

MARCH QUARTER 2008 EDITION



Market Update

CONTENTS

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

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HOUSE PRICES RISE BUT SLOWDOWN IN SIGHT

Metropolitan house prices have continued to rise in the March quarter but the future is looking brighter for first-time buyers as the growth shows signs of easing.

The median house price for metropolitan Adelaide is now \$362,500 according to official March quarter data, which is a quarterly rise of 2.11% and a 19.4% jump from 12 months ago.

REISA President Robin Turner said the slower rate of quarterly growth was good news for people trying to enter the market.

“The affordability issue has been in the spotlight in recent months and while the median house price has risen again, it was at a much slower rate which indicates relief for aspiring homebuyers,” Mr Turner said.

“These figures reflect the anecdotal evidence we’ve been hearing from agents out in the field who are saying sale volume and prices have started to ease as a result of the two interest rate rises earlier this year.”

Mr Turner said despite this expected slow-down, investors were still well placed in the Adelaide market due to its affordability.

“The positive thing about Adelaide is that for existing homeowners and investors, history shows that there is rarely any backwards movement so their assets are still in good shape,” he said.

“Affordable areas are still going well and will sustain the property market over the next few months.

“Christies Beach, for example, was a standout performer in March with 60.17% growth in sale price over the past 12 months to a median of \$374,000. It was a similar story in neighbouring O’Sullivan Beach which grew by 42.89% and is still remarkably affordable at \$281,500.

“But there were numerous pockets throughout Adelaide that performed well. Rosewater in the northwest grew by 47.06%, Nairne in the Hills increased by 45.8% and Magill in the east jumped by 42.67%,” Mr Turner said.

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 1Q 2007	Median 1Q 2007	Sales 1Q 2008	Median 1Q 2008	Median % Change
Christies Beach	37	233,500	32	374,000	60.17%
Brighton	14	390,000	12	592,500	51.92%
Seacombe Gardens	13	271,000	10	410,000	51.29%
Rosewater	21	238,000	18	350,000	47.06%
Nairne	30	238,000	28	347,000	45.80%
Marino	16	415,000	14	605,000	45.78%
O’Sullivan Beach	12	197,000	12	281,500	42.89%
Magill	38	375,000	32	535,000	42.67%
Andrews Farm	25	208,000	25	295,725	42.18%
Panorama	12	345,000	15	488,000	41.45%

Median House Prices – March Quarter 2008
Top 10 growth suburbs with 10 or more sales in each quarter



RENTAL MARKET SHOWS SIGNS OF EASING

All corners of Adelaide have experienced rental increases over the past 12 months but a higher vacancy rate in the March quarter is slowly changing the balance of the market.

REISA President Robin Turner said postcodes around the leafy eastern and southern suburbs had strong rental growth over the past year, with the postcode 5052 (Belair and Glenalta) topping the list at 25.9%.

“Houses in suburbs such as Belair, Goodwood and Unley are now attracting a median rent in the \$350-\$395 per week range which is a jump of more than 19% from this time last year,” Mr Turner said.

“Having said that, the more affordable areas are also in high demand with houses still renting from \$220 per week in Woodville North and \$230 in Christie Downs, despite rises of 22.2% and 24.3% respectively.”

Mr Turner said vacancy rates have eased in the March quarter to 1.7%, which was unusual considering January to March is traditionally the busiest time of the year for the rental market.

“But any vacancy rate below 2% is still quite low so investors have no reason to worry,” he said.

“Anecdotal evidence from property managers indicates that tenant demand for rental properties in Adelaide has dropped in recent months but there are still a lot of high quality tenants in the market waiting to snap up the right property,” Mr Turner said.

Note: The median 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	3.27%
North	1.73%
East	1.75%
South	1.09%
West	1.39%
Hills	1.80%
Total Metro	1.70%

Metro Vacancy Rates March Quarter 2008

Postcode	Main Suburbs	Volume	Rent Mar07	Volume	Rent Mar08	% change
5052	Belair, Glenalta	25	\$270	20	\$340	25.9%
5034	Goodwood, Wayville	50	\$280	50	\$350	25.0%
5164	Christie Downs	30	\$185	30	\$230	24.3%
5012	Woodville Gardens, Woodville North	35	\$180	40	\$220	22.2%
5083	Broadview, Sefton Park	40	\$248	40	\$300	21.2%
5037	Kurrulta Park, North Plympton	35	\$250	50	\$300	20.0%
5061	Hyde Park, Unley	50	\$330	55	\$395	19.7%
5014	Cheltenham, Royal Park	60	\$225	60	\$268	19.1%
5019	Exeter, Semaphore	55	\$250	40	\$295	18.0%
5152	Crafrers, Stirling	15	\$275	25	\$324	17.8%

Median Weekly Rents for Houses – March Quarter 2008

Top 10 growth postcodes (metro) with 10 or more rents in each quarter

Please note as of the March quarter, this table now consists of All Houses (not 3-bed Houses as published in previous editions)



NORTH CONTINUES TO SHINE IN RENTAL YIELDS

The northern suburbs have again returned the best rental yields in Adelaide in the March quarter.

Smithfield Plains, Munno Para, Pooraka, Brahma Lodge and Salisbury North all took up the top five places by recording yields of between 4 and 5%.

“Smithfield Plains, Munno Para and Pooraka have actually featured in the top 10 suburbs in each of the past three quarters which indicates their long term stability and reliable investment prospects,” REISA President Robin Turner said.

“Not only have these suburbs’ yields been among the most favourable in Adelaide, but their median house prices have been rising consistently over this time as well. This is good news for landlords’ capital growth potential which is important when investing in property.”

There were three non-northern suburbs to make it in to the top 10, which were in varied locations – the coast, hills and south.

Sellicks Beach on the southern coast made it in at sixth spot, Macclesfield in the Hills was seventh and the southern suburb of Reynella came in at eighth. All had yields above 4%.

“The key to securing a solid rental yield is balancing the purchase price against the weekly rental return,” Mr Turner said.

“However, long-term capital growth must also be considered so it’s important that investors do their research and talk to local REISA members about the areas which are attractive for tenants.

“Also, utilising the services of a professional property manager will allow you to have access to a wide pool of tenants whilst having peace of mind that the property is being properly managed.

“REISA members are always the first place to look for professional property managers as they adhere to the Real Estate Code and undertake regular professional development training,” 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 incurred such as maintenance, bills, property management fees, etc.

Location	Median House Price	Median Weekly Rent	Yield
Smithfield Plains	\$191,000	\$240	5.23%
Munno Para	\$205,000	\$240	4.87%
Pooraka	\$275,000	\$290	4.39%
Brahma Lodge	\$236,500	\$245	4.31%
Salisbury North	\$228,250	\$235	4.28%
Sellicks Beach	\$246,000	\$250	4.23%
Macclesfield	\$327,500	\$330	4.19%
Reynella	\$268,000	\$260	4.04%
Para Hills West	\$253,000	\$240	3.95%
Salisbury East	\$258,500	\$245	3.94%

Rental Yields for Houses – March Quarter 2008
Top 10 suburbs with more than 10 sales for the quarter

The Greatsaver Loan from Adelaide Bank is an ideal loan for an investment property. It has no monthly or annual fees, a low ongoing variable interest rate and lets you redraw available ahead amounts. The Greatsaver also offers you the flexibility to pay additional funds into your mortgage at any time.

COUNTRY HOUSE PRICES STILL GOING STRONG

House prices in regional South Australia have continued to move forward with confidence, buoyed by strong employment and robust economies.

REISA President Robin Turner said the affordability of SA's country regions was an attractive option for buyers, coupled with new developments and rising populations.

"The demand for housing in many regional centres, especially those associated with mining activities, is really driving a surge in house price growth," he said.

"Sale prices in the Iron Triangle towns of Port Augusta, Whyalla and Port Pirie have again been strong, along with the mining hub of Roxby Downs. The growth in Roxby Downs' rental price has surged as well, due to the shortage of housing in the area.

"The median price growth in these towns has been exceptional in recent times and just goes to show the demand for quality accommodation in SA's regional centres."

Mr Turner said another strong performer was the coastal town of Wallaroo on the Upper Yorke Peninsula, which had a yearly growth rate of 30.6% to \$218,750.

"New developments in this town have been the catalyst for many people seeking a sea change or purchasing a holiday home in the region," he said.

"Mount Gambier in the South East is another area which has experienced a robust market over the past 12 months but is still very affordable at a median of \$224,000," Mr Turner said.

Regional Town	Sales 1Q 2007	Median 1Q 2007	Sales 1Q 2008	Median 1Q 2008	Median % Change
Port Augusta	57	\$156,000	41	\$224,000	43.59%
Wallaroo	24	\$167,500	30	\$218,750	30.60%
Port Pirie	107	\$141,500	60	\$180,000	27.21%
Roxby Downs	19	\$360,000	20	\$450,000	25.00%
Whyalla	81	\$229,500	57	\$285,000	24.18%
Mount Gambier	160	\$200,000	146	\$236,375	18.19%
Renmark	32	\$165,500	24	\$190,250	14.95%
Murray Bridge	79	\$202,500	77	\$230,000	13.58%
Victor Harbor	114	\$302,500	140	\$322,500	6.61%
Port Lincoln	79	\$265,000	63	\$282,500	6.60%

Median House Prices – March Quarter 2008
SA's main regional centres

Postcode	Regional Town	Volume	Rent Mar07	Volume	Rent Mar08	% change
5725	Roxby Downs	40	\$380	35	\$460	21.05%
5700	Port Augusta	75	\$155	100	\$180	16.13%
5211	Victor Harbor	100	\$193	75	\$220	13.99%
5600	Whyalla	30	\$260	35	\$295	13.46%
5253	Murray Bridge	145	\$175	170	\$195	11.43%
5341	Renmark	55	\$160	55	\$170	6.25%
5290	Mount Gambier	185	\$180	200	\$190	5.56%
5556	Wallaroo	30	\$180	40	\$190	5.56%
5540	Port Pirie	120	\$150	165	\$150	0.00%
5606	Port Lincoln	100	\$220	125	\$215	-2.27%

Median Weekly Rents for Houses – March Quarter 2008
SA's main regional centres

Please note as of the March quarter, this table now consists of All Houses (not 3-bed Houses as published in previous editions)

ADELAIDE BANK UPDATE

With interest rate rises, sub prime, and a possible US recession dominating the media recently, it seems economics is at the top of everyone's mind.

Since the consecutive interest rate rises in February and March, the Reserve Bank of Australia (RBA) had seemed to soften on further increases. Global economic conditions and the higher cost of credit had, to a degree, been doing the RBA's job of cooling the economy for them. However, with the March quarter inflation figures higher than expected, another official rate rise in the near future is now a possibility.

Debate continues on what effect the sub prime led difficulties in the US economy will have on our economy. Economists use the term 'decoupling' to describe the decreasing reliance on trade with the US. The theory is that increased trade with other economies has lessened economic reliance on Uncle Sam. Although globalisation has seen vast growth in world trade, economists still can't agree on whether global demand can withstand a US recession. Time will tell.

To further muddy the waters, Australia's domestic economic data is mixed. GDP growth is still good at 4%, but retail sales have flattened and building approvals rose just 2% in January. Unemployment is at 4% (the lowest since the early 70s) and without the benefit of a crystal ball, unemployment statistics could be the best indicator of how the local economy will fare going forward.

Nonetheless, there is no doubt that our current economic forecasts are, at best, pointing to a sustained period of volatility.

During periods of economic uncertainty, it is very important to keep a tight rein on your finances. Disciplined home economics can be the difference between financial comfort, or sleepless nights worrying about the next loan repayment.

With a home loan, it's vitally important not to over commit – establish the repayments you can afford and borrow to that amount. By borrowing within your means interest rate rises can be more easily absorbed without causing undue financial stress.

It is also worth remembering that debts other than the home loan are often the ones that can get people into trouble. These other debts can become neglected as maintaining a home loan takes precedence. This can certainly happen with purchases made through 'in store' finance arrangements that offer borrowers an interest free period. The interest rates applied if the purchase is not paid in full before the end of the interest free time can be exorbitant, sometimes upwards of 25%. Compare that with the rate charged on a personal loan by a bank (around 10 or 12%) and the difference could be considerable.

In these uncertain times it may be worth consolidating all your other debts into your home loan. By doing this you not only reduce the interest you're paying, but also merge all your debts into one manageable loan.

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

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