



Lay of the Land Report

Rapid price growth combined with lower sales volumes create a strong Adelaide real estate market for sellers

Spring 2021 Edition

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Produced by

Will Harmer
Policy Planner

Ben Russ
Head of Planning & Delivery

George Giannakodakis
Founder & CEO

Contact us at

admin@pointdata.com.au
or call us on +61 8 8227 0376

I TOWARDS 2022

It is no secret that property prices in Metropolitan Adelaide have been increasing rapidly since the early stages of the Covid-19 pandemic. The rapid growth observed across many of Australia's major cities has been observed in almost all parts of Metropolitan Adelaide.

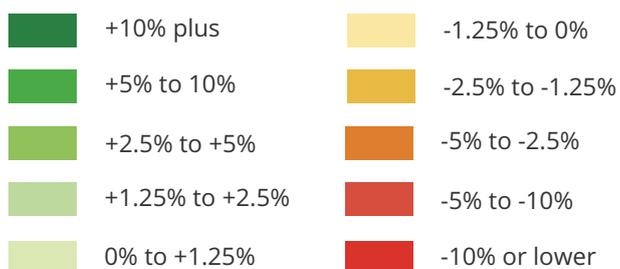
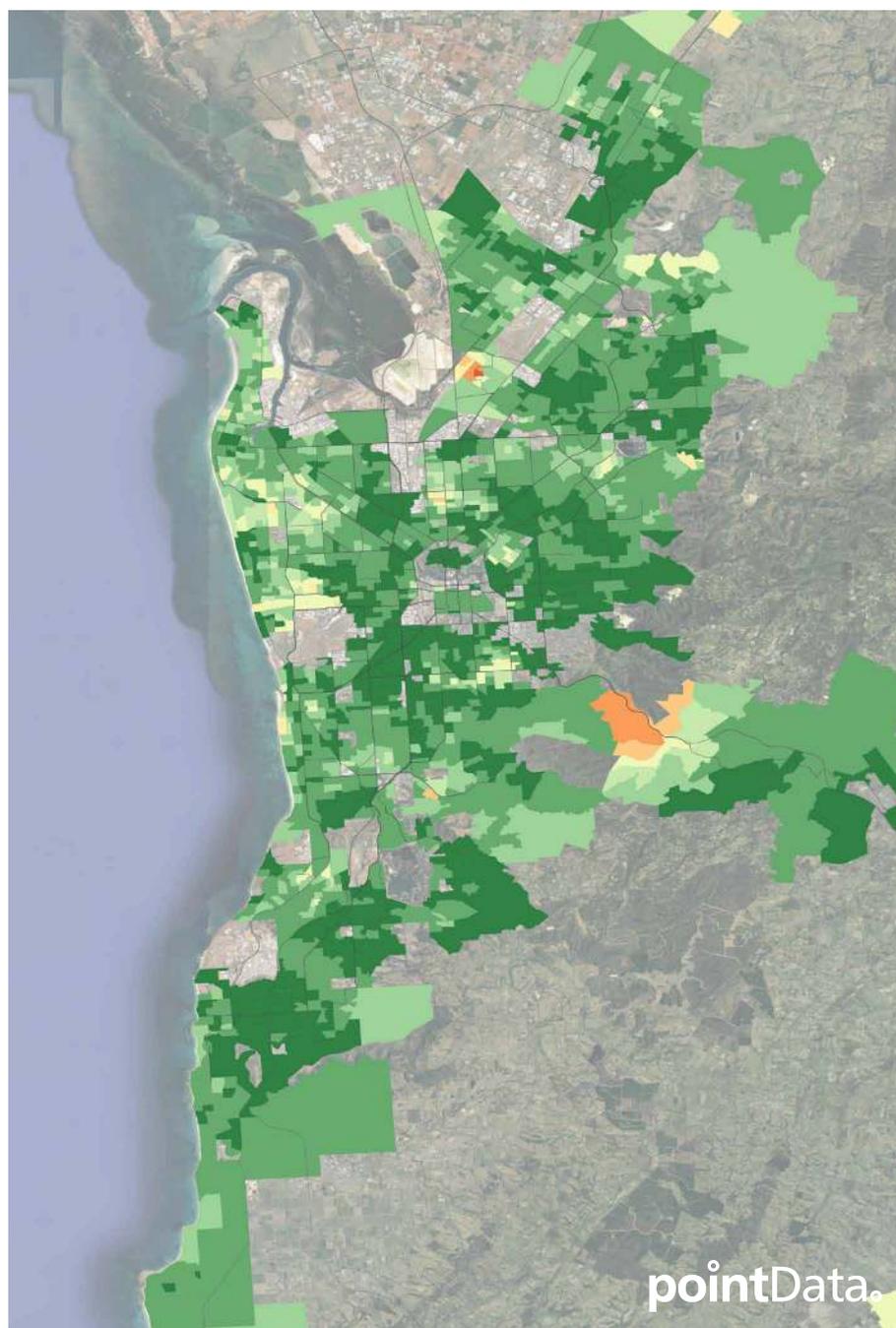
Over 12 months have passed since the global pandemic was predicted to cripple the Adelaide housing market, seeming like a distant memory during this extended period of rapid growth. The shift in vendor and buyer behaviour is becoming more predictable off the back of a change in psyche towards higher qualities expected of residential property.

The divergence from the original goal of a 'post-Covid' era towards a 'living-with-Covid' era is giving some degree of clarity to the areas of the economy that took the biggest financial hit in the early stages of the pandemic. The discrepancy between the performance of different sectors is stark and self-perpetuating, *"with some areas facing very difficult conditions while others are continuing to grow strongly."* (Reserve Bank of Australia, 2021) The balance and order in which sectors traditionally interact is being continuously questioned, with those already holding assets in the housing market benefiting the greatest amount.

The demographics of buyers have shifted with the property market and pandemic. Increasing prices are seeing rates of first home buyers successfully converting their pre-approved finance dropping by 7.6% from July to June of this year, contrasted by loans to investors rising by 1.8% over the same period (Australian Bureau of Statistics, 2021). While intermittent lockdowns (particularly in the eastern states) are making the home-buying journey more difficult, it is not deterring interstate buyers from looking to the Adelaide market for a comparatively good deal, with Matthew Paternoster from Williams Real Estate stating, *"so many of them are selling their homes for maybe \$7 million, \$8 million, \$9 million or \$10 million, and buying something equivalent in Adelaide for \$3million or \$4 million."* (Domain, 2021) This ever-increasing demand is expected to apply further upward price pressure (Business Insider, 2021) when international migration returns to increased levels.

Auctions continue to be one of the main drivers of this rapid price growth: it is no longer uncommon to have dozens of registered bidders at any given auction. Data from late August is showing an increase in the number of registered bidders, with July averaging 6.9 per auction nationally, compared to an average of 2.6 just 12 months ago. (Ray White, 2021) Sustained low interest rates set by the Reserve Bank is seeing an increase in borrowing power. Combined with the short periods for real estate campaigns, the slowing in supply (see Real Estate Listings in this report) and the prolonged interstate interest in the Adelaide housing market, property prices are expected to (at a minimum) hold their current inflated values.

PROPERTY PRICE TRENDS



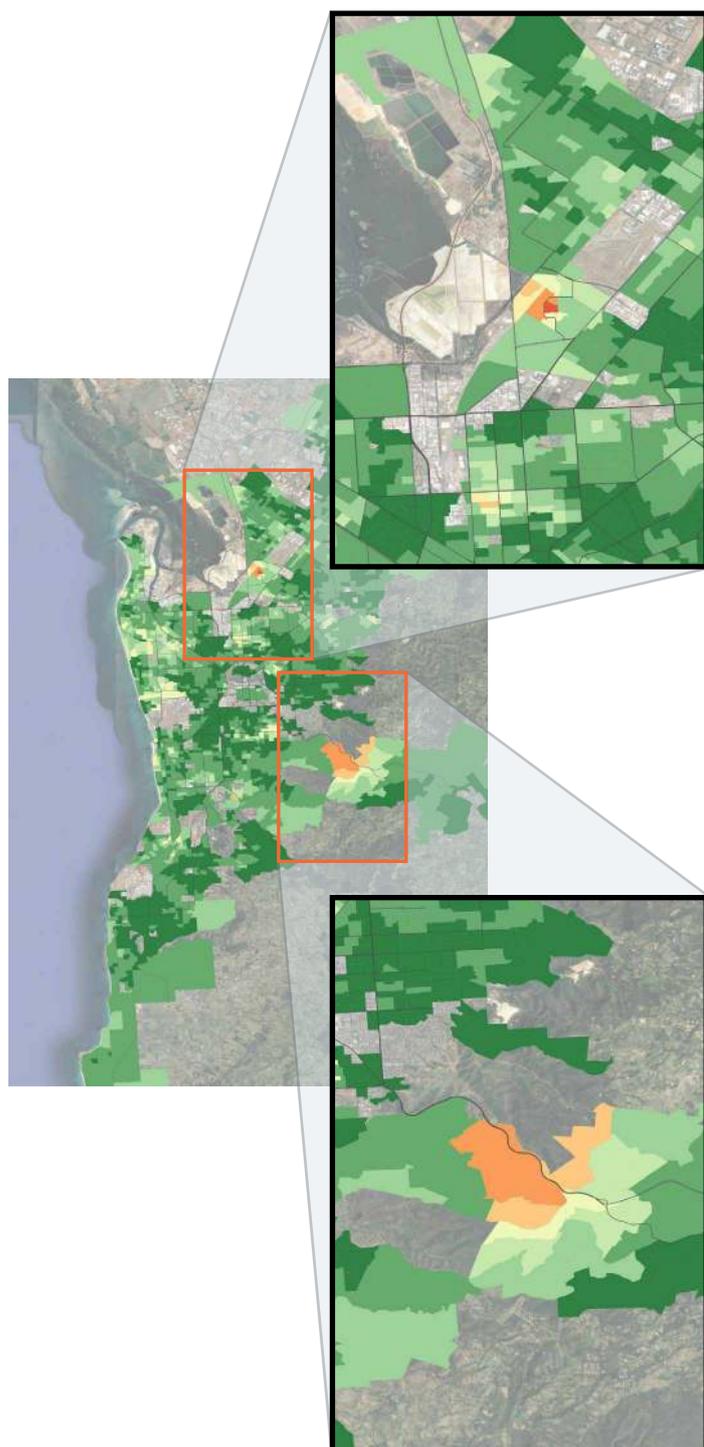
3 MONTHS TO AUGUST AVERAGED BY SA1

The rapid growth observed across many of Australia's major cities has reached almost all parts of Metropolitan Adelaide.

Properties that demand the highest prices are seeing almost universal growth above 10%, with the resultant dollar value of these increases reaching into the millions in some areas. In all areas of Adelaide (including the most affordable areas of the outer north and south) there are very few pockets which have seen less than 1.25% growth ensuring that all price points are represented with some form of strong growth. While there are still pockets of low growth (and negative growth) these areas are confined to small areas no bigger than a single suburb.

Reducing levels of supply and a continued positive interstate migration for South Australia is ensuring this growth continues into the foreseeable future. It is difficult to say with the roll out of the covid-19 vaccine (as part of the vaccine-led recovery) how close South Australia will get to pre-pandemic behavioural norms. However, it is unlikely that property prices will revert to pre-pandemic levels of growth. It would come as little surprise if a plateau in growth was observed, as eventually demand from the net-positive interstate migration will slow. The reintroduction of incoming overseas migration together with the multitude of changes the pandemic continues to bring will ensure this supply and demand relationship that is currently pushing up prices will continue to be volatile.

PROPERTY PRICE TRENDS



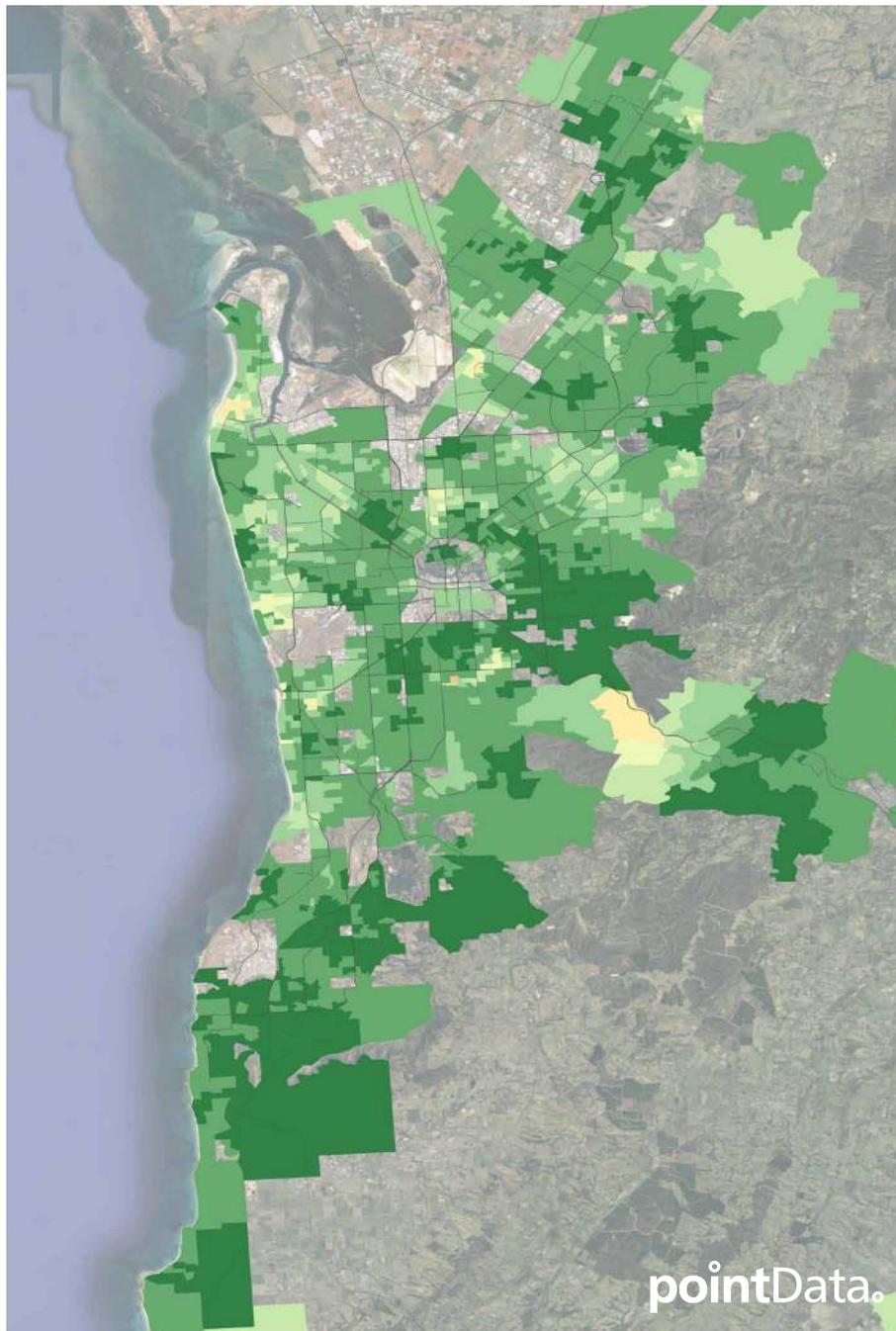
MAWSON LAKES

- The University of South Australia occupies a large portion of the area (including associated housing), with the downturn in international students reducing demand (and therefore prices) for university-linked housing.
- There's been a shift in psyche from buyers who are now seeking out larger properties due to the extended periods at home the pandemic has forced, which can be found in the surrounding areas.
- Much of the housing in Mawson Lakes is near-new but not brand-new which is available in recent nearby developments, reducing demand within Mawson Lakes.

CRAFERS WEST

- Owners of lower value properties are taking the opportunity to sell in the strong seller-market.
- There are some hobby farms available but with difficult terrain. The introduction and ongoing use of working-from-home arrangements is seeing prospective buyers willing to look further-afield for properties with easier terrain that provide the same lifestyle.
- A large variety of land sizes and uses can result in short-term volatility depending on what sells in a given period.
- The low sales activity observed in the area over the last 12 months (see Sales Activity Comparison in this report) increases the effect of possible erroneous sales, likely contributing to the negative growth.

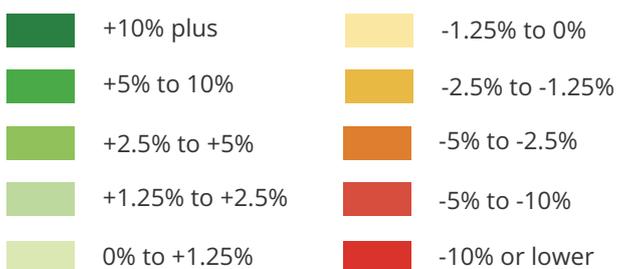
PROPERTY PRICE TRENDS



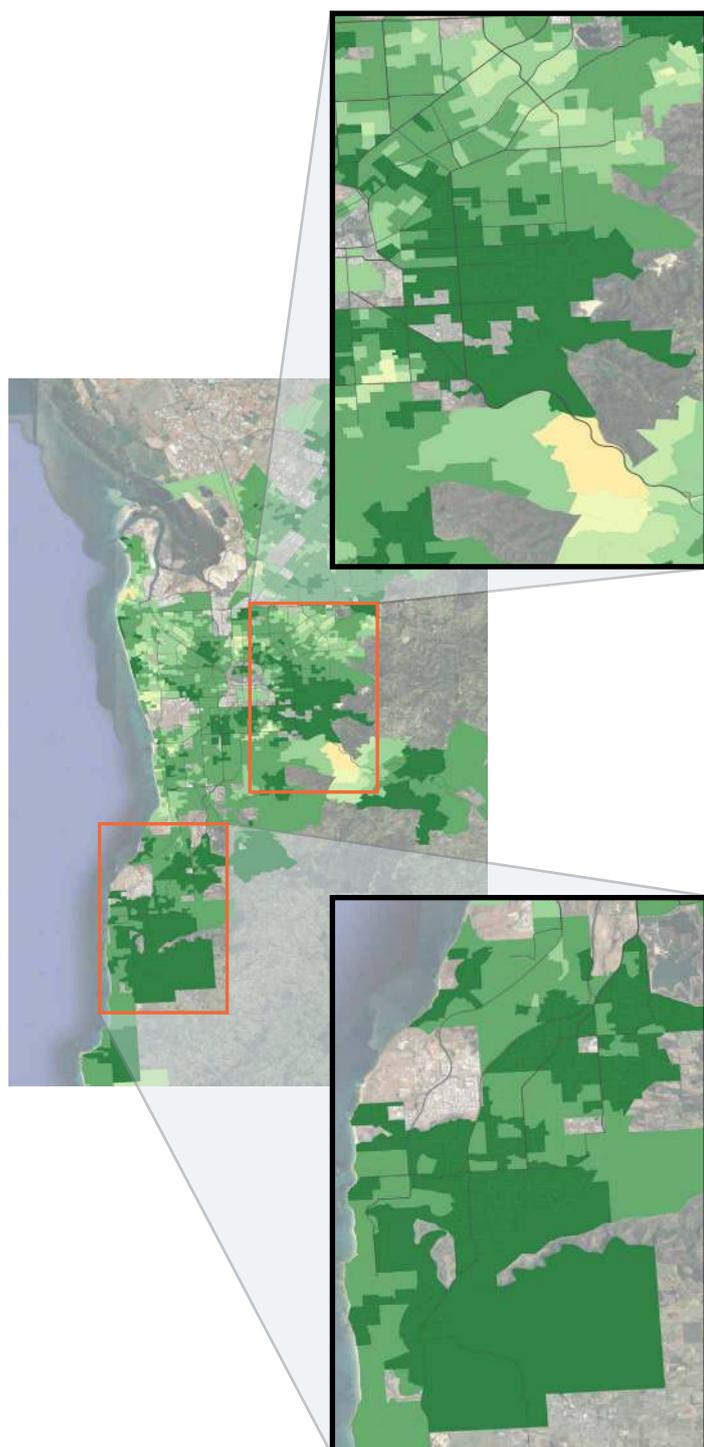
6 MONTHS TO AUGUST AVERAGED BY SA1

The uniform patterns of growth observed across metropolitan Adelaide in the previous 6-month period underlines that these unprecedented levels of value increase observed in the 3-month section aren't just a short-term phase of volatility. There are still areas of lower growth, however it is important to note that these are only low in comparison to the widespread areas in the 10% plus bracket. This top bracket is becoming less discriminatory in the areas which it is common, seen extensively in the east, the outer-north and the outer-south.

The Lefevre Peninsula remains an area of interest as observed in the previous edition of this report. However, it seems to be realigning itself with its immediate surroundings and given the 6-month growth encapsulates some of the 3-month growth seen in the previous report it is unsurprising that the indicated growth for the area is still somewhat lower than what would be expected. There are 2 pockets of lower growth in the Highgate and Westbourne Park areas but given the very consistent high growth in their immediate vicinities this can be ruled a misrepresentation likely caused by some lower-end sales.



PROPERTY PRICE TRENDS



EASTERN SUBURBS

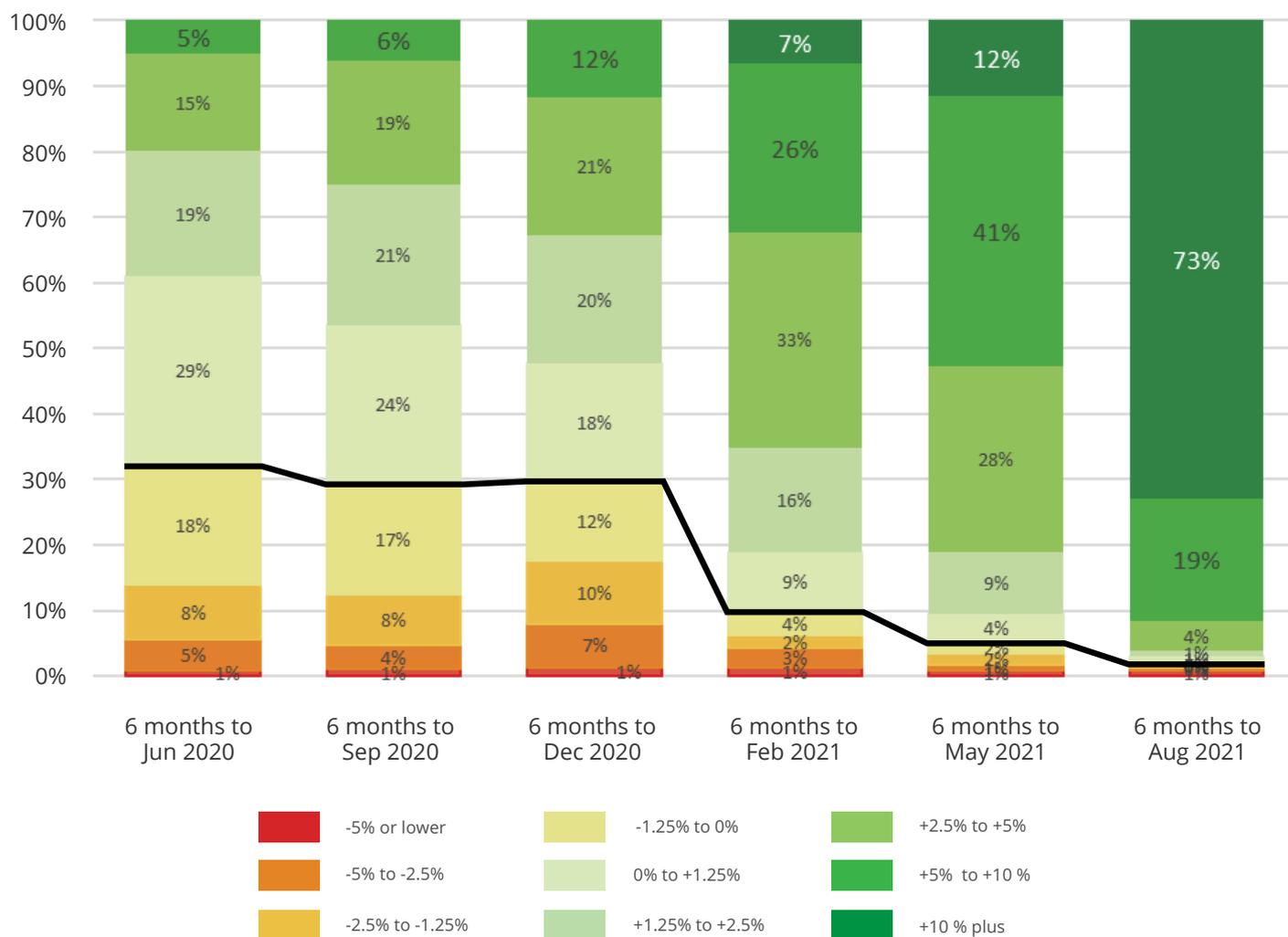
- The ongoing pandemic has forced a greater investment in the idea of home from buyers, resulting in a willingness to spend a greater amount for a higher quality home.
- Property is being viewed as a safer and more lucrative investment opportunity, attracting wealthy local, interstate, and overseas investors.
- What is deemed to be expensive in Adelaide is not necessarily the case for those migrating from interstate, pushing prices towards the higher end seen in the eastern states.
- The real dollar value of the percentage growth in these areas is much higher than other areas of Metropolitan Adelaide, making it a more attractive investment opportunity for those that can afford it.

OUTER-SOUTHERN SUBURBS

- The widely held knowledge of the rapid growth of property prices is giving investors increasing confidence in lower-value areas, as well as making purchases for investment more accessible.
- Working-from-home arrangements and intermittent lockdowns due to the pandemic is reducing the importance of being close to the CBD in the eyes of buyers, adding value to outer areas.
- Extensive ongoing works on the north-south corridor will reduce travel times to the outer-south in coming years. This growth may not be realised to its true potential for as long as the pandemic keeps travel into the CBD below pre-pandemic levels.

PROPERTY PRICE TRENDS

PROPORTION OF ADELAIDE PROPERTIES - 6 MONTHS TO AUGUST



It is no secret that property prices in Metropolitan Adelaide have been increasing rapidly since the early stages of the pandemic. However, the graph above shows that this growth has been greater in speed and magnitude than anyone could've predicted.

In the summer 2021 edition of the report a new category of over 10% growth was introduced to try and capture what was at the time a significant but not overwhelming number of rapidly growing properties, particularly in the city's east. This category has now grown to include 73% of metropolitan Adelaide's properties. In spring 2020 only 70% of properties were seeing any growth at all, underlining just how unprecedented this period of growth has been.

While this growth has been relatively abrupt, a build up to these levels is clearly present. Barring a sudden collapse of financial markets (which given the chaos of the pandemic is not completely out of the realms of possibility) any slowing of this growth rate is likely to occur gradually.

PROPERTY PRICE TRENDS

SUBURB INDICES

The suburb indices seen below outline the top 10 suburbs that have achieved the highest growth in value over the past 3 months. It is important to note that 3-month growth is susceptible to volatility given the short period of time. For this reason, the 6-month growth and current median sale price is included to give broader context. Outliers in the 3-month growth can often be identified by comparing to the corresponding 6-month growth. However, in the case of the properties shown (and indeed the majority of the top 50) their 6-month growth values all indicate these are not abnormalities.

Suburb	Annualised 3 month growth	Annualised 6 month growth	Current median sale price
Glen Osmond	49.21%	35.18%	\$1,162,483
Clarence Gardens	45.34%	25.36%	\$749,614
Toorak Gardens	43.76%	48.70%	\$1,271,329
Black Forest	43.46%	23.33%	\$815,157
Urrbrae	42.48%	43.03%	\$1,113,684
Hazelwood Park	41.75%	45.94%	\$1,202,711
Dulwich	40.16%	46.50%	\$1,269,500
Stonyfell	39.11%	32.42%	\$1,079,467
Glandore	38.76%	24.40%	\$689,477
Burnside	38.39%	38.07%	\$1,126,825



To find out how property values in your suburb have changed recently, check the full suburb list available on [Our Insights](https://pointdata.com.au) at pointdata.com.au.

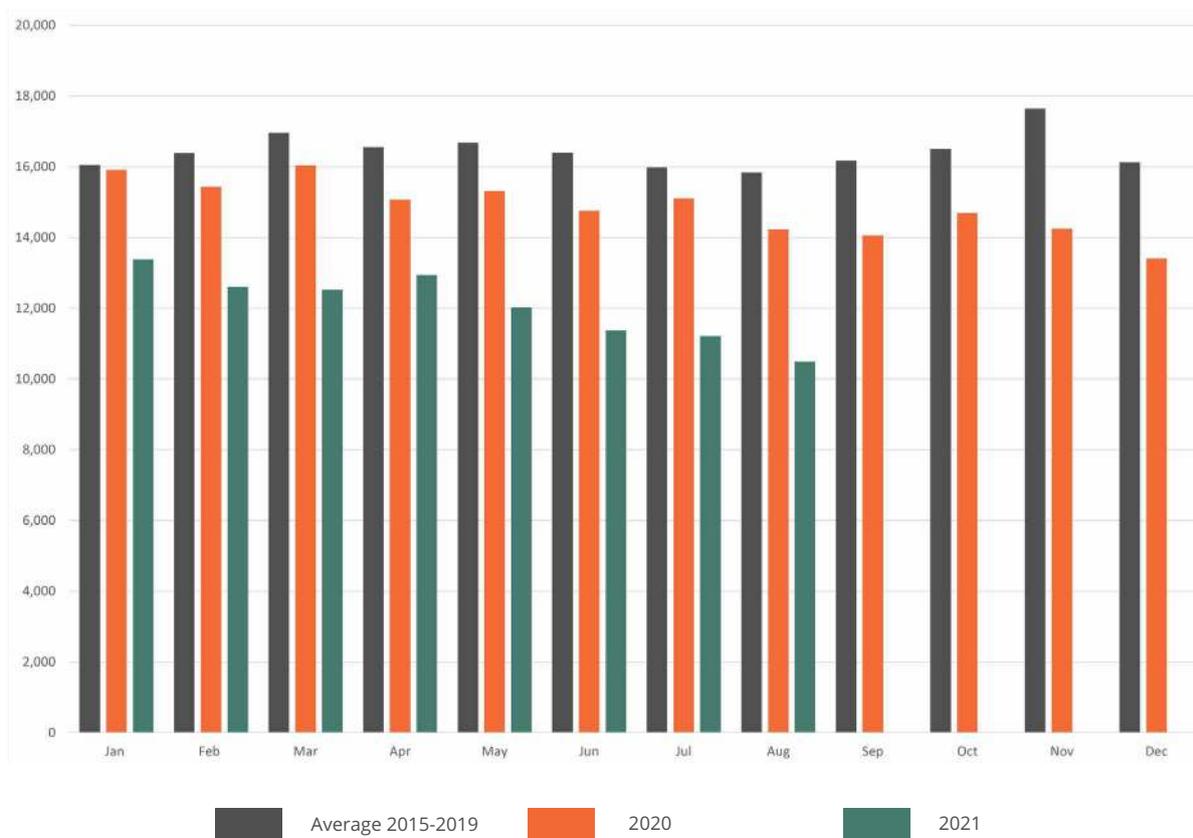
It comes as little surprise that the majority of the top 10 suburbs for growth in the past 3 months are located in the city's east and inner-south. As discussed earlier, these areas attract wealthy investors due to the high real dollar values achieved through this growth compared to their cheaper counterparts.

9th placed Glandore is the most accessible suburb of the top 10 with a median sale price just shy of \$700,000. Considering savvy investors could have purchased a property at the suburbs approximate median price of \$500,000 one year ago, these inner segments of metropolitan Adelaide are returning very healthy profits for those that can afford them. However, given this rapid growth it is likely that these areas will become increasingly unaffordable – although seemingly unlikely, another year of 39% growth for Glandore would see the median sale price jump to over \$950,000, with Glen Osmond potentially reaching in excess of \$1.7 million.

The top 10 format seen above only tells part of the story. This time last year the 10th highest 6-month growth for a suburb was Gawler West with 16.47%. Astonishingly, 133 of the 347 suburbs in metropolitan Adelaide (38%) had values higher than this over the past 6 months. This gives hope to prospective investors at many price points. If these trends are to increase however, they may wish to purchase sooner rather than later.

SALES ACTIVITY COMPARISON

REAL ESTATE LISTINGS

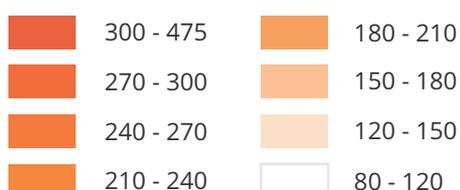
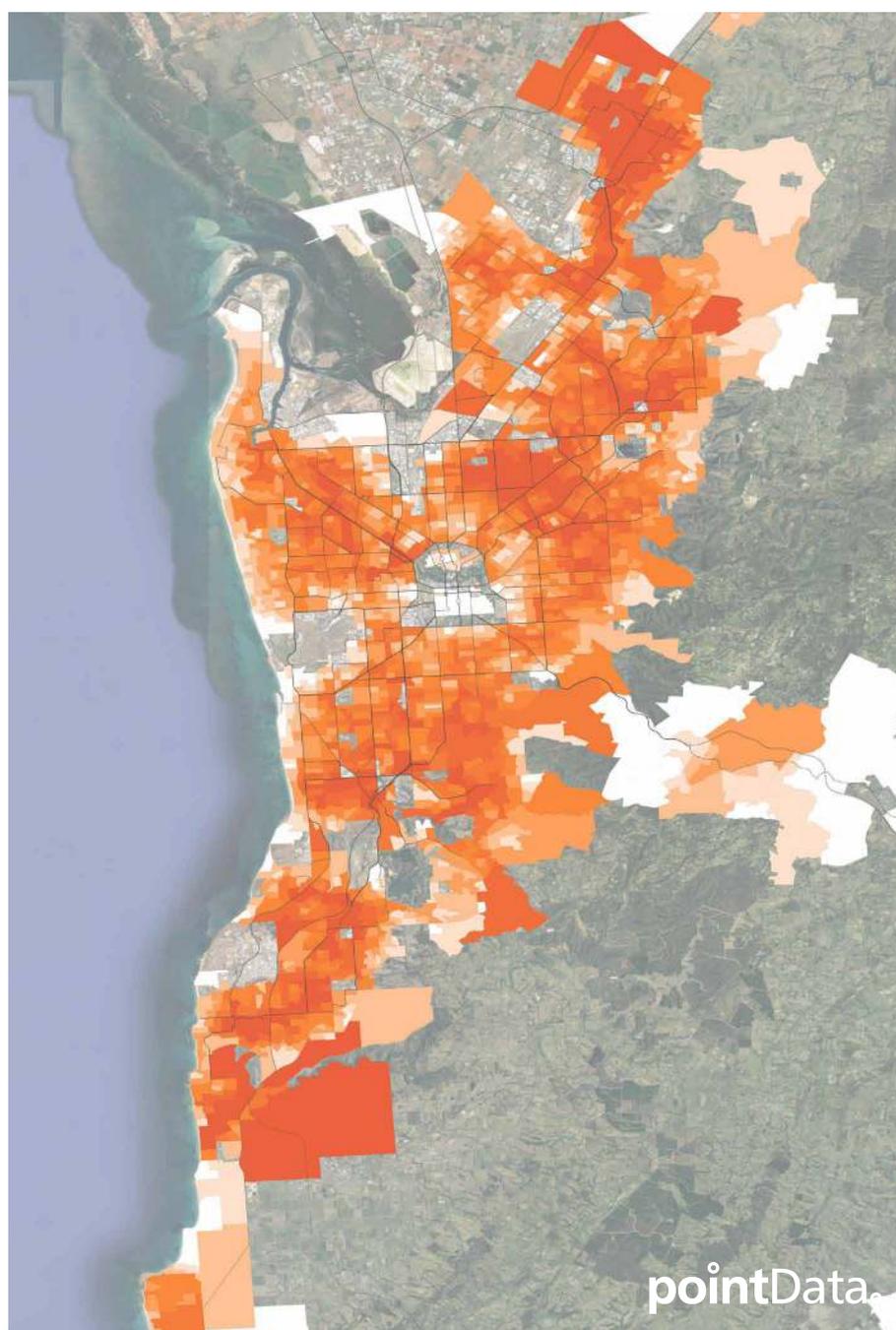


The graph above shows total property listings in Adelaide per month (SQM Research Pty Ltd, 2021) with comparisons of per month performance in 2021, 2020 and the monthly average for the five-year period 2015 to 2019.

The first half of 2021 has followed the slow decline of total listings first observed in late 2020. The mid-year winter months which based on the 2015-2019 average typically see a reduction in the number of listings has ensured this downwards trend continues, with August of 2021 posting a 26% drop from the same time last year. However data drawn from SQM Research shows a slight increase of listings that are less than 1 month old in winter, which combined with a drastic reduction of listings greater than 3 months old (from 21,975 in June, July and August 2020 down to 10,931 over the same three months this year) highlights that while there is limited supply, there is still opportunities for those proactive enough to acquire early.

Listings that are between 1 and 3 months old fell moderately in August when compared to the other winter months. This reduction has been observed in previous years, however it is not a common event. The hesitancy towards the ongoing Covid situation in the eastern states as well as the temptation of holding out until the end of a particularly-cold winter is the likely cause, with these properties originally being listed close to the winter solstice. A rebound towards the end of spring would likely still see listing numbers well below the 5-year average and the rates observed last year. Industry experts are predicting that supply into the residential market is likely to increase in the next five years, with 39% of homeowners planning to list in that period, up 9% since November 2020 (Westpac June 2021).

SALES ACTIVITY COMPARISON



SALES SINCE SEPTEMBER 2020 BY SA1

The associated map shows the number of residential sales across each SA1 in the past year. As discussed previously, sales activity across metropolitan Adelaide has reduced over this period. There is not one particular region that was responsible for the reduction in sales discussed previously, with the distribution of high and low sale areas being relatively random.

The outer-north and outer-south areas saw a slightly higher number of sales in the past year. A more achievable price point ensures there is a higher demand for these areas. Combined with the greenfield developments that are ongoing and improved transport infrastructure to these outer areas it comes as little surprise.

Regions of the hills that lie outside the established towns along the south-eastern freeway saw very low turnover rates. Given these areas are typically attractive to those that are looking for a change in lifestyle, there is less propensity for sales.

Areas in the CBD and North Adelaide that contain the greatest density of apartment buildings (typically the north-west corner of the CBD and the central north-south spine of North Adelaide) have unsurprisingly seen relatively low sales volumes in the past year. Initiatives to bring people back into the CBD have commenced from local and state governments, so sales rates (and indeed values) may begin to rebound in the near future.

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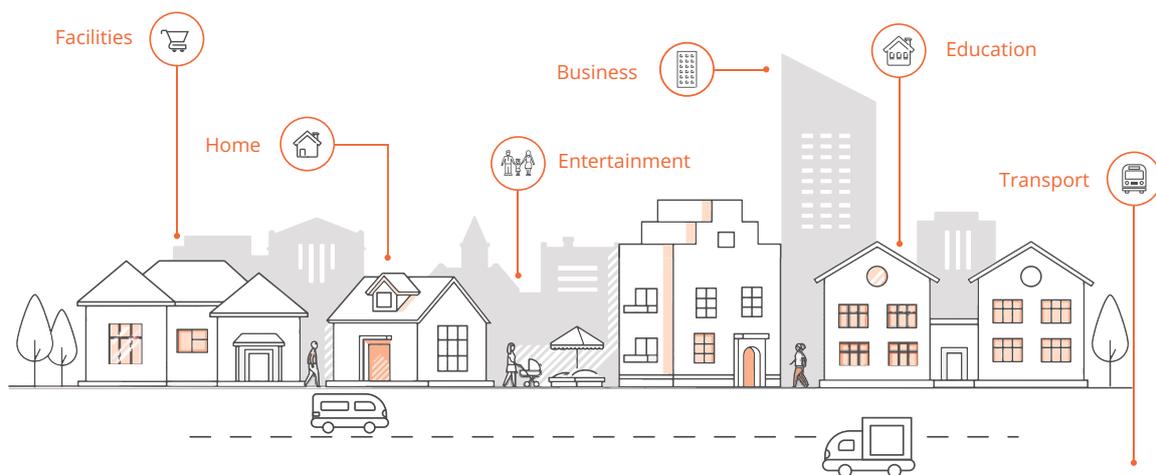
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POINTDATA AND LAND ECONOMICS

VALERI

Valeri is our revolutionary property value and development potential intelligence platform. Valeri uses AI machine learning to constantly analyse city-specific data sets, including sales data and unique proprietary layers, to learn patterns and predict land and property values. What sets Valeri apart is her ability to convert difficult to value qualitative factors such as planning, property and market attributes into an equivalent dollar value. Valeri, combined with PointData's analytical expertise and local knowledge can help you identify opportunities in the Adelaide Real Estate market.



HOW DO WE CALCULATE PROPERTY PRICE TRENDS?

Property price trends are calculated by applying rolling medians for a given period and region to smooth out short-term fluctuations and highlight longer-term trends or cycles. Rolling medians and averages are commonly used to predict trends in property and share markets.

The data presented in this report focuses only on house prices, excluding units and apartments. However, houses come in a range of shapes and styles and on land parcels large and small. We present the average pricing and trends for small areas as indicators of the local market activity in the region.

For a 3-month rolling median to December 2020, PointData calculate the average of the three, 12-month periods to October, November and December 2020, for the subject SA1 region. PointData also applies our unique Dynamic Neighbourhood Scaling process to grow the area of influence surrounding each property irrespective of arbitrary boundary or suburb constraints. This ensures the model draws on a statistically significant sample of comparable sales while keeping the subject SA1 at the centre of the sample area.