



**Preston  
Rowe  
Paterson**

National Property Consultants

# Property *Market* Report

## South Australia

**December quarter 2013**

### **About This Report**

Preston Rowe Paterson prepare standard research reports covering the main markets within which we operate in each of our capital cities and major regional locations.

The markets covered in this research report include the commercial office market, industrial market, retail market, hotel and leisure market and residential market as well as economic factors impacting on the real estate markets within we operate.

We regularly undertake valuations of commercial, retail, industrial, hotel and leisure, residential and special purpose properties for many varied reasons, as set out later herein. We also provide property management services, asset and facilities management services for commercial, retail, industrial property as well as plant and machinery valuation.

To compile the research report we have considered the most recently available statistics from known sources. Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them. Where possible we consider short term movement in the statistics by looking at daily published data in the financial press. Where this shows notable fluctuation, when compared to the formal published numbers we have commented accordingly.

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# Economic Fundamentals

## GDP

GDP figures for the December quarter are not available until the 5th March 2014, however PRP Research over the September 2013 quarter revealed that the Australia economy grew by 0.6% seasonally adjusted. In comparison to the September quarter 2012, growth of 2.3% was recorded. Over the September quarter, the main contributors to expenditure on GDP were Public Gross Fixed Capital Formation (GFCF) (1.3%), which measures the value of acquisitions of new or existing fixed assets by the business, government and household sectors less the disposals of fixed assets.

The Terms of Trade over the quarter declined by 3.3%, reflecting an annual decline of 3.6%. Terms of Trade represents the relationship between the prices of exports and imports.

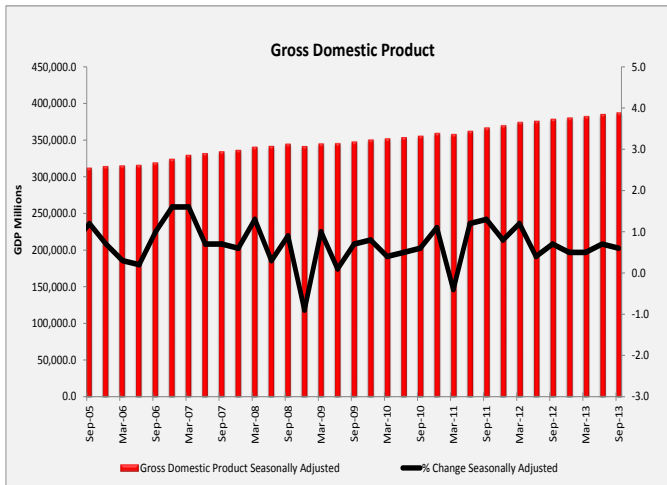


Chart 1 – Gross Domestic Product (GDP) – Source ABS

## Labour force

The official employment figures released from the Australian Bureau of Statistics revealed that the unemployment rate increased by 1.12 percentage points to 5.8% seasonally adjusted as at December 2013.

Employment over the month to December recorded a decline of 31,571 persons from 8,099,264 reflecting a percentage decline of 0.39%. In comparison to December 2012, there was growth of 0.44%, which was an increase of 35,906 persons.

The number of unemployed seeking full time employment increased over the month by 13,273 persons to 532,372, reflecting a percentage increase of 2.56%. The number of unemployed seeking part time employment declined by 5,273 persons over the month to December to 189,613 reflecting -2.71%.

The participation rate recorded a slight decline of 0.2 percentage points over the month to December to 64.6%, with year on year comparison revealing a 0.7% decline.

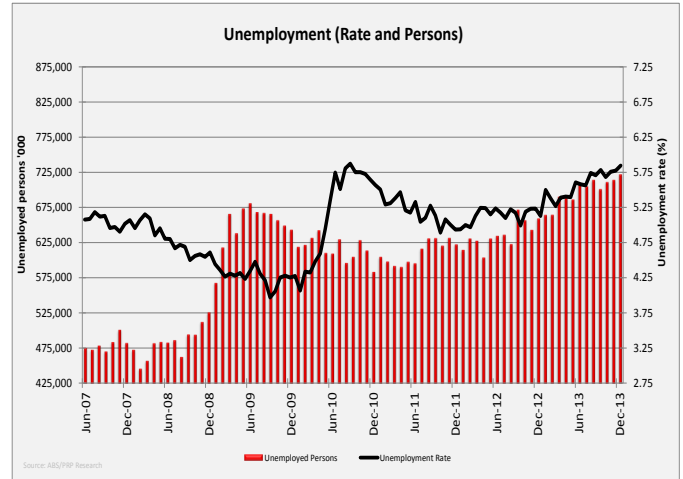


Chart 2 – Unemployment – Source ABS

## Interest Rates

At the date of publishing, the official Cash Rate over the December quarter 2013 remained unchanged at 2.50%. The cash rate has remained unchanged since September and is recording its lowest level since the RBA began recording data. At the Board’s meeting in December, the RBA’s Governor Glenn Stevens stated;

“In Australia, the economy has been growing a bit below trend over the past year and the unemployment rate has edged higher. This is likely to persist in the near term, as the economy adjusts to lower levels of mining and investment. Further ahead, private demand outside the mining sector is expected to increase at a faster pace, though considerable uncertainty surrounds this outlook. There has been an improvement in indicators of household and business sentiment recently, but it is still unclear how persistent this will be. Public spending is forecast to be quite weak.”

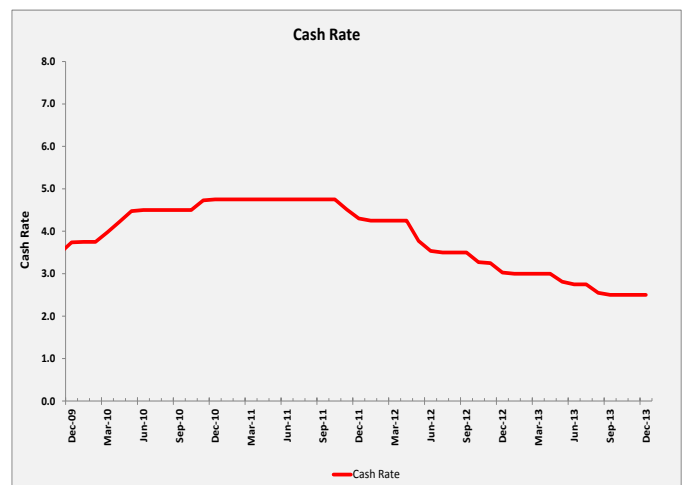


Chart 3 – Cash Rate—Source RBA

**CPI**

According to the Australian Bureau of Statistics Category 6401.0 Consumer Price Index (December 2013), the Australia's All Groups CPI increased by 0.8% over the quarter to December 2013 from 104.0 to 104.8. In comparison to December 2012, Australia's All Groups CPI has increased by 2.8 index points which reflects annual growth of 2.75%.

The most marked price rises over the December quarter were for fruit (+8.1%), vegetables (+7.1%), domestic holiday travel and accommodation (+6.9%), international holiday travel and accommodation (+2.6%), tobacco (+2.2%) and new dwelling purchase by owner-occupiers (+1.0%). The most significant price fall over the December 2013 quarter was attributed to automotive fuel, declining by 1.1%.

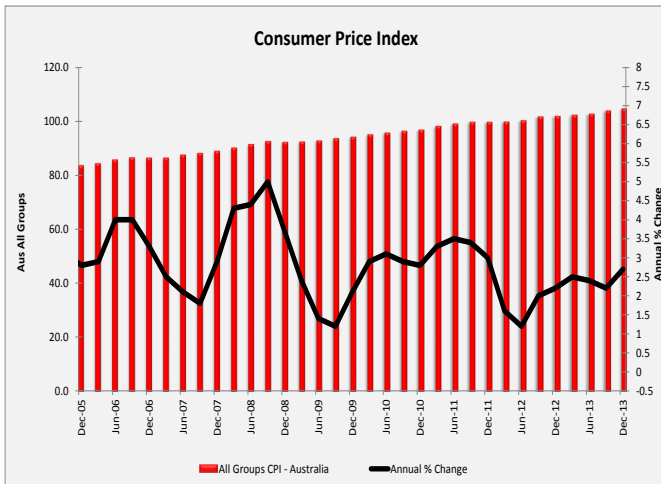


Chart 4 – Consumer Price Index – Source RBA

**Consumer Sentiment**

The Westpac Melbourne Institute of Consumer Sentiment Index declined by 4.8% in December from 110.3 in November to 105.0 in December. Over the quarter the index has declined by 5.6 points, a decline of 5.06%. In comparison to December 2012, the index has increased by 5 index points reflecting a 4.97% increase.

Over the year of 2013 the Consumer Sentiment Index remained above 100 in all months apart from May, when it experienced the trough of 97.6. For the month of December, Westpac's Chief Economist, Bill Evans, commented that "This is the lowest level of the index since July this year. It is 4.3% below the average print for the 3 months which covered the post-election period and the time of most euphoria around house prices".

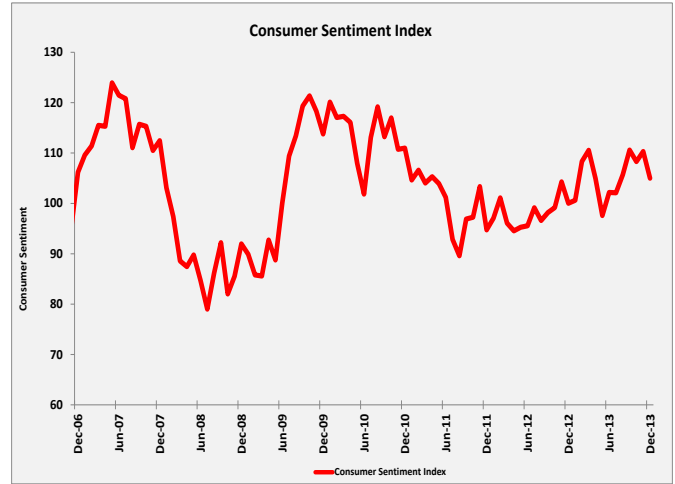


Chart 5—Consumer Sentiment Index—Source Westpac Melbourne Institute

**Commercial Office Market**

**Adelaide CBD**

**Property Council of Australia**

The latest statistics from the Property Council of Australia's (PCA) Office Market Report July 2013 have been analysed to derive at the following findings:

**Supply**

Over the six months to July 2013 there was 19,363 sqm of new supply which entered the Adelaide CBD Office Market and 10,685 sqm of partial supply resulting in total supply of 30,048 sqm. This was offset by 4,390 sqm of stock withdrawals over the period which reflected a net supply of 25,658 sqm in the six months to July 2013.

Premium Grade and D Grade office stock remained unchanged, recording no supply or withdrawals to remain at stock levels of 41,700 sqm and 151,234 sqm respectively. These stock levels reflect a market share as at July 2013 of 3.1% and 11.3% respectively.

A Grade office stock recorded 19,363 sqm of supply enter the market resulting in an increase in total supply to 501,815 sqm reflecting a market share of 37.5%. B Grade office stock recorded 10,685 sqm of supply entering the market resulting in total supply of 371,945 sqm and a market share of 27.8%. C Grade office stock recorded a tightening of 4,390 sqm to 299,744 sqm and reflects a market share of 22.4%.

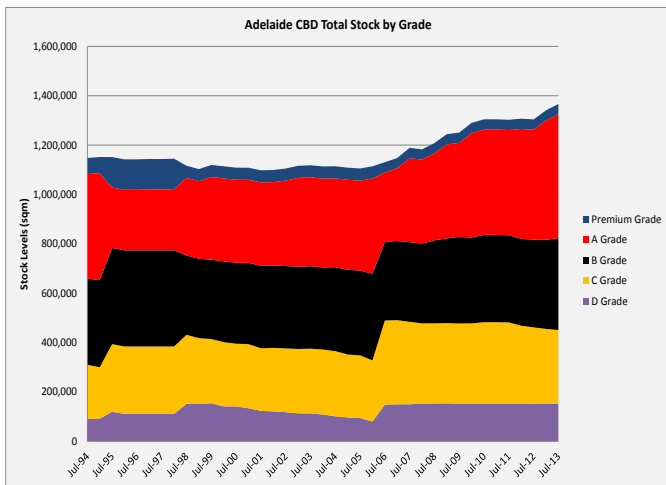


Chart 6 – Adelaide CBD Total Stock by Grade – Source

**Total Vacancy:**

In regard to vacancy, the Adelaide CBD office market recorded an increase in the total vacancy rate by 2.6% to 12.1% as at July 2013. Sub-lease vacancy accounted for 0.9% of the total and 11.2% was attributed to direct vacancy. This increase in vacancy reflects an increase in vacant stock levels of 37,614 sqm, direct vacancy recorded an increase of 50,648 sqm however this was offset by sub-lease vacancy which recorded a decline of 13,034 sqm.

Total vacancy as at July 2013 was recorded at 164,976, its highest level since July 1999. Premium Grade office stock recorded 1,828 sqm of vacant stock which reflects a vacancy rate of 4.4%. A Grade vacancy was 49,564 sqm reflecting a vacancy rate of 9.9%. B Grade vacancy was 50,632 sqm with a vacancy rate of 13.6%. C Grade and D Grade total vacancy was recorded at 35,713 sqm (11.9%) and 27,239 sqm (18%) respectively.

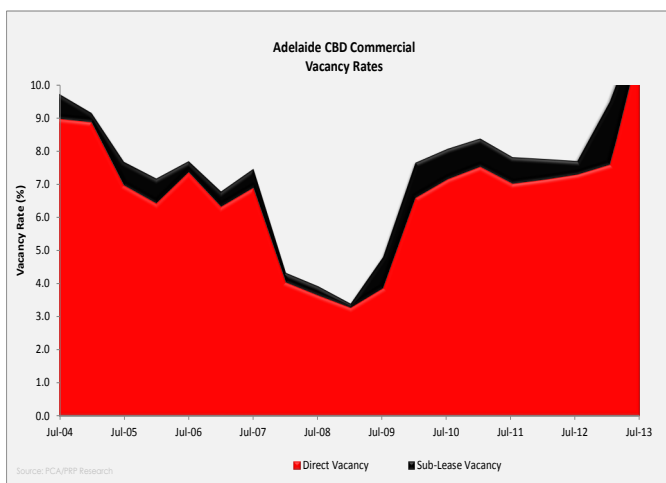


Chart 7 – Adelaide CBD Commercial Vacancy Rates – Source PCA

**Retail Market**

**Investment Activity**

PRP Research recorded few reported sales transactions that occurred in the South Australia Retail Market during the three months to December 2013 however;

A private investor has purchased a Bunnings store at **933-945 North East Road, Modbury** for **\$16.3 million**. The **7,082 sqm** property sits on a 1.5 hectare site and the sale price reflects an initial **yield of 7.8%**.

**Economic Statistics**

According to the Australian Bureau of Statistics category 8501.0 Retail Trade (November 2013), the retail turnover figures recorded in South Australia produced varied results. South Australia total industry retail turnover increased by 0.91% over the month of November resulting in total turnover for the month of \$1,512.8 million. This is a 4.61% increase when compared to November 2012.

Over the month of November, retail turnover declined in comparison to the previous month in the categories of clothing, footwear and personal accessory retailing (-0.44%), department stores (-0.35%) and cafes, restaurants and takeaway food services (-0.66%) to turnover of \$90.1 million, \$114.6 million and \$181.8 million respectively. The most marked monthly growth was recorded in household goods retailing (1.86%) to turnover of \$224.3 million, followed by food retailing (1.63%) to turnover of \$685.6 million.

Year on year analysis revealed similar results, with declines experienced in department stores (-4.1%) and clothing, footwear and personal accessory retailing (-0.66%). The most significant annual growth was recorded by household goods retailing (11.54%), followed by other retailing (8.15%) and cafes, restaurants and takeaway food services (5.7%).

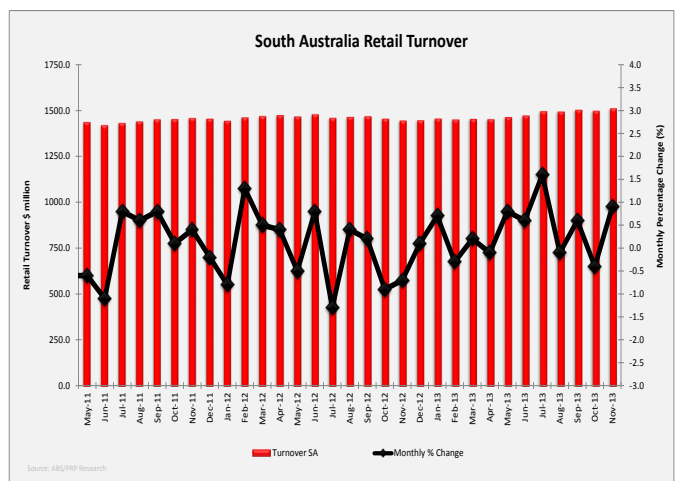


Chart 9 – South Australia Retail Turnover – Source ABS

Analysis of the various sub-categories of retail trade has revealed mixed results over the year. The most significant annual decline was attributed to Other Specialised food retailing, which declined by 13.63% to monthly turnover of \$48.8 million, followed by clothing retailing (-11.79%) to turnover of \$44.9 million. The most marked growth over the year was recorded by takeaway food services (+17.31%) to turnover of \$82 million, followed by Other Recreational Goods Retailing (+16.67%) to turnover of \$23.1 million.

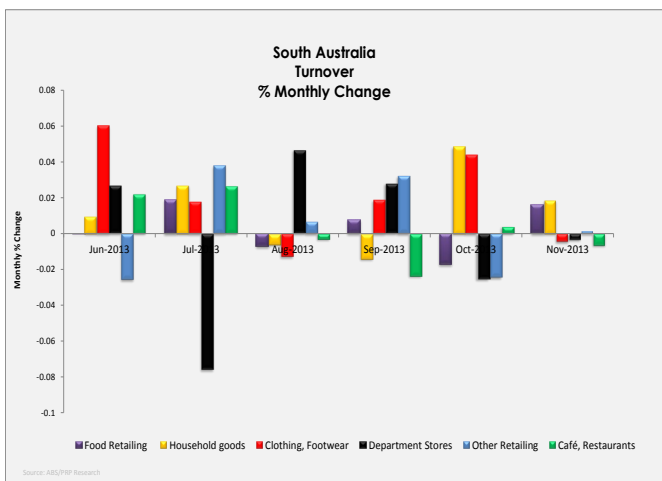


Chart 10 – South Australia Turnover % Monthly Change – Source PCA

## Residential Market

### Economic Statistics

According to the Australian Bureau of Statistics category 8731.0 Building Approvals November 2013, the total number of house dwelling approvals in the Adelaide Statistical Division over the month has declined by 6.33% from 521 approvals to 488 approvals. There was an annual growth of 14.55% in house dwelling approvals when compared to November 2012. Positive results for the Adelaide housing market were experienced, as total house dwelling approvals have increased to 4,795 over the year of 2013. The total number of non-house dwelling approvals recorded significant growth over the month of November 2013 of 58.43% from 255 approvals to 404 approvals. In comparison to November 2012 this reflected growth of 192.75% which brings total approvals for 2013 up until November to 2,459.

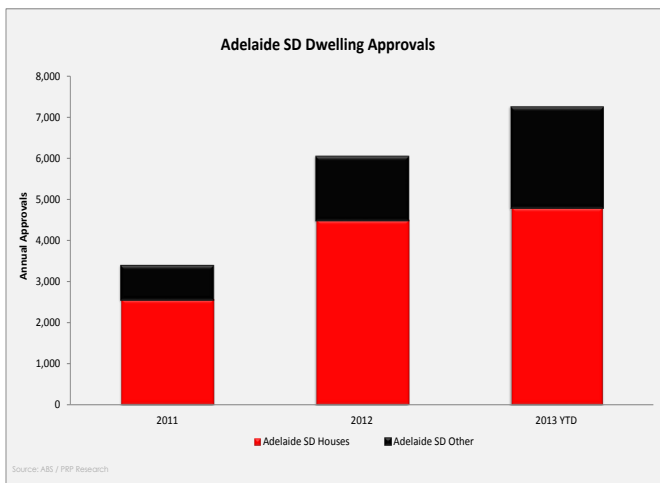


Chart 11 – Adelaide SD Dwelling Approvals – Source ABS

## ADELAIDE

### Market Affordability

According to the Real Estate Institute of Australia (REIA) the Adelaide median house price over the September quarter 2013 declined by 0.7% to a median sale price of \$397,000. Over the twelve months to September, growth of 2.1% was recorded. Quarterly declines in median sale prices were experienced in Middle & Outer Adelaide of 0.5% and 1.5% respectively to median sale prices of \$433,000 and \$320,000. Inner Adelaide sale prices remained unchanged over the quarter at \$600,000 and Mount Gambier, Port Lincoln and Riverland all recorded growth of 6.8%, 0.8% and 15% respectively to median sale prices of \$235,000, \$315,000 and \$195,000.

Year on year analysis revealed predominantly positive results, with the only annual decline attributed to Mount Gambier (-8.4%). Inner, Middle and Outer Adelaide zones recorded annual growth of 2.6%, 1.9% and 1.6% respectively. However the most significant annual growth was experienced in Riverland and Port Lincoln house prices, increasing by 22.6% and 20.8% respectively.

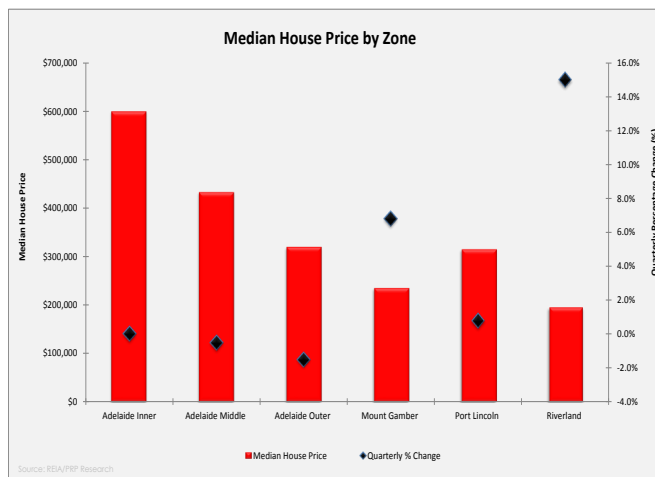


Chart 12 – Median House Price by Zone – Source REIA

Other Dwellings median house prices in South Australia recorded mixed results, with declines in Inner and Middle Adelaide of 3.4% and 3.9% respectively to median sale prices of \$338,000 and \$304,000. Outer Adelaide recorded quarterly growth of 2.3% to a median sale price of \$259,300. The most significant growth over the September quarter was in Mount Gambier and Port Lincoln, with increases of 36.4% and 23.3% respectively to median sale prices of \$179,000 and \$257,000.

Year on year analysis revealed positive results, with all zones recording increases. Inner, Middle and Outer Adelaide recorded annual growth of 4%, 3% and 5% respectively. Port Lincoln experienced growth of 8.9%, and Mount Gambier recorded the most marked annual growth of 49.2%.



Chart 13 – Median Price for Other Dwellings by Zone – Source REIA

### Rental Market

The September quarter revealed varied results in South Australia house rentals. The most marked declines were recorded in Middle Adelaide 3 & 4 bedrooms and Mount Gambier 4 bedrooms with declines of 2.8%, 4.5% and 3.3% respectively to median weekly rentals of \$350, \$420 and \$290. The most significant quarterly growth was attributed to Port Lincoln 2 bedrooms (8.7%) to median weekly rental of \$250, followed by Riverland 2 bedrooms and Outer Adelaide 2 bedrooms, increasing by 4.4% and 4% respectively to median weekly rentals of \$177.50 and \$260.

Year on year analysis revealed mixed results, with many zones remaining unchanged. The only declines recorded were in Outer Adelaide 4 bedrooms and Mount Gambier 4 bedrooms, declining by 4.1% and 3.3% respectively to median weekly rentals of \$350 and \$290. The most significant growth was experienced by Mount Gambier 2 bedrooms (18.4%) to \$225 and Port Lincoln 2 bedrooms (13.6%) to \$250 per week.

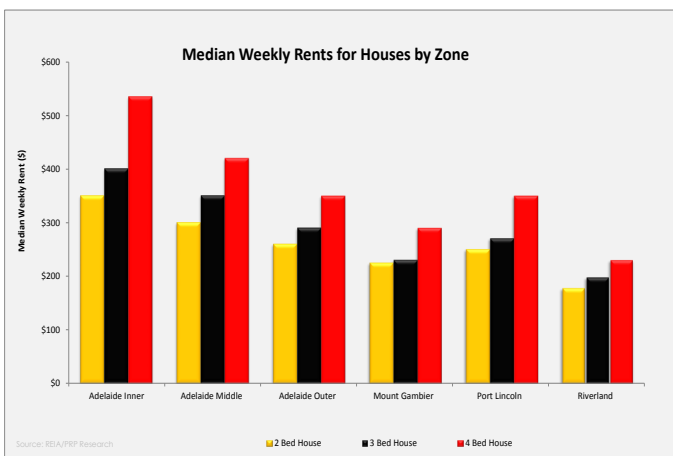


Chart 14 – Median Weekly Rents for Houses by Zone – Source REIA

Over the September 2013 quarter, South Australia Other Dwellings rentals revealed marginal growth and significant declines. Mount Gambier 3 bedrooms were the only zone to record a significant increase in median weekly rental of 14.3% to \$280. Other increases over the quarter were recorded in Middle Adelaide 1 bedrooms (2.2%) to \$230 per week, followed by Inner Adelaide 3 bedrooms (2%) to \$387.50 and Riverland 1 bedrooms (1.8%) to \$142.50.

Declines were experienced across the majority of zones. Port Lincoln 1, 2 and 3 bedrooms declined by 11.8%, 2.4% and 13% over the quarter to median weekly rentals of \$150, \$200 and \$300 respectively. Mount Gambier 1 and 2 bedrooms also experienced significant declines of 13% and 13.9% to rentals of \$100 and \$155 respectively.

Year on year analysis of South Australian Other Dwellings rentals has revealed Riverland 1 bedroom as the best performer, increasing by 18.8% to a median weekly rental of \$142.50. Mount Gambier 3 bedrooms followed, with annual growth of 12% to a median weekly rental of \$155. The most marked annual declines were experienced by Mount Gambier 1 bedrooms (-13%) to \$100 per week, followed by Riverland 2 bedrooms (-6.5%) to median weekly rental of \$145.

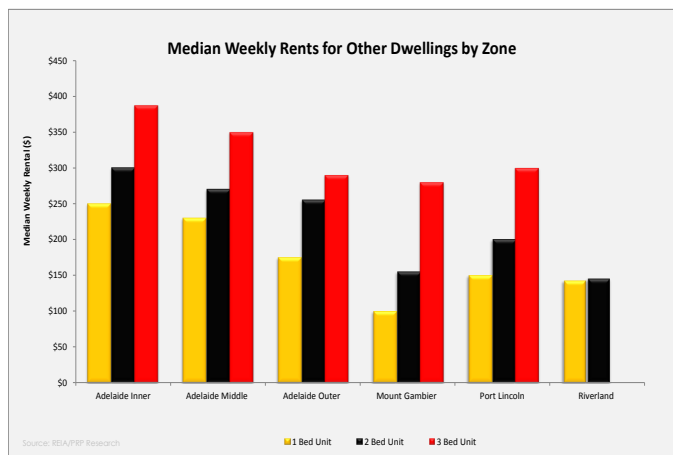


Chart 15 – Median Weekly Rents for Other Dwellings by Zone – Source REIA

## Our Research

At Preston Rowe Paterson, we pride ourselves on the research which we prepare in the market sectors within which we operate. These include Commercial, Retail, Industrial, Hotel & Leisure and Residential property markets as well as infrastructure, capital and plant and machinery markets

## We have *property* covered

- Investment
- Development
- Asset
- Corporate Real Estate
- Mortgage
- Government
- Insurance
- Occupancy
- Sustainability
- Research
- Real Estate Investment Valuation
- Real Estate Development Valuation
- Property Consultancy and Advisory
- Transaction Advisory
- Property and Asset Management
- Listed Fund, Property Trust, Super Fund and Syndicate Advisors
- Plant & Machinery Valuation
- General and Insurance Valuation
- Economic and Property Market Research

## We have all *real estate* types covered

We regularly provide valuation, property and asset management, consultancy and leasing services for all types of Real Estate including:

- CBD and Metropolitan commercial office buildings
- Retail shopping centres and shops
- Industrial, office/warehouses and factories
- Business parks
- Hotels (accommodation) and resorts
- Hotels (pubs), motels and caravan parks
- Residential development projects
- Residential dwellings (individual houses and apartments/units)
- Rural properties
- Special purpose properties such as: nursing homes; private hospitals, service stations, oil terminals and refineries, theatre complexes; etc.
- Infrastructure

## We have all types of *plant & machinery* covered

We regularly undertake valuations of all forms of plant, machinery, furniture, fittings and equipment including:

- Mining & earth moving equipment/road plant
- Office fit outs, equipment & furniture
- Agricultural machinery & equipment
- Heavy, light commercial & passenger vehicles
- Industrial manufacturing equipment
- Wineries and processing plants
- Special purpose plant, machinery & equipment
- Extractive industries, land fills and resource based enterprises
- Hotel furniture, fittings & equipment

## We have all *client profiles* covered

Preston Rowe Paterson acts for an array of clients with all types of real estate, plant, machinery and equipment interests such as:

- Accountants
- Banks, finance companies and lending institutions
- Commercial and Residential non bank lenders
- Co-operatives
- Developers
- Finance and mortgage brokers
- Hotel owners and operators
- Institutional investors
- Insurance brokers and companies
- Investment advisors
- Lessors and lessees
- Listed and private companies corporations
- Listed Property Trusts
- Local, State and Federal Government Departments and Agencies
- Mining companies
- Mortgage trusts
- Overseas clients
- Private investors
- Property Syndication Managers
- Rural landholders
- Self managed super funds
- Solicitors and barristers
- Sovereign wealth funds
- Stock brokers
- Trustee and Custodial companies

## **We have all *locations* covered**

From our central office location within the Sydney Central Business District we serve our clients' needs throughout the Sydney CBD, greater Sydney metropolitan area, throughout the state of New South Wales. For special purpose real estate asset classes, infrastructure, and plant & machinery we operate throughout Australia and globally either directly or through our relationship offices.

## **We have *your needs* covered**

Our clients seek our property (real estate, infrastructure, plant and machinery) services for a multitude of reasons including:

- Acquisitions & Disposals
- Alternative use & highest and best use analysis
- Asset Management
- Asset Valuations for financial reporting to meet ASIC, AASB, IFRS & IVSC guidelines
- Compulsory acquisition and resumption
- Corporate merger & acquisition real estate due diligence
- Due Diligence management for acquisitions and sales
- Facilities management
- Feasibility studies
- Funds management advice & portfolio analysis
- Income and outgoings projections and analysis
- Insurance valuations (replacement & reinstatement costs)
- Leasing vacant space within managed properties
- Listed property trust & investment fund valuations & re-valuations
- Litigation support
- Marketing & development strategies
- Mortgage valuations
- Property Management
- Property syndicate valuations and re-valuations
- Rating and taxing objections
- Receivership, Insolvency and liquidation valuations and support/advice
- Relocation advice, strategies and consultancy
- Rental assessments and determinations
- Sensitivity analysis
- Strategic property planning



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## Capital City Offices

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**Melbourne**

**Sydney**

## Regional Offices

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**Ballarat**

**Bendigo**

**Cairns**

**Central Coast/Gosford**

**Geelong**

**Gold Coast**

**Gippsland**

**Mornington**

**Newcastle**

**Wagga Wagga**

## Relationship Offices

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**Darwin**

**Hobart**

**Perth**

**Other regional areas**