

Lay of the Land Report

This edition of our quarterly report reflects on the impacts of the COVID-19 pandemic on the Adelaide housing market, recent strong performances and what we have to look forward to in 2021

Autumn 2021 Edition

CONTENT

EXPECTATIONS FOR 2021	03
PROPERTY PRICE TRENDS	05
3 MONTHS TO FEBRUARY AVERAGED BY SA1	
6 MONTHS TO FEBRUARY AVERAGED BY SA1	06
PROPORTION OF ADELAIDE PROPERTIES	07
SUBURB INDICES	08
SALES ACTIVITY COMPARISON	09
TOTAL ACTIVE LISTINGS PER MONTH	
REGIONAL SPOTLIGHT	10
MOUNT GAMBIER - 6 MONTHS PRICE TRENDS	
PROPERTY DEVELOPMENT POTENTIAL	11
COMPARISONS TO THE NEW PLANNING & DESIGN CODE	
REFERENCES	12
POINTDATA AND LAND ECONOMICS	13

Produced by

James Edwards
Lead Data Analyst

Ben Russ
Head of Planning and Delivery

Gabriela Brandao
IT Systems and Design Analyst

Contact us at

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

EXPECTATIONS FOR 2021

With predictions of a disastrous crash in housing prices well and truly behind us and roundly disproven, the Adelaide housing market is in step with the wider trend across the nation's capitals in showing strong growth. Auction clearance rates are up across the nation, but listing activity is down compared to a year ago, creating an imbalance between supply and demand, fuelling upward pressure on prices.

Leading economists say the forecast for the national economy is in recovery and while growth levels are expected to remain lower than the Reserve Bank's ideal target throughout 2021, the trend is positive and well above the expectations set 6 months ago. (Martin P. , 2021) South Australians, having escaped extended lockdowns and the worst of Coronavirus impacts, are feeling increasingly confident in the state's economic recovery and are looking ahead with optimism. (BankSA, 2020) As vaccines start to be administered, and with Australia appearing to have eliminated the virus from the general population, economic activity is returning, even while many continue to work from home. The impacts of COVID-19 are likely to be felt economically and socially for years to come, but it is apparent that Australians are keen to get out and rediscover the quality of life we are famous for.

While Adelaide's Real Estate market generally held firm throughout 2020, the beginning of 2021 is exhibiting unexpectedly high growth. Record low official interest rates come with an accompanying long-term guarantee from the Reserve Bank that rates will not rise until significant improvement in wages is recorded and inflation reaches the target range, expected to be in 2024. (Reserve Bank of Australia, 2021) For buyers with savings or equity and reliable income, low rates generally translate to greater borrowing power and the long-term forecast gives security and confidence. Together with limited supply in the market (see **Sales Activity Comparison**) this has led to homes selling quickly and above asking price. Increasing interest from interstate is also said to be behind record property prices in Adelaide. (Keane, 2021) An extreme example is the recent sale of an uninhabitable Glenunga house which sold for \$2.05m after the data for this report had been compiled. The agent, Daniel Oliver admitted this property went for more than 50% above market value. (Martin P. , 2021).

The success of financial stimulus in the building industry via the HomeBuilder grant has reportedly led to a shortage of building labour and has increased the cost of building and renovation. New product coming onto the market appears to have impacted property value trends, more about this in the **3 Months to February** and **6 Months to February** sections of this report.



EXPECTATIONS FOR 2021

Major changes that will have ripples throughout 2021 and beyond include a lack of immigration and overseas travel. For SA the former played an important role in balancing the east coast 'brain drain', maintaining low-level net population growth prior to pandemic-related restrictions. (Opray, 2020) 2020 saw fewer people leaving SA and many returning or moving to Adelaide from the largest Australian cities, but population growth remained stagnant. If internal migration were to return to 2019 levels without a resumption of international immigration, the net population loss could have an impact on property values in SA as demand falls away.

Flexibility in working conditions has been one of the big wins to come from COVID-19 as most were forced into working from home (WFH) and we all discovered that, with some teething problems, business could largely operate as usual. For many, WFH provides additional time and availability to manage children and other home-based demands and it is expected that remote and flexible working conditions will stay to some degree. Changes to how and where we work will have wide reaching impacts on our cities and communities, changing travel behaviours, spreading energy demands, decentralising activity hubs and increase demand for permanent home offices, possibly generating real estate activity as people look to upsize their homes. Remote working also means working from anywhere, and during the periods of lockdown, it was reported that populations were moving away from the biggest cities to towns and regional areas to take advantage of lower prices, in pursuit of better lifestyles and greater freedom and safety. This led to price rises in regional cities and smaller capitals, including Adelaide. (McAuliffe, 2021)

Only time will tell if this trend continues once a new normal is established. Read on to learn more about the insights gained from our valuation models and how this can help you identify opportunities in Adelaide's real estate and development industries



Visit valeri.com.au to find out more.

- ▶ This report is based on data and activity collected before and during the COVID-19 global pandemic. While there has been speculation about the impacts of the associated economic downturn on property markets, the full impacts of the pandemic are still emerging. PointData will continue to monitor sales activity and will report on market changes as they become evident.

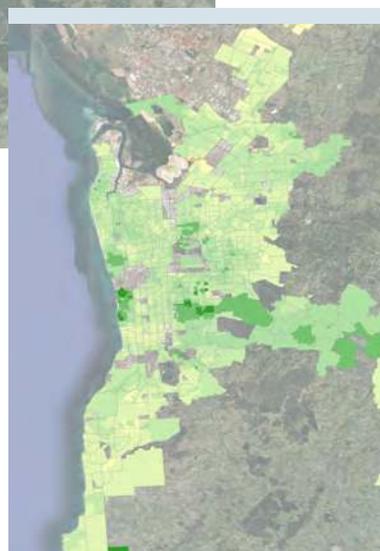
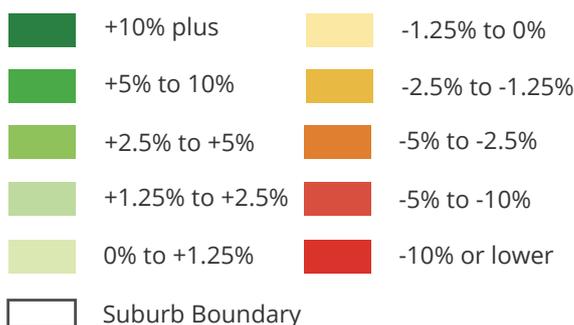
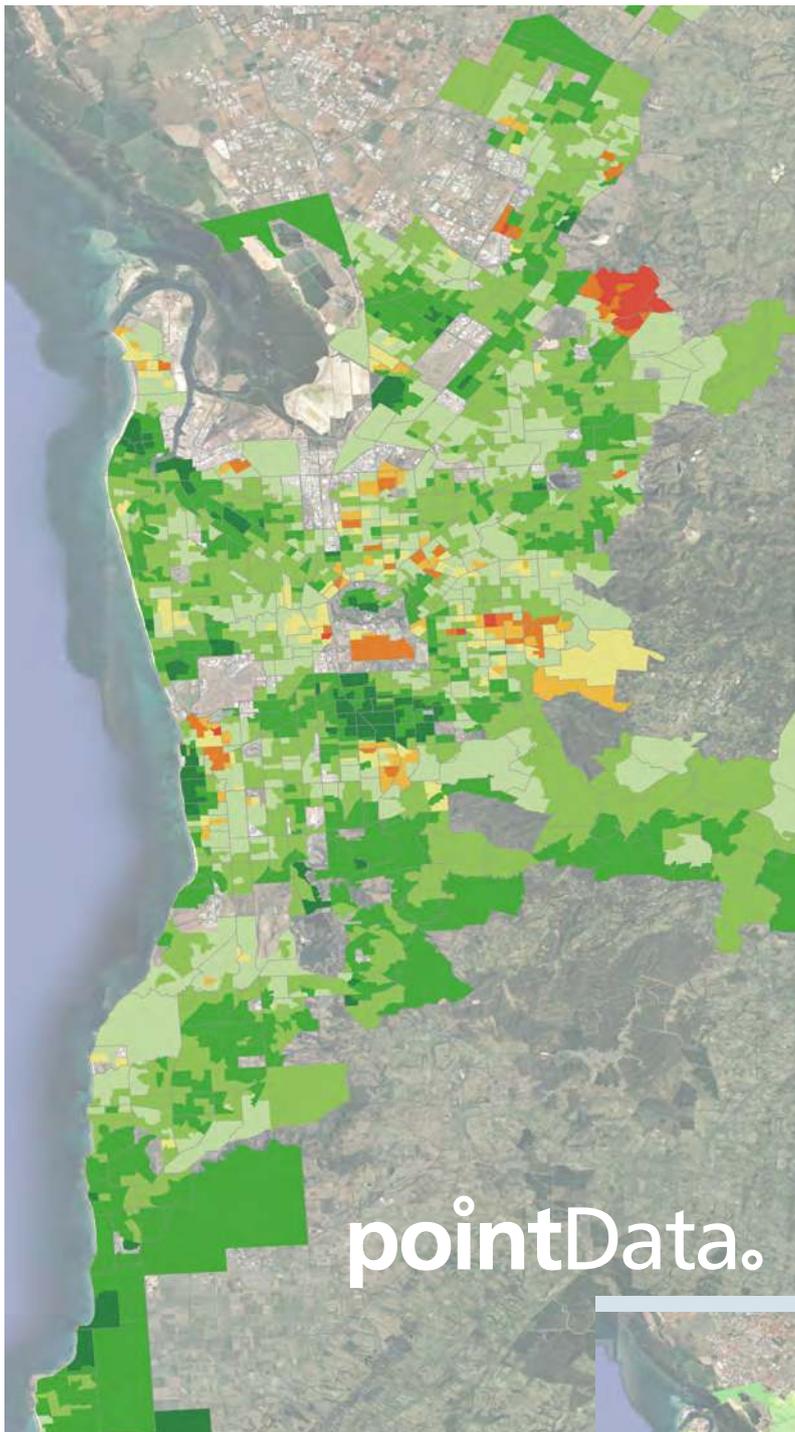
PROPERTY PRICE TRENDS

3 MONTHS TO FEBRUARY AVERAGED BY SA1

Recent high-growth performance in the Adelaide market has necessitated the addition a new category for the 2021 Autumn edition, splitting areas with growth trends above 5% into 5% to 10% and 10% and above.

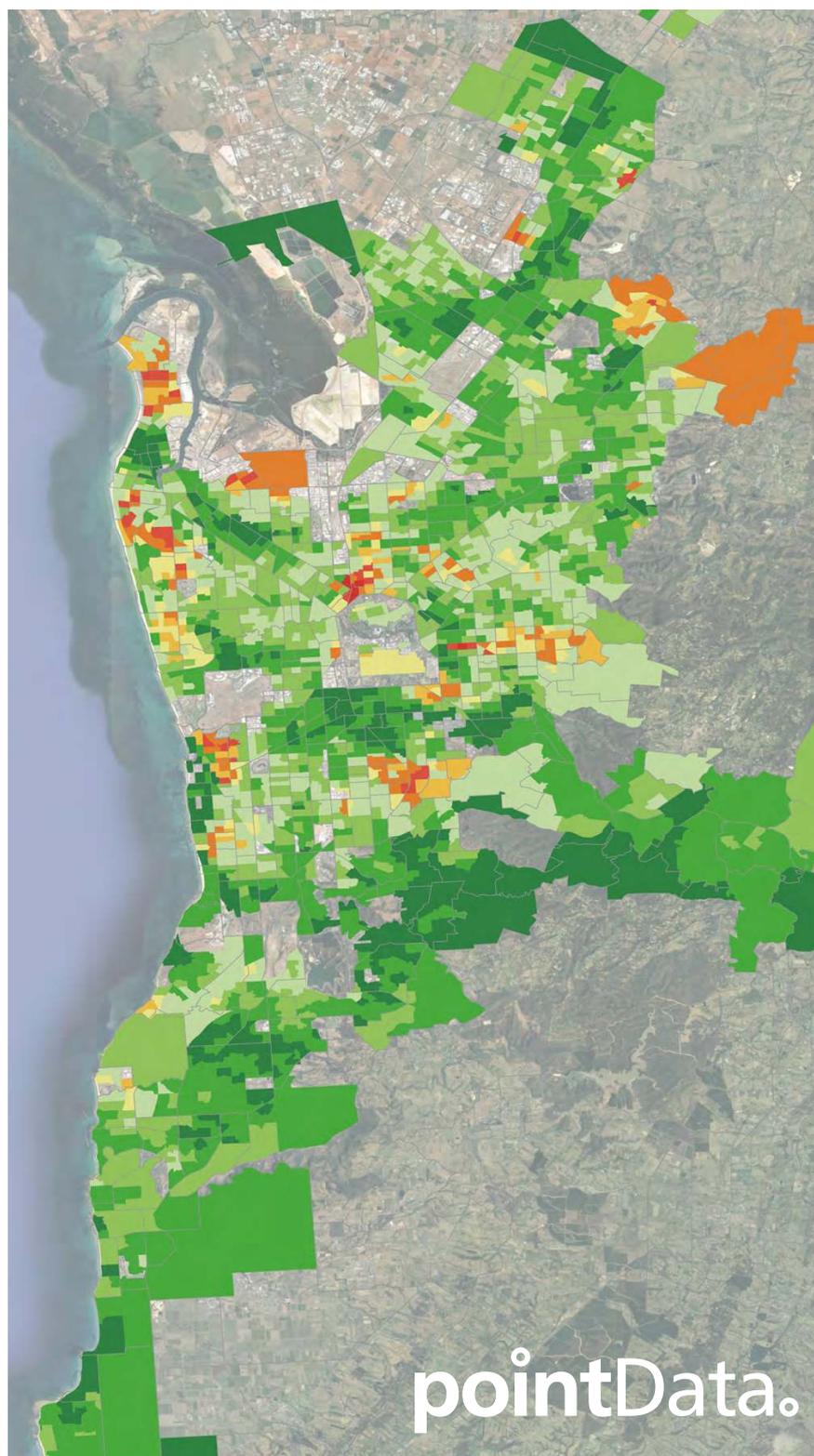
The 3-month price trends map shows strong growth across most of the metropolitan area but also several notable pockets where prices are shown to be trending downwards. The data presented represents the change between the median house value 3 months ago and the current median house price in any given SA1. Collated over a short period, this map is built on a smaller data set and is more likely to be impacted by individual sales data points.

Where pockets of outliers are seen, bucking the broad growth trends across the metropolitan area, this is likely to represent changes in the type and size of dwelling being built. This includes new developments or concentrations of subdivisions with the new house design being smaller than the existing housing stock and therefore at a cheaper price point. Under these conditions, price estimates for older stock may be rising, but the median estimate for the whole area is lower than previous because of the introduction of smaller, less expensive housing.



Comparison of these recent price trends and the 5-year trend shows that the long-term trend across Adelaide is for modest price rises of up to 5% across most of metropolitan Adelaide and the hills region. Recent activity demonstrates a changing, aggressive price market with good short-term value prospects.

PROPERTY PRICE TRENDS



6 MONTHS TO FEBRUARY AVERAGED BY SA1

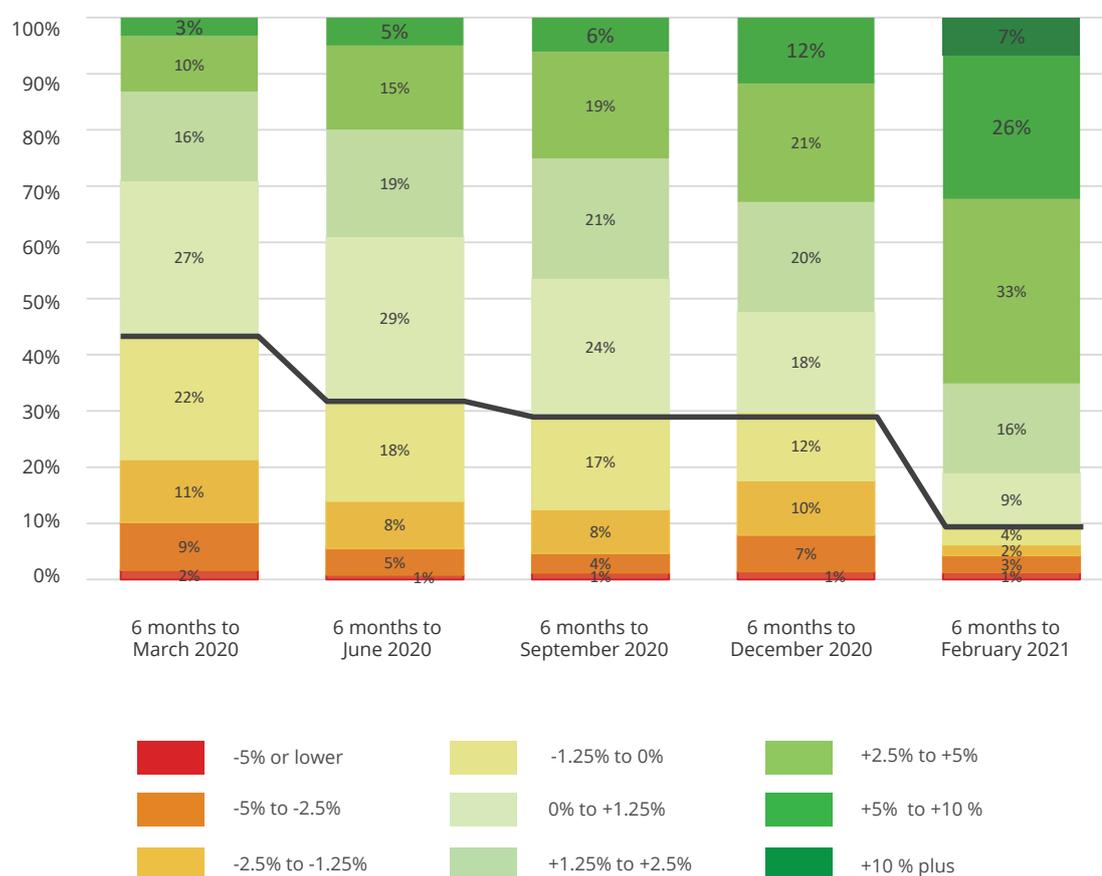
Widespread growth observed in the 6-months price trends is even more apparent than the 3-month price trend map, lending greater strength to the concept of localised housing mix changes being the reason behind small pockets of falling median values. Reporting on the Adelaide real estate market suggests that Adelaide is experiencing a price boom (Keane, 2021), encouraging more sellers into the market while demand remains high. This is a continuation and acceleration of trends seen throughout 2020 and current forecasts are for high prices to continue while demand is high and lending conditions are favourable. It is therefore likely that even in the areas showing red, individual property values are rising and now is still a good time to sell.

The most notable pockets of falling values observed in the 6-month price trends map are around Glenelg North, in the east from Kensington to Wattle Park and Auldana and the largest declines are seen north of Golden Grove to Greenwith. The city of Adelaide also recoded price falls across all residential areas in the southern half of the city, though given this data set excludes high density developments, this may not be truly representative of price trends in a region dominated by apartments and high-density dwellings. Loss of international student migration has hit the city apartment sector particularly hard and falling demand within the city seems to be reflected in this map.



PROPERTY PRICE TRENDS

PROPORTION OF ADELAIDE PROPERTIES 6 MONTH PRICE TRENDS



The graph above shows a significant increase in SA1 regions recording positive growth over the previous 6-months.

This supports anecdotal experience and reporting from agents and in the media of improving property prices and a developing sellers' market. The black line on the graph shows the neutral position with SA1 statistical areas recording average growth above the line, and those in decline below it. Our models show that 90% of SA1 regions across the Greater Adelaide City area enjoyed an increase in average house prices in the 6 months to February 2021, with 33% of regions recording annualised growth above 5%. This is a substantial shift compared to results from 3 and 6 months ago when 71% and 72% of regions were above the line respectively, but with only 6% and 12% above 5% growth.

BankSA's Housing Finance Data Snapshot from the 1st of March 2021 shows an eighth consecutive monthly rise in New Lending was recorded in January 2021, up 44.3% on the same time last year (Kunnen, 2021) before pandemic-related restrictions were imposed. First-home buyers represented 36.5% of loans to owner-occupiers, a category which rose 10.9% in January and is now 52.3% up on a year ago. Investor loans are rising again, having 'kept a low profile' through most of 2020. This reflects a general sense of confidence in the market and strong short- to medium-term forecasts.

PROPERTY PRICE TRENDS

SUBURB INDICES

The table below shows the ten highest performing suburbs over the last 3-months, their associated 6-month trend and current median sale price from our property research platform Valeri. The figures shown are the annualised figures, representing the price increase if this trend were to continue for 12 months. The table shows strong growth characteristics in suburbs across Adelaide, spanning a wide array of price ranges, geographies and demographics, further enhancing the message that the real estate market in Adelaide is experiencing a generalised price boom, not limited to one segment of the market.

Many of the suburbs in this list show a marked acceleration in property value growth in the most recent 3-month period, while those that recorded the highest growth over the last 6-months tend to show peak growth in late 2020. This goes to show that localised property value growth of 20% and above is unsustainable for long periods of time and that the market will correct itself when trends become extreme. 2021 forecasts suggest that the market will generally continue to experience robust growth in the short to medium term, but it is expected that this will be spread across the metropolitan area and the list of top performing suburbs will change regularly across the next 12 months.

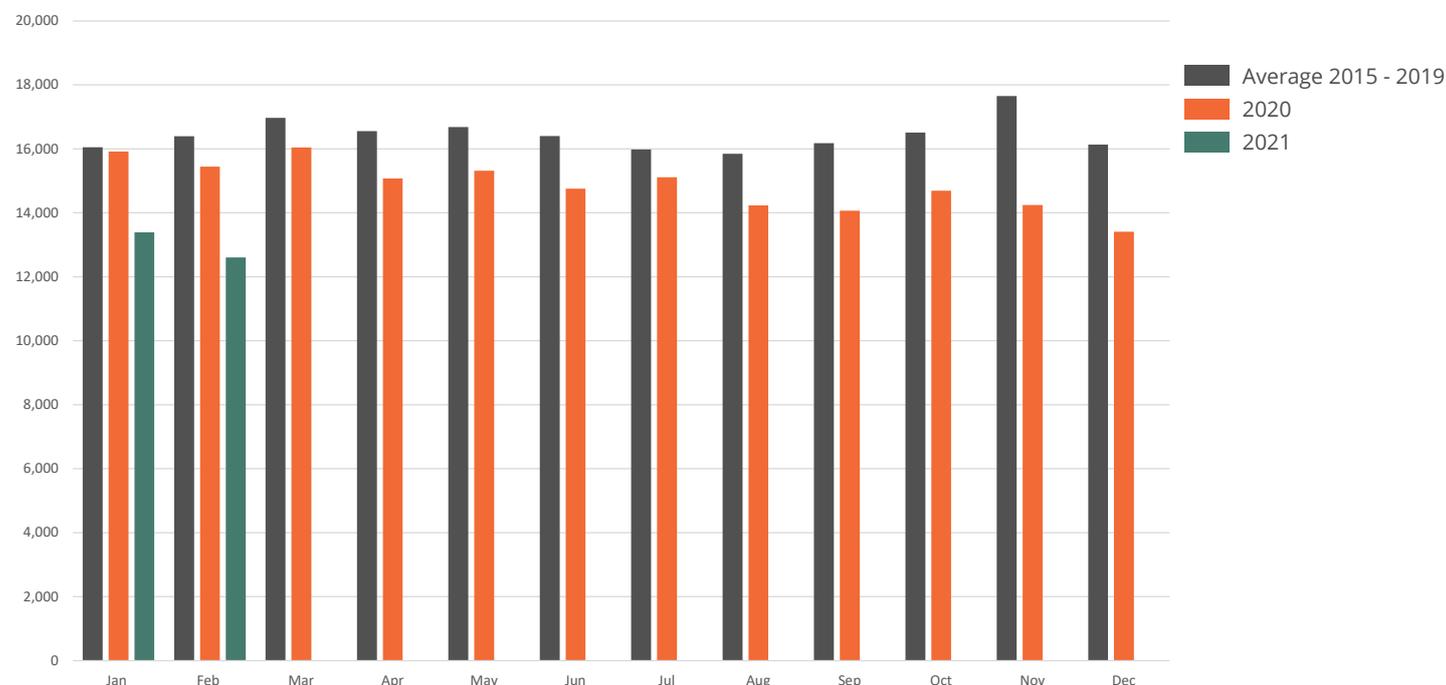
Suburb	Annualised 3 month growth	Annualised 6 month growth	Current median sale price
Exeter	45.18%	21.72%	\$ 563,792
Fullarton	35.61%	14.52%	\$ 1,020,417
Upper Sturt	32.61%	8.81%	\$ 831,875
Glen Osmond	31.07%	13.34%	\$ 1,008,197
Sellicks Beach	28.76%	28.26%	\$ 424,219
Largs Bay	27.82%	18.62%	\$ 565,000
Myrtle Bank	27.18%	10.34%	\$ 980,042
Ashford	26.11%	15.98%	\$ 669,974
Craigburn Farm	26.02%	14.50%	\$ 639,786
Maslin Beach	25.49%	25.19%	\$ 425,104



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

SALES ACTIVITY COMPARISON

TOTAL ACTIVE LISTINGS PER MONTH (ADELAIDE METRO)



Data sourced from SQM Research (SQM Research, 2020) shows that residential real estate listing numbers in the first two months of 2021 are below the 5-year average for 2015-2019. We have disregarded 2020 figures from the medium-term average given the anomalous slump in activity caused by the pandemic-related forced hiatus. The listing numbers reflect the number of properties on the market. Therefore, low numbers can reflect both a low level of listing activity or limited properties remaining unsold in times of high demand. Given the recent spike in sales values and reported high levels of auction attendance, it is likely that the latter condition is the cause of the lower numbers shown on this graph through the first months of 2021.

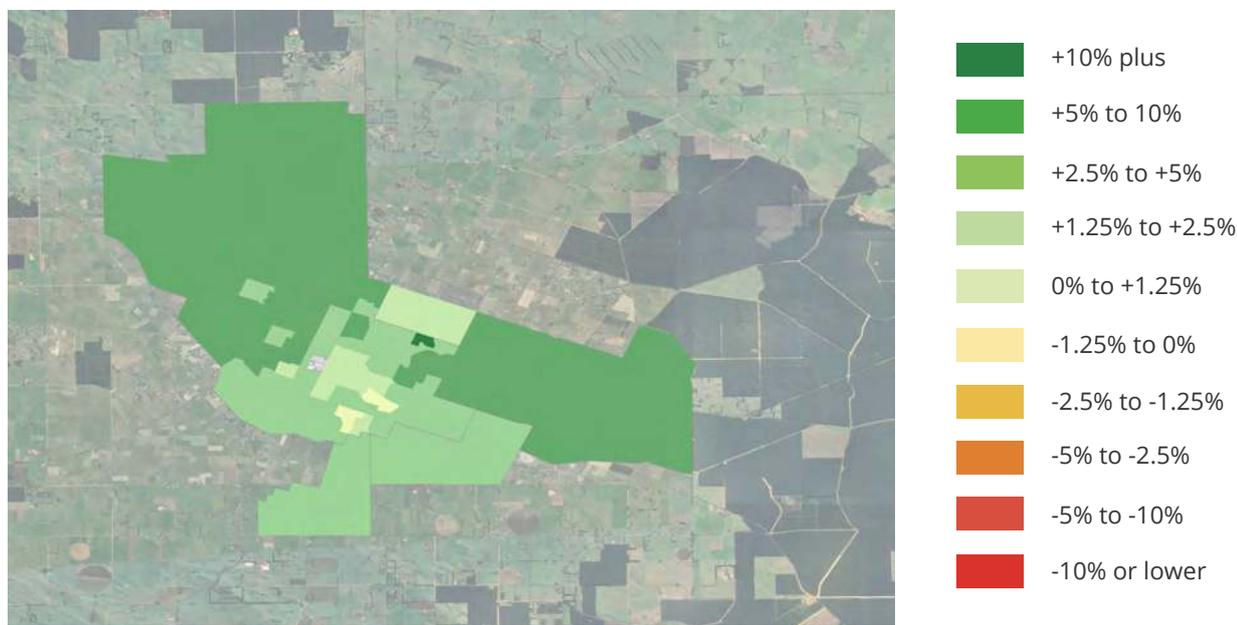
High prices and quick sales indicate current demand is high so it could be expected that listings will increase as more sellers look to take advantage of the rising prices being recorded in the market. However, high prices and strong competition between buyers can have the opposite effect for some potential sellers. People looking to upgrade their home may become hesitant to sell if they cannot easily secure the next home, compounding supply issues if they choose to wait out the current cycle. While listing numbers in the first two months of the year are commonly below the annual average, Adelaide's real estate market has recorded particularly low numbers at the start of 2021.

While many commentators had warned of impending 'cliffs' as support payments, mortgage and rental holidays ended, these fears have proven unfounded as both industry and government interventions have smoothed the transition. This month does spell the end of mortgage holidays and Job Seeker payments revert to the (slightly increased) long-term rates, but lenders and rental agents have had months to prepare and negotiate with customers to minimise disruption. Therefore, these changes are no-longer anticipated to result in a flood of cheap property entering the market and causing widespread devaluation of assets. (Park, 2021)

 For more detailed analysis of Adelaide's metropolitan property market please contact PointData at admin@pointdata.com.au or call us on +61 8 8227 0376.

REGIONAL SPOTLIGHT

MOUNT GAMBIER 6 MONTH PRICE TRENDS



PointData is expanding the reach of our AVM in major regional centres across South Australia. We start by presenting the 6-month price trend map for Mount Gambier. The image shows widespread, medium-high level growth across the residential parts of the city, with the large, lighter-green patch in the middle representing the city centre area, with a section of exclusively industrial and commercial land immediately to the west. The darker green areas on the fringe indicates new housing developments on the edges of the city, as indicated by Land Divisions viewed on LocationSA Map Viewer. (Government of South Australia, 2021) As greenfield areas are developed, the per-square-metre value of land increases from the broad-hectare value for farming to residential property values. LocationSA Map Viewer records the progression of land divisions and construction dates. It shows extensive residential subdivisions on the fringes of Mount Gambier across the past 20 years and broad areas of proposed subdivisions awaiting approval.

During 2020 many regional and satellite towns experienced population growth and increased property values as city dwellers, forced to work from home, took advantage of the reduced need to commute and looked for housing opportunities with more land, larger homes and less city bustle. (McAuliffe, 2021) While Mount Gambier is too far away from a major city to be considered a satellite city, Bendigo and Ballarat in Victoria and Wollongong, Newcastle and areas of the Southern Highlands in New South Wales were all reported to have experienced property value and rent rises because of the city exodus during 2020. (Woodburn, Ross, Martin, & Turnbull, 2021) Time will tell if the remote working trend continues and tree-changes become permanent or if, as the virus is contained and life returns to 'normal', workers flock back to the cities, possibly deflating values in these regional areas.

PROPERTY DEVELOPMENT POTENTIAL

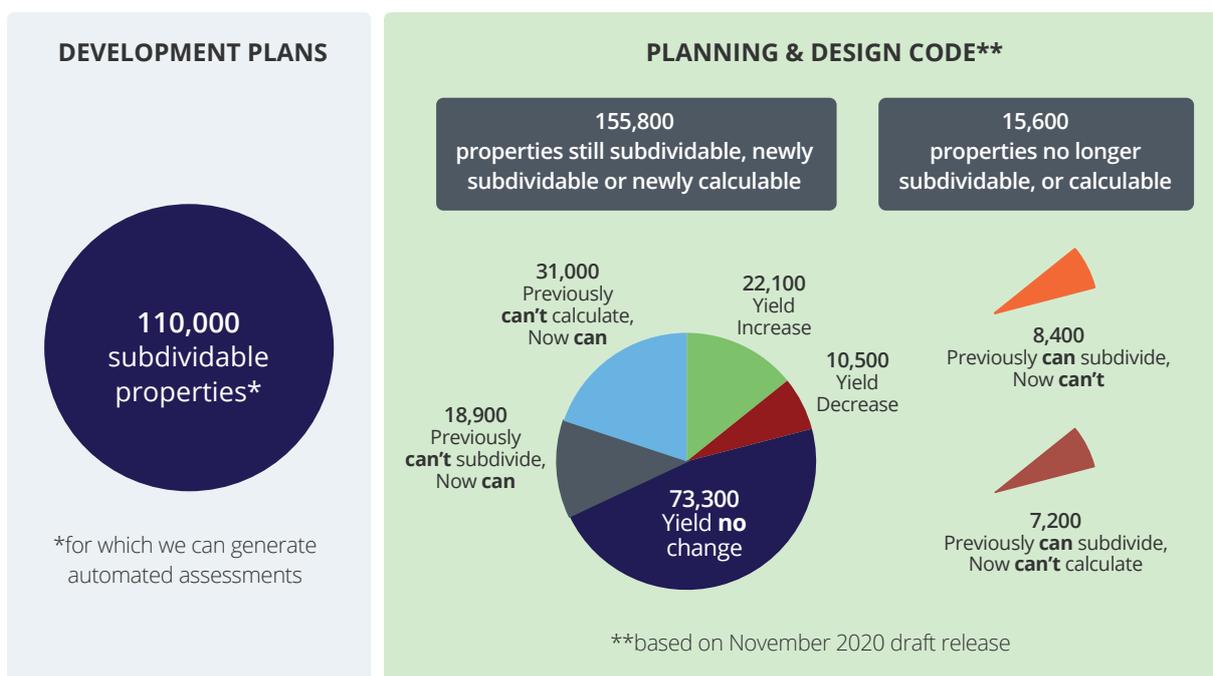
COMPARISONS TO THE NEW PLANNING & DESIGN CODE

The third and final stage of the State Government’s new Planning and Design Code is set to go live on Friday 19th March 2021. On this date, the Code will become a single reference point for the state’s planning and assessment industry. It consolidates South Australia’s 72 Development Plans into one planning rulebook, with the aim of improving consistency in decision-making and assessment. This is a once in a generation change.

PointData is supportive of the changes and are excited about the development opportunities it will create across Metropolitan Adelaide. PointData have analysed the Draft for Consultation Planning and Design Code (released in November 2020) to assess the impact that it will have on subdivision and development potential. We have determined that many subdividable properties across metropolitan Adelaide will remain unchanged, some will increase in development yield and others will decrease. Some properties which were previously not subdividable will become so, but conversely some properties that have been subdividable no longer will be. As a result, we have determined that there will be a net increase from 105,000 to 155,000 development sites. Importantly, this includes 31,000 properties that we can determine a subdividable yield for because of newly specified criteria in the P&D Code. Therefore, the net increase in development sites may only be 20,000 properties.

Given the extensive changes to the state’s planning system and previous drafts being subject to change in the March 19 release, PointData is required to undertake internal system updates to ensure our outputs accurately reflect the new requirements. As a result, some reports and output will not be available for a short period from the 19th of March. It is likely that there will be some differences between the November version released for consultation and the final version of the Code and therefore the numbers above are subject to change.

PointData will relaunch its Property Development Potential Reports and data packs once the final Planning and Design Code development criteria are confirmed. The resulting dwelling yield and redevelopment options numbers are likely to have changed since the November edition of the code. Once the reports are relaunched it is a significant opportunity for builders, developers, property investors and the real estate industry to get the most up-to-date property analytics under the new planning system.



REFERENCES

BankSA. (2020, February 26). *State increasingly confident as South Australians back themselves and get on with business* .

Retrieved from Bank SA Media Release:

<https://www.banksa.com.au/about/media/archive/2021/26-February>

Government of South Australia. (2021, March 11). *LocationSA Map Viewer*. Retrieved from:

<https://location.sa.gov.au/viewer/#>

Keane, D. (2021, February 16). *House prices are hitting record highs in Adelaide, and buyers are feeling the pinch*.

Retrieved from ABC News:

<https://www.abc.net.au/news/2021-02-16/adelaide-undergoing-house-price-boom-but-locals-feellocked->

Martin, P. (2021, February 1). *2021 economic survey points to brighter times ahead*. Retrieved from ABC News:

<https://www.abc.net.au/news/2021-02-01/2021-economic-survey-points-to-brighter-times-ahead/13103954>

Martin, P. (2021, March 3). *Adelaide's housing boom continues with run-down home selling for \$750,000 above asking price*.

Retrieved from ABC News:

[https://www.abc.net.au/news/2021-03-03/glenunga-home-sells-for-\\$750k-over-asking-price/13210064](https://www.abc.net.au/news/2021-03-03/glenunga-home-sells-for-$750k-over-asking-price/13210064)

McAuliffe, E. (2021, February 25). *Have Australians fallen out of love with Sydney and Melbourne?* Retrieved from BBC News: Data Snapshot - Housing Finance:

[bbc.com/news/business-56167965](https://www.bbc.com/news/business-56167965)

Opray, M. (2020, August 7). *Pandemic plugs SA's brain drain - for now*. Retrieved from IN-Daily:

<https://indaily.com.au/news/2020/08/07/pandemic-plugs-sas-brain-drain-for-now/>

Park, A. (2021, February 11). *ABC News*. Retrieved from Australia's mortgage distress hotspot revealed as end of JobKeeper scheme looms:

<https://www.abc.net.au/news/2021-02-11/mortgage-distress-hotspots-revealed-deferrals-jobkeeper-ends/13140720>

Reserve Bank of Australia. (2021, March 09). *Supporting the Economy and Financial System in Response to COVID-19*.

Retrieved from Reserve Bank of Australia:

<https://www.rba.gov.au/covid-19/>

Woodburn, J., Ross, H., Martin, M., & Turnbull, S. (2021, February 15). *Sydney exodus drives regional property prices up and locals out of the market*. Retrieved from ABC News:

<https://www.abc.net.au/news/2021-02-15/sydney-exodus-creates-housing-crisis-in-regional-nsw/13144424>

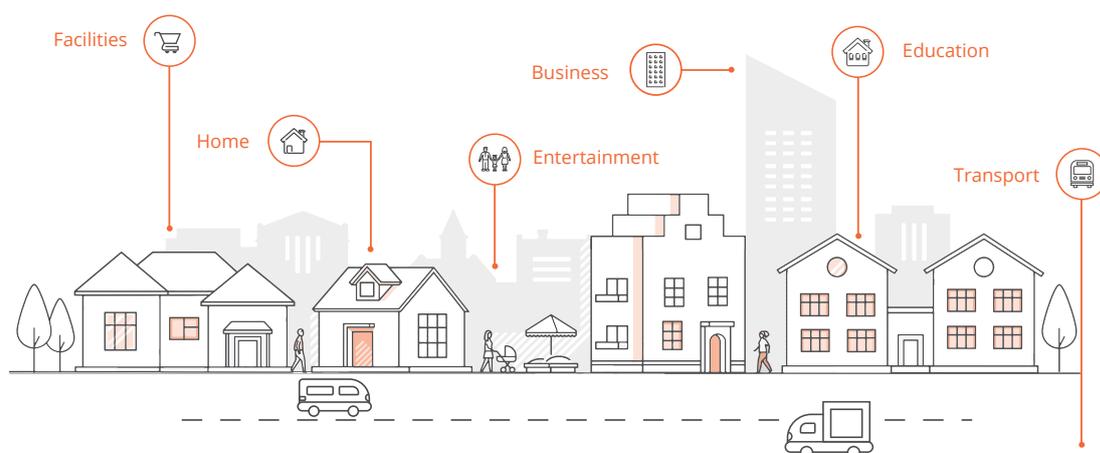
SQM Research. (2020). *Total Property Listings*; City: Adelaide. Retrieved from SQM Research:

<https://sqmresearch.com.au/total-property-listings.php?region=sa%3A%3AAdelaide&type=c&t=1>

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.