



Can affordable Adelaide entice investors?

With a median house price around 50% lower than the national average, Adelaide is an affordable option for investors. But is the state's oppressive tax regime scaring off would-be landlords?

It certainly creates a challenge for the South Australian property market, according to Ted Piteo, CEO of Professionals SA Head Office, who says the state's "inequitable and punitive property taxes" impede their competitive edge as a desirable place to buy property.

"Imagine the possibilities that would result from abolishing stamp duty and land tax and once again getting people excited about buying, moving, downsizing and investing in South Australia. Just imagine the consequent flow on effects to all the other industries surrounding real estate," says Piteo, who also serves as president of the Real Estate Institute of South Australia (REISA).

"It's really a no-brainer."

Property values in Adelaide particularly have shown strong growth in recent months, which is why Prue Muirhead, 2010 YIP Property Investor of the Year and director of Muirhead Property Management, suggests that investors can find solid opportunities when exploring metropolitan listings.

"Adelaide is a fantastic place to invest in," Muirhead says.

"The affordability allows you to buy at a lower national average, manufacture capital growth and then have great returns on your investment properties. My personal South Australian portfolio is returning between 7% and 12% and is positively geared, which would be much harder to achieve in most capital cities of Australia."

Chasing yields in the City of Churches

Interest rates are at record lows, which is gifting landlords across the country a stronger yield. But in Adelaide, Muirhead says it's possible to achieve the triple-win of high returns, low vacancy periods and quality tenants.

Vacancy rates for South Australia are still officially above the balanced band of 2-3%: according to the REISA, the state-wide vacancy rate as at April 2014 was 3.3%, down slightly from 3.4% at the same time last year. Certain areas are tighter, with Adelaide City recording a rate of 2.2%, down from 3% in 2013.

Muirhead says investors who are willing to list their property at a fair market price are experiencing minimal vacancy periods between tenancies.

"Generally speaking, if a property is advertised at market rent, we would have approximately six groups through the first open and receive two to three applications immediately," she says.

"Our properties have all been renting within two open inspections."

With such a robust level of activity

and interest from potential tenants, some landlords are taking it as a sign that they can increase their asking rents, which Muirhead cautions against. When a landlord does insist on hiking the asking rent, the listing generally attracts low levels of interest and the market "naturally forces the owner to drop the rent immediately".

If you're worried that you're selling yourself short and missing out on potentially higher returns, you needn't be concerned, Muirhead adds.

"When we have open inspections at the market rate, with many groups in the property at the same time, there have been numerous occasions where a tenant has offered a higher rental rate than advertised, as they don't want to miss out on the property," she says.

SA vacancy rates

Adelaide and regional vacancy rates as at April 2014

Area	2013	2014
CITY/NORTH ADELAIDE	3.0%	2.2%
WEST	3.1%	3.2%
SOUTH	2.9%	2.7%
EAST	3.2%	2.5%
NORTH	3.3%	2.8%
HILLS	1.6%	1.4%
EYRE PENINSULA	5.6%	5.9%
UPPER SPENCER GULF	6.7%	8.7%
MID NORTH	4.4%	4.9%
FLEURIEU/KANGAROO ISLAND	4.1%	3.7%
SOUTH EAST	3.4%	4.3%
RIVERLAND	4.0%	1.4%
YORKE PENINSULA	7.4%	8.3%

Note: The vacancy rate is based on a quarterly vacancy rate survey conducted with the REISA membership. Over 25,000 properties under management were covered in the March 2014 survey.

SA price performance

Area	Type	Median value	Growth over 12 months	Growth over three months	Gross rental yield	Rent amount
ADELAIDE	H	\$405,000	3.9%	-1.2%	4.4%	\$340
SA COUNTRY	H	\$275,000	1.9%	-4.2%	4.9%	\$260
ADELAIDE	U	\$329,000	1.6%	0.2%	4.7%	\$295
SA COUNTRY	U	\$175,000	2.9%	-10.3%	5.9%	\$200

Source: RP Data, June 2014

Source: REISA



Spotlight on: Most expensive suburbs in Adelaide

Suburb	Type	Median price	Gross rental yield	Weekly median rent
Leabrook	H	\$1,490,000	n.a	n.a
Medindie	H	\$1,261,500	n.a	n.a
Toorak Garden	H	\$1,260,000	2%	\$555
Unley Park	H	\$1,257,500	3%	\$695
Rose Park	H	\$1,180,000	3%	\$585
North Adelaide	H	\$1,010,000	3%	\$550
Malvern	H	\$980,000	3%	\$520
Walkerville	H	\$970,500	3%	\$510
Joslin	H	\$950,000	3%	\$600
Unley	H	\$935,500	3%	\$495

Source: RP Data, June 2014

Building in SA: More affordable than ever?

Building a house or subdividing a block in South Australia has swiftly become more affordable, with SA Water implementing a price reduction that will make it up to \$3,000 cheaper to establish a new water and sewerage connection.

"In total, developers across the state could save up to \$5m a year as a result of these changes, which should provide a significant incentive to both developers and people looking to buy a new home," says John Rau, Deputy Premier and Minister for Planning.

He adds that it's up to the developers to make sure these savings are passed onto potential homeowners. Those who are currently building or buying new property in South Australia should consult their developers about the cost reduction and ask how it will benefit them.

SUBURB TO WATCH

Thebarton

In this sought-after suburb, you can pay upwards of half a million dollars for a home that doesn't even have off-street parking. That's because in Thebarton, designated parking – although highly prized – is not particularly essential, as the neighbourhood is literally a stone's throw from Adelaide city proper.

"It's only 1km from the CBD and has good tram and bus access to the city, between the city and to the beach," confirms Property Professor Peter Koulizos.

"It has had better-than-average capital growth because it's close to the city, has character properties and has undergone gentrification."

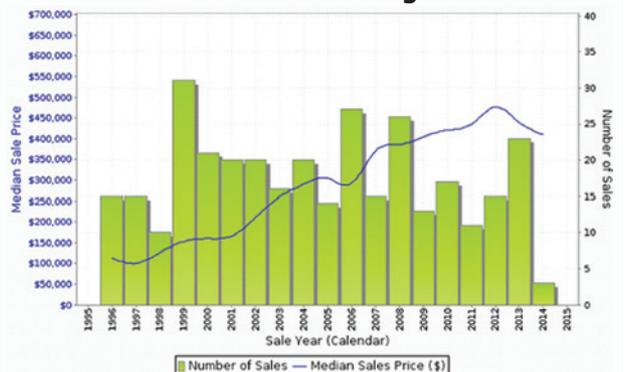
Situated just to the east of the city and bordered to the north by the River Torrens, the suburb is popular with everyone from students and arts-workers to young professionals and small families.

In leafy strips such as Randolph Street, you'll find quaint character homes in varying states of renovation and repair. The better-condition properties fetch rents in the vicinity of \$450 to \$500 per week, far higher than the state's median.

One strategy to boost your rental return even further in Thebarton is to allow tenants to live with their beloved cat, dog or birds. Renters are often prepared to pay an extra bond to allow for potential pet-related maintenance issues and it will give your property the edge over similar homes that don't allow animals.

"If your property allows for pets, I feel this is a major market driver, as we all want to keep our trusty four-legged friend with us and they are part of many families," says Prue Muirhead.

Thebarton – Sales & growth



Source: Pricefinder.com.au

Median price (house)	Quarterly growth	12 month growth	Average annual growth	Gross rental yield
\$434,000	0%	-3%	4.9%	4%

Source: RP Data, June 2014

Recent sales	Type	Price
1 Walter St	3 bed, 3 bath, 3 carport	\$590,000
113 South Rd	4 bed, 1 bath, 0 carport	\$355,000
30 Randolph St	3 bed, 1 bath, 0 carport	\$575,000
19 Cawthorne St	2 bed, 1 bath, 2 carport	\$410,000

Source: PriceFinder.com.au