given the Whyalla median had actually declined earlier in 2009," he said.

"Walleroo and Murray Bridge also performed well with 18% increases over the past year."

He said the number of sales was up from the same time 12 months ago, while rents had declined slightly.

"This would simply be due to the First Homebuyers' Boost helping renters purchase their own home. The affordability of regional areas is appealing for many first homebuyers," he said.

"Rental prices are still increasing steadily. There will always be transient residents in country areas looking to rent while they are there for work."

Regional Town	Sales Dec08	Median Dec08	Sales Dec09	Median Dec09	Median % Change
Whyalla	36	\$246,000	48	\$302,500	23.0%
Walleroo	15	\$212,000	23	\$252,000	18.9%
Murray Bridge	33	\$200,000	56	\$237,250	18.6%
Port Lincoln	52	\$250,000	47	\$274,000	9.6%
Renmark	15	\$192,500	19	\$207,000	7.5%
Port Pirie	41	\$180,000	74	\$192,500	6.9%
Mount Gambier	127	\$235,000	119	\$242,000	3.0%
Victor Harbor	76	\$328,250	110	\$337,000	2.7%
Port Augusta	31	\$210,000	50	\$210,500	0.2%
Roxby Downs	14	\$405,000	13	\$380,907	-5.9%
South Australia	5,758	\$330,000	6,191	\$352,000	6.7%

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

Postcode	Regional Town	Volume Dec08	Rent Dec08	Volume Dec09	Rent Dec09	Rent % Change
5341	Renmark	45	\$160	50	\$175	9.4%
5606	Port Lincoln	85	\$230	90	\$250	8.7%
5290	Mount Gambier	205	\$185	145	\$200	8.1%
5253	Murray Bridge	180	\$205	175	\$220	7.3%
5556	Walleroo	45	\$210	35	\$220	4.8%
5211	Victor Harbor	95	\$235	85	\$240	2.1%
5600	Whyalla	35	\$280	45	\$280	0.0%
5540	Port Pirie	130	\$160	165	\$160	0.0%
5700	Port Augusta	85	\$180	95	\$178	-1.1%
5725	Roxby Downs	50	\$460	55	\$350	-23.9%
	South Australia	8,127	\$260	8,037	\$275	5.8%

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

Your love hate relationship with the RBA and interest rates explained

In light of the recent rate rises and the prediction of more to come in 2010, I thought it was worth taking a look at the role of the Reserve Bank of Australia, the reasons it alters the official cash rate and the affect this may have on your home loan.

The RBA is responsible for maintaining banking and monetary policy to support a healthy Australian financial system, and for issuing the country's currency. From the RBA's perspective a "healthy" financial system includes a stable Australian dollar, high employment levels and economic prosperity for the people of Australia

One of the most fundamental and commonly known tools the RBA uses to achieve its goals is adjustment of the official cash rate to control inflation.

From a consumer's perspective, the cash rate is arguably the strongest factor contributing towards the end customer rate of a home loan.

If the RBA cuts rates, it is in effect distributing funds to "stimulate" the economy. We saw this happen in Australia last year at the height of the Global Financial Crisis. (GFC)

To combat the weak economic conditions expected from the GFC, the RBA eased interest rates from 7.25% in March 2008 to a low of 3% in April 2009. This action was taken to boost spending and kick start the Australian economy.

Conversely, the RBA can rein in inflation and spending by raising interest rates. As economic data signified the worst of the GFC passing, and stronger conditions expected for 2010, the RBA raised interest rates by 75 basis points (or 0.75%) over the last three months of 2009.

There's a lot of speculation about how high interest rates will go this year and there are too many variables to make an accurate forecast. However, higher interest rates are usually a sign of a robust economy and while variable interest rate home loans might cost a bit more, you can rest assured that other factors like low inflation, a strong jobs market and competitive Aussie dollar should balance any immediate hip-pocket pain.

One of the most common questions Bendigo Bank branch staff across Australia are being asked at the moment is "should I fix my mortgage?".

Variable home loan rates are preferred by a lot of customers because they can provide better flexibility for changing circumstances (for example downward interest rate cycles, large lump sum repayments, or future investments).

On the other hand, by fixing your interest rate you're not at the mercy of a fluctuating cash rate and you can plan ahead because you'll know exactly what your monthly repayment will be for the term of the fixed rate.

Everybody's situation is different and good advice can save you a lot of money and heartache. So if you're thinking about entering the property market or changing your mortgage, I would recommend you seek professional advice around your personal circumstances from our trained staff which include residential lending, business banking and financial planning specialists.

**Craig Ralston, SA State Manager
Bendigo and Adelaide Bank**



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