

2 July 2009

## **Weekly Property Pulse Professional Edition**

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### **Industry Market Wrap**

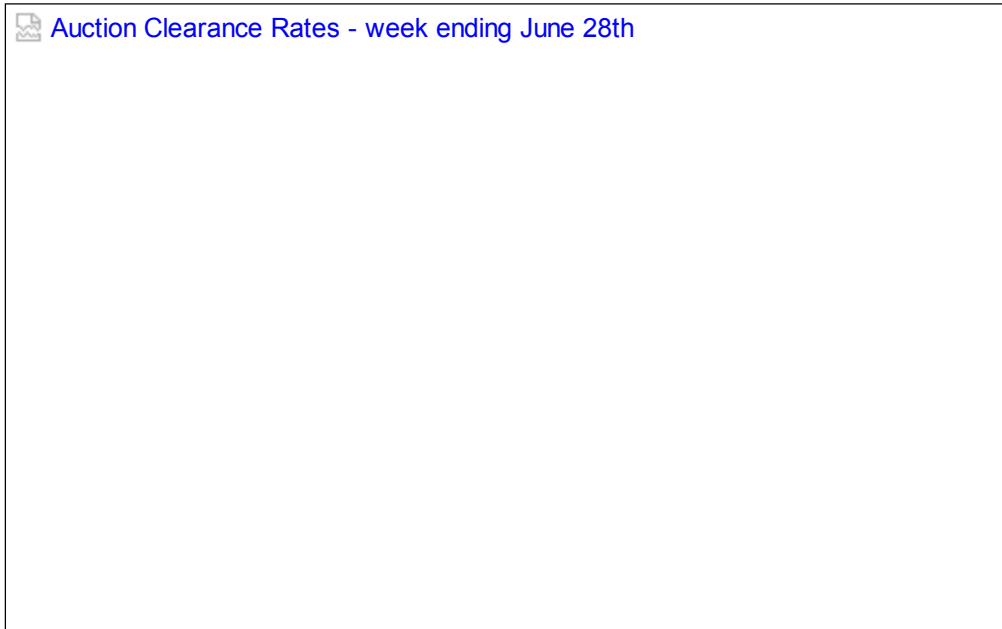
The 2008-09 financial year is finally behind us and will surely go down as one of the worst (in fiscal terms) for a very long time. The S&P/ASX 200 finished 24% lower over the year and the unemployment rate has increased to 5.7% from 4.3% over the 12 months to May 2009. We have also seen consumer and business confidence remain at low levels through most of the year and the number of jobs advertised also slump.

The bright spot in the economy has certainly been the property market, over the 12 months to May 2009 Australian property values have increased by 1.6%. Keeping this in perspective, at the time of their largest falls property values declined by -3.9% from their peak meanwhile, the S&P/ASX 200 was down as much as 50.5% from its peak and as at the end of June is still 41.4% below its peak level. Australian residential property has well and truly proven to be the most resilient and least volatile asset class during the Global Financial Crisis.

Data released this week also showed that dwelling approvals had fallen 12.5% during May 2009 however, private dwelling approvals fell by just 2%. The low number of dwelling approvals continues at a time of the strongest population growth in 40 years fuelling demand for additional new housing.

Not only did dwelling approvals take a dive according to the most recent data, the HIA reported this week that sale of new homes also fell during May after increasing during the first four months of the year. During the month new home sales fell by 5.7% fuelled by a fall in detached house sales of 6.8% whilst new unit sales actually increased 6.1%.

Over the long-term the continual under supply of new housing is likely to create additional upwards pressure on property prices.



Each week RP Data collects the most comprehensive set of auction results available in Australia. Thank you to our vast network of real estate professionals who assist us with aggregating these results. The statistics show how many auctions were reported by RP Data as well as the total number of auctions that were scheduled over the last week (due to the large number of auctions we are unable to report 100 percent of the results). 'Sold' properties indicate those properties that were either successfully auctioned on the day, sold before the auction or sold after the auction. Properties 'Not Sold' were either passed in at auction or withdrawn.

**Advertised stock on the market**

State	New advertised listings	Total advertised listings	State	Approximate value of total listed stock (\$m)	Approx agents commission available (based on 2.5% commission rate) (\$m)
Qld	2,836	30,246	Qld	\$11,951.8	\$278.8
NSW	2,671	33,153	NSW	\$11,918.1	\$298.0
Vic	2,213	21,434	Vic	\$7,094.3	\$175.4
WA	1,020	12,636	WA	\$5,044.4	\$126.1
SA	727	7,923	SA	\$2,504.5	\$62.6
NT	40	323	NT	\$124.6	\$3.1
ACT	50	479	ACT	\$202.1	\$5.1
Tas	277	4,204	Tas	\$1,493.9	\$37.3
Aust	9,832	110,398	Aust	\$39,232.1	\$980.8

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**Australia's best inner city rental yields**

*Rental yield improvement was very strong during 2008 and this week's Property Pulse takes a look at the top performing suburbs for indicative house and unit rental yields within 10km of a capital city CBD.*

The last 12 to 18 months has seen rental yields improve significantly fuelled by sluggish property value growth during most of the period whilst rental rates have risen markedly. With home values improving during the early stages of 2009, peak rental conditions appear to be close in many areas, particularly the Eastern Seaboard capital cities.

Across the Australian capital city property market, Darwin has the strongest yields for houses (6.4%) and units (6.1%). Meanwhile, the softest yields for houses and units are found in Melbourne at 4.2% for houses and 4.8% for units.

The indicative gross rental yield is derived based on the ratio of the median prices to annualised median advertised rents. As a result this measurement provides an indication of the suburbs where strong yields on investment property are available.

Of those suburbs within 10 kilometres of the city centres, the fact that high median house prices are in general relatively expensive means that rental yields tend to be quite soft for

houses in the inner city. Meanwhile, within the more affordable inner city unit markets strong rental yields are much more apparent. This is simply due to particularly high demand for units in inner locations. This strong demand stems from proximity to working nodes, quality public transport amenity and a significant supply of restaurants, bars and most other amenity.

Across Australian inner city areas, Ultimo in Sydney currently has the strongest indicative gross rental yield at 10.4% for units. This result is thanks to an affordable median price (due to many one bedroom units) coupled with a premium rental price stemming from the suburbs locational advantages and very active student accommodation market.

Across the list of top five suburbs detailed, units in Darwin and Sydney tended to have the strongest yields with the top five in each city recording yields in excess of 6.5%. Sydney's strong rental demand is stemming from the expense of housing and the fact that the CBD is Australia's largest employment node and along with nearby areas is home to some of the nation's best retail, dining and social amenity. Meanwhile, Darwin property prices are now more expensive than Melbourne and Brisbane. The city has gone from strength to strength thanks to the public sector investment, a significant armed forces presence and ongoing expenditure in the mining and resources sector.

For houses, it is really quite difficult to find quality rental yields within the 10 kilometre inner ring of the city. Those seeking to purchase investment properties within the inner city areas are much more likely to be seeking capital growth rather than rental return. Whilst the top indicative gross rental yields for units sits at 10.4%, the strongest inner city house yields are currently recorded at Risdon Vale in Hobart where yields sit at 6.5%.

Inner city house rental yields are strongest in Hobart, this is largely due to the relative affordability of housing in the city compared to mainland capitals. The weakest yields for inner city houses appear to be found in Brisbane and Adelaide.

The last year has seen some exceptional improvements in gross rental yields throughout the capital cities however, most cities have now seen gross rental yields begin to plateau or even reduce slightly. Given this, the best buying conditions for investment won't last much longer but for those who act quickly there are still some good opportunities.

	Suburb	Distance from GPO	Median Price	Weekly Median Advertised Rent	Indicative Gross Rental Yield
<b>Sydney Houses</b>	Forest Lodge	4	\$803,000	\$670	5.8%
	Darlington	4	\$594,000	\$650	5.7%
	Waterloo	5	\$537,500	\$550	5.3%
	Eastlakes	8	\$657,500	\$650	5.1%
	Arncliffe	10	\$542,500	\$530	5.1%
<b>Sydney Units</b>	Ultimo	2	\$235,000	\$470	10.4%
	The Rocks	0	\$535,000	\$1,000	9.7%
	Woolloomooloo	2	\$376,000	\$630	8.7%
	Rushcutters Bay	3	\$335,000	\$450	7.0%
	Sydney	1	\$472,500	\$625	6.9%
<b>Melbourne Houses</b>	Collingwood	3	\$555,500	\$550	5.1%
	Parkville	3	\$785,000	\$720	4.8%
	South Kingsville	8	\$492,500	\$440	4.6%
	Abbotsford	4	\$577,000	\$470	4.2%
	Port Melbourne	4	\$740,000	\$600	4.2%
<b>Melbourne Units</b>	Carlton	2	\$225,000	\$370	8.6%
	Burnley	5	\$321,000	\$500	8.1%
	Melbourne	1	\$367,883	\$480	6.8%
	Southbank	1	\$460,000	\$575	6.5%
	Docklands	2	\$522,500	\$625	6.2%

<b>Brisbane Houses</b>	Hemmant	10	\$392,500	\$360	4.8%
	Kenmore	10	\$493,750	\$450	4.7%
	Spring Hill	1	\$772,500	\$695	4.7%
	Tingalpa	10	\$421,000	\$375	4.6%
	Keperra	10	\$395,000	\$350	4.6%
<b>Brisbane Units</b>	Spring Hill	1	\$365,000	\$450	6.4%
	Fortitude Valley	2	\$375,000	\$440	6.1%
	Tingalpa	10	\$310,000	\$360	6.0%
	South Brisbane	1	\$440,000	\$500	5.9%
	Woolloongabba	3	\$400,000	\$450	5.9%
<b>Adelaide Houses</b>	West Richmond	5	\$343,555	\$320	4.8%
	Ridleyton	4	\$400,000	\$370	4.8%
	Marleston	4	\$408,000	\$375	4.8%
	Dernancourt	10	\$351,500	\$320	4.7%
	Ottoway	10	\$290,000	\$263	4.7%
<b>Adelaide Units</b>	Gilles Plains	10	\$258,750	\$330	6.6%
	Glenside	10	\$360,000	\$450	6.5%
	Woodville South	7	\$262,000	\$320	6.4%
	Woodville North	8	\$235,000	\$280	5.8%
	Everard Park	4	\$227,400	\$250	5.7%
<b>Perth Houses</b>	Tuart Hill	7	\$425,000	\$420	5.1%
	Mirrabeeka	10	\$340,000	\$330	5.0%
	Redcliffe	8	\$415,000	\$390	4.9%
	Ashfield	8	\$385,000	\$350	4.7%
	Nollamara	8	\$390,000	\$340	4.5%
<b>Perth Units</b>	Glendalough	5	\$250,000	\$310	6.4%
	Jolimont	5	\$300,000	\$350	6.1%
	West Perth	2	\$290,000	\$330	5.9%
	Stirling	9	\$520,000	\$580	5.8%
	Perth	1	\$269,500	\$300	5.8%
<b>Hobart Houses</b>	Risdon Vale	9	\$175,000	\$220	6.5%
	Mornington	6	\$246,064	\$300	6.3%
	Rokeby	9	\$183,500	\$220	6.2%
	Glenorchy	7	\$230,000	\$270	6.1%
	Clarendon Vale	10	\$159,500	\$185	6.0%
<b>Hobart Units</b>	West Hobart	2	\$255,000	\$310	6.3%
	Battery Point	1	\$317,500	\$360	5.9%
	Moonah	5	\$212,500	\$240	5.9%
	Glenorchy	7	\$200,000	\$220	5.7%
	Lenah Valley	5	\$230,000	\$250	5.7%
<b>Darwin Houses</b>	Alawa	10	\$419,000	\$480	6.0%
	Rapid Creek	10	\$532,000	\$600	5.9%
	Bayview	3	\$755,000	\$850	5.9%
	Woolner	3	\$570,250	\$630	5.7%
	Wagaman	10	\$400,000	\$440	5.7%
<b>Darwin Units</b>	Stuart Park	2	\$341,000	\$450	6.9%
	Alawa	10	\$262,000	\$345	6.8%
	Parap	3	\$290,000	\$380	6.8%
	Millner	8	\$276,000	\$360	6.8%
	Wagaman	10	\$250,000	\$320	6.7%

<b>Canberra Houses</b>	Holder	9	\$427,500	\$475	5.8%
	Duffy	10	\$460,000	\$508	5.7%
	Bruce	5	\$600,000	\$660	5.7%
	Evatt	10	\$408,000	\$440	5.6%
	Mckellar	9	\$492,500	\$525	5.5%
<b>Canberra Units</b>	Scullin	10	\$226,000	\$310	7.1%
	Hackett	5	\$227,000	\$280	6.4%
	Lyneham	4	\$338,000	\$410	6.3%
	Griffith	5	\$340,000	\$410	6.3%
	Lyons	8	\$242,500	\$290	6.2%

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