



Adelaide Residential Market Shows Resilience Despite Tough Times

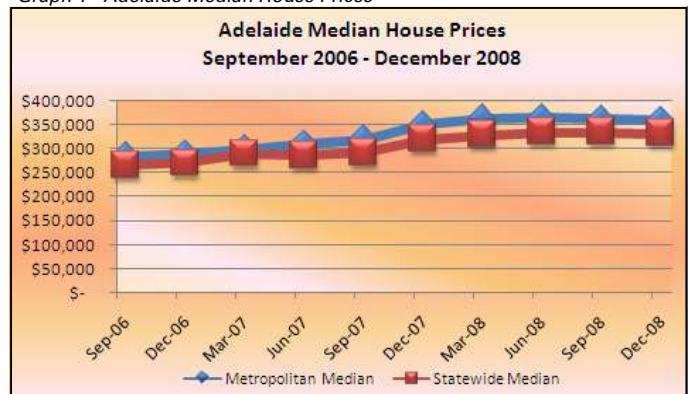
South Australia's residential property market has experienced a decrease in growth for the December quarter, following the national trend of falling confidence in residential markets. Despite this, the South Australian residential market has seen an increase in median house prices for the year. This provides evidence that although property sectors have seen a decrease in market activity for the year, South Australian property prices remain resilient throughout the difficult economic times.

South Australian building approval activity experienced a 1.4% decrease to 3,235 for the month of December, with an increase in housing finance commitments of 4.7% from October. Nationally, building approvals have decreased by 12.8%, with an increase of 1.3% in housing finance commitments for the period.

In regards to the proportion of family income required to meet average home loan repayments, South Australia is more affordable than the Eastern States and is still the second most affordable state after Tasmania. Supporting the State's housing market is strong labour market conditions, strong wages growth, the highest annual rate of population growth in 23 years, and low rental vacancies.

In the fourth quarter of 2008, metropolitan house prices for South Australia have experienced a slight decrease of 0.7% to \$360,000. Despite this fall, metropolitan Adelaide has still experienced 1.4% growth in house prices from \$354,000 in December 2007. The state-wide median house price increased by 4% over the last 12 months from \$320,000 to \$332,800, with median price for units and apartments also increasing by 3.6% to \$285,000. For the quarter there were approximately 5,279 state-wide house sale transactions, compared to 7,806 12 months ago. Graph 1 illustrates growth

Graph 1 - Adelaide Median House Prices



Source: REISA

in Adelaide house prices from March 2000 to December 2008

- 3,235 building approvals for December, an decrease of 1.4%
- 0.7% decrease in metro house prices for the quarter, 1.4% increase year-to-date
- 4% growth in state-wide house price from December 2007
- 5,279 house sale transactions for the December quarter



Table 1 below illustrates the top 10 growth suburbs based on median house prices for the December quarter 2008 (Note: Only suburbs that recorded over 10 transactions have been included to provide a more accurate representation of the data). During the period, it can be seen that coastal suburbs have experienced good levels of growth throughout the state.

Table 1 - Top 10 Growth Suburbs

Suburb	Sales Q4 2007	Median Q4 2007	Sales Q4 2008	Median Q4 2008	Median % Change
Brighton	16	\$540,000	10	\$747,500	38.43
West Lakes	14	\$512,500	13	\$610,000	36.59
Gulfview Heights	18	\$329,000	15	\$426,000	29.48
Somerton Park	28	\$525,000	20	\$665,000	26.67
Grange	14	\$458,000	15	\$575,000	25.41
Tea Tree Gully	14	\$295,000	10	\$368,500	24.92
Pennington	12	\$300,000	14	\$360,000	20.00
Royal Park	16	\$287,500	11	\$340,000	18.26
Port Willunga	20	\$270,000	12	\$327,500	16.13
Salisbury East	50	\$465,000	29	\$287,750	16.03

Source: REISA

As evidenced in Graph 2, South Australia has the lowest median house price of all the mainland states & territories. The traditionally higher priced capital cities of Melbourne, Sydney and Brisbane had experienced subdued, even negative growth in median house prices for the year to the September quarter. This is trend expected to have continued throughout the December quarter for most other capital cities, although data for the December quarter was not yet available.

Graph 2 - National Median House Prices



Source: REIA

- Brighton was the top performing suburb with growth of 38.43% for houses
- Coastal suburbs have experienced notable growth



The clearance rates for Adelaide have fluctuated between 30% & 60% over the previous 5 month period, with an average of 41.1%. Graph 4 below illustrates Adelaide's auction clearance rates and the number of properties sold or passed in/withdrawn at auction over the past 5 months.

Sydney and Melbourne clearance rates are 44.7% and 57.6% respectively for the same period. The main difference between the number of auction transactions in Adelaide and other eastern capital cities, is the sheer number of properties involved. On average Sydney has 576 properties available at auction per week, with Melbourne auction averages at 669 per week. In comparison, Adelaide sees an average of 67 properties available per week at auction.

Graph 4 - Adelaide Residential Auction Results



Source: RPData

- Average clearance rate of 41.1%
- Adelaide averages 67 auctions per week
- The average SA mortgage home loan is \$208,300

First home buyer activity has been a key interest to those monitoring the national and local housing markets over the second half of 2008. This is primarily due to the introduction of the Federal Government's First Home Owners Grant "Boost" (FOHGB) and the four consecutive interest rate cuts by the RBA since September, leaving the cash rate at 4%.

The amalgamation of incentives from Federal and State Governments has seen a reported 10% increase in first home buyers activity, the highest percentage recorded since January 2002. The incentives have made a significant impact on the local housing market and has seen the reduction of the average South Australian mortgage loan to \$208,300. The figures from the Australian Bureau of Statistics also show that almost one quarter of home loans issued to South Australian home purchasers were to first home buyers between October and November 2008.

The increase in first home buyer activity is a positive for local South Australian house prices and will see a continuation in demand fuelled by an undersupply of housing, which will further stimulate growth in property prices. The most dramatic growth levels will most likely arise in lower priced areas which are considered the most attractive to first home buyers.



Residential Rental Market

In the December quarter metropolitan vacancy rates remained particularly tight and decreased to 1.16%, which is still substantially below the long-term historical average of 4.0% (Table 2 highlights vacancy rates for regions within metropolitan Adelaide for the December quarter 2008).

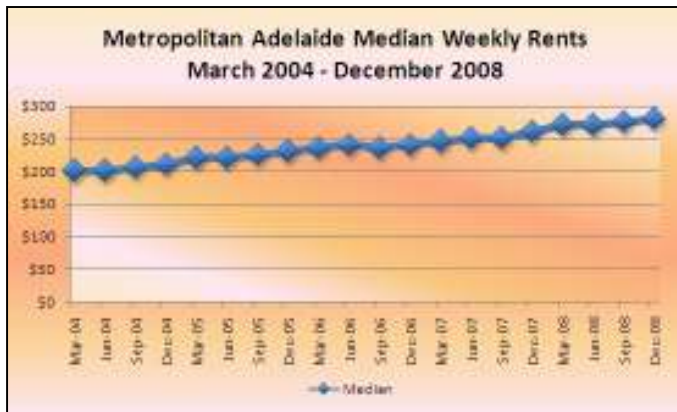
Table 2 - Metropolitan Vacancy Rates (December Quarter)

Metropolitan Region	Vacancy Rate
City/North Adelaide	2.20%
North	0.84%
East	1.28%
South	0.76%
West	1.69%
Hills	2.70%
Total Metro	1.16%

Source: REISA

The average weekly rent for units in South Australia is \$235 per week, a quarterly increase of 2% from the September quarter. The average weekly rent for units in metropolitan Adelaide has experienced a 11.9% increase during the 12 month period from December 2007. Average weekly rents for houses in the metropolitan area have experienced a 3.45% decrease from the September quarter 2008, at \$285 it represents a 7.7% increase from December 2007. Graph 5 below illustrates the shift in weekly rent for metro houses in Adelaide from March 2004 to December 2008.

Graph 5 - South Australian Weekly Rental Prices



Source: REISA

Evidence suggests that tenant demand for rental properties in Adelaide has increased in recent months, with rental growth expected to increase further in early-mid 2009.

- Vacancy rates remain tight at 1.16%
- Vacancy rates still significantly lower than the historical average
- Average South Australian rent is constant at \$285 per week



Postcode	Main Suburbs	Volume	Rent Dec 07	Volume	Rent Dec 08	% Change
5006	North Adelaide	19	\$432	50	\$400	1.85
5125	Golden Grove	43	\$285	25	\$295	3.50
5067	Norwood	41	\$405	60	\$360	-12.5
5072	Magill	30	\$320	45	\$320	-
5070	Payneham	31	\$306	10	\$305	-0.32
5162	Morphett Vale	88	\$239	90	\$250	4.60
5023	Findon	40	\$281	15	\$280	-0.35
5108	Salisbury	120	\$225	50	\$240	6.66
5000	Adelaide City	21	\$371	80	\$380	2.42
Adelaide Metro		3695	\$263	3816	\$285	7.7



South Australian Economy

INTERNATIONAL STUDENT EDUCATION

South Australia's influx of international students should be an area of great interest to those interested in the residential property market in South Australia. The possibilities for investments within the property market, especially in the unit and apartment sectors, will increase market activity as the international education industry expands.

South Australia is slowly building a reputation as the education capital for international students seeking education within Australia. The State government and the Adelaide City Council continue to market South Australia as "Australia's premier study destination", with the cost of living attributing significantly to what makes Adelaide an attractive place to study and live for overseas students. Additionally, students applying for a migration visa receive an additional five bonus migration points when they choose Adelaide as their study destination.

Internationally, Adelaide is considered as an inexpensive place to live both when considering living expenses and cost associated with accommodation. The median price for a 70m² student apartment within Adelaide is \$256,000, with rents averaging around \$130 for a fully furnished single bedroom with internet access. Although this can be closely compared to student accommodation in other capital cities, the distance from universities cannot, with the majority of student accommodation within a 10 minute walking radius of universities.

New international students commencing studies in South Australia for the year to November 2008 increased by 29.2%, representing numbers 4.4% higher than the national average. This brings the number of international students studying within South Australia to a record high of 27,748. Recent estimations have put the value of the international education sector at \$700 million to the State economy, representing 39% of our States service exports.

Adelaide provides education to over 130 countries, the top 10 countries for international students include: China, India, Malaysia, South Korea, Hong Kong, Vietnam, Japan, Singapore, Taiwan and Thailand.



- *29.2% increase in international student commencements*
- *27,748 international students currently studying in SA*
- *International student education is currently worth \$700 million to the state economy*

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