Lay of the Land Summary Report

This quarterly report provides insight into the complexities of land economics, land valuation observations and market sector trends.

Winter 2020 Edition

pointData.

CONTENTS

▶ 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.

WHO WE ARE

PointData uses machine learning (AI) to turn big data into insightful property information. Our approach is dynamic and uses technology to understand and codify behaviour and systems that are operating in the world around us, then representing these as trends and patterns that are meaningful and informative to clients.

VALERI

Valeri is our very own artificial intelligence powered Automated Valuation Model (AVM) that draws on city specific data sets, including sales data and unique proprietary layers to learn patterns and accurately predict land and property values and market trends.

WHY IS LAND VALUE IMPORTANT ?

A house, or any other built form, will typically depreciate in value over time as the building degrades, lifestyles and design tastes change, and society expectations evolve. Independently, land increases in value where population growth places pressure on space.

LOCATION, LOCATION, LOCATION

PointData understands and evaluates the economics of land and quantify the value of location. Our approach defines a customised neighbourhood reflecting the property's actual location and creating custom boundaries that draw from appropriate areas of influence.

Facilities
Home
Business
Entertainment
Education
Transport
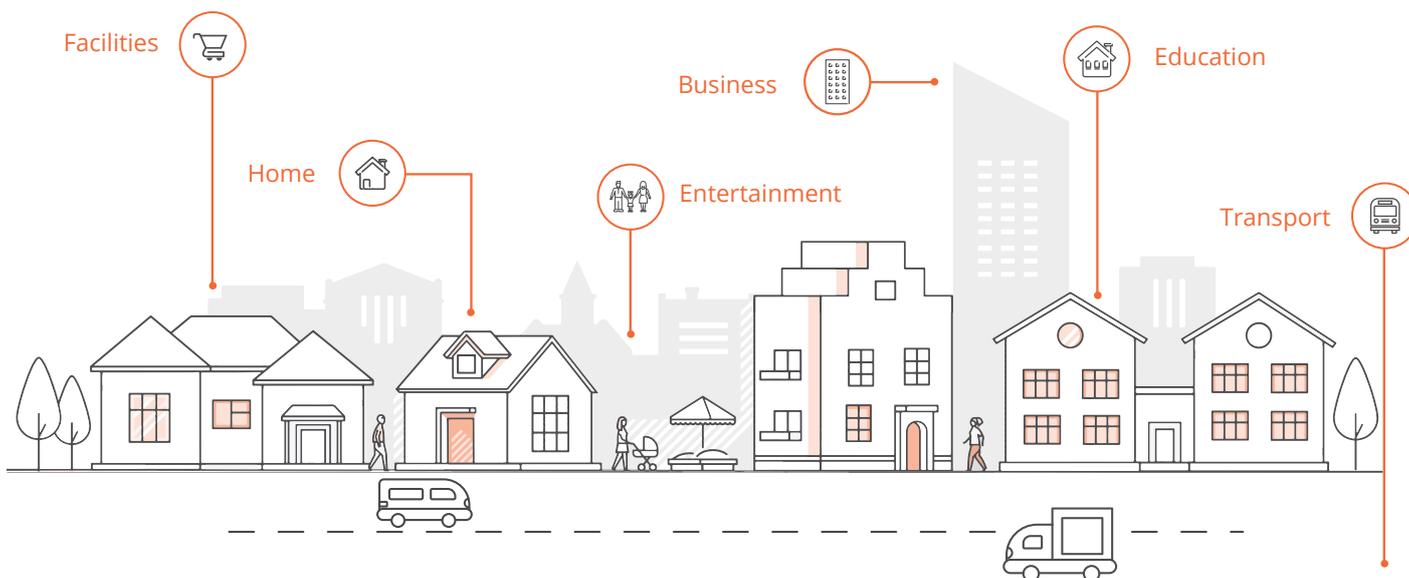
SPATIAL AREAS AND LGA'S

Cities are divided into various arbitrary spatial areas in the form of suburbs, which are then grouped into Local Government (Council) Areas. While these are useful for wayfinding and postage, cities are also spatially defined through a variety of methods, including suburbs, postcodes, Local Government Areas, school zones, policy areas, state and federal electoral districts, etc.

For statistical purposes, the Australian Bureau of Statistics divides all of Australia into a tiered system of Statistical Areas. The smallest of these, SA1, represents around 400 persons. SA1s combine to SA2 level, with an average resident population of 10,000. SA2s are grouped to form SA3s and in turn SA4s which, in a metropolitan context average between 300,000 and 500,000 residents. (Australian Bureau of Statistics, 2018)

PointData's land valuation outputs for this publication are mapped and analysed at SA1 and SA2 levels. However, Valeri works on an individual land parcel level to generate land and property valuations for individual properties.
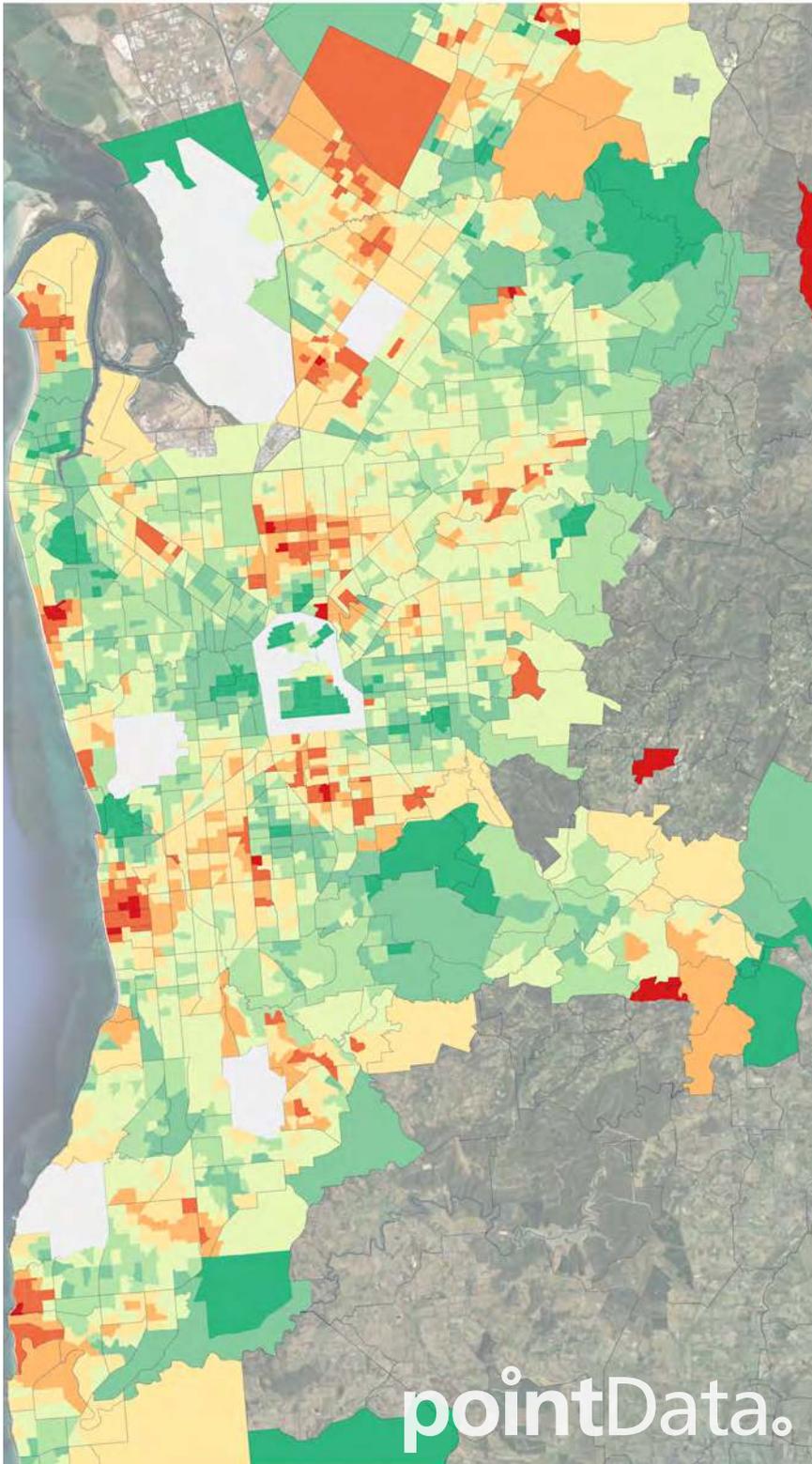
PROPERTY PRICE TRENDS

Property price trends are calculated 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.

For a 3-month rolling median to June 2020, PointData calculate the average of the three 12-month periods, to April, May and June 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.

This indicative graph shows a relationship between volatile month-to-month data and the smoother rolling median curve.
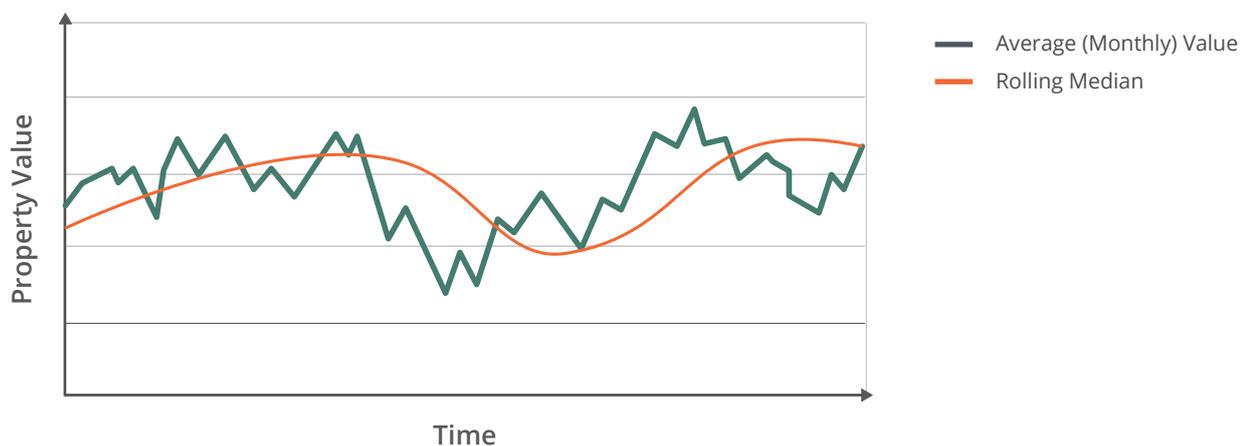
PROPERTY PRICE TRENDS
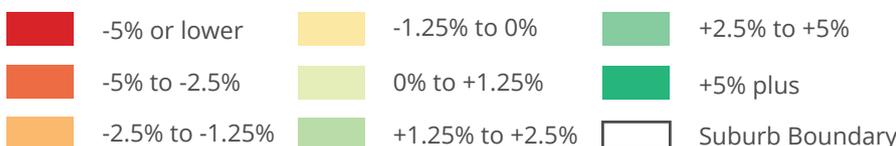

6 MONTHS TO JUNE AVERAGED BY SA1

The 6-month price trend to June 2020 is calculated as per the definition under Property Price Trends on the previous page. PointData has reviewed sales data between March and June 2020 to provide a precise picture of the state of the Adelaide property market

Adelaide's residential property market has recently outperformed the national average, showing 1.1% growth in dwelling values for the 3-months to May 31st, 2020 and 0.4% growth in the month of May. Seven of the eight state and territory capitals recorded growth for the quarter, but only three (Adelaide, Canberra and Hobart) showed growth during May. The eight-capital average for the quarter was +0.5% and for May -0.5%. (Harling, 2020)
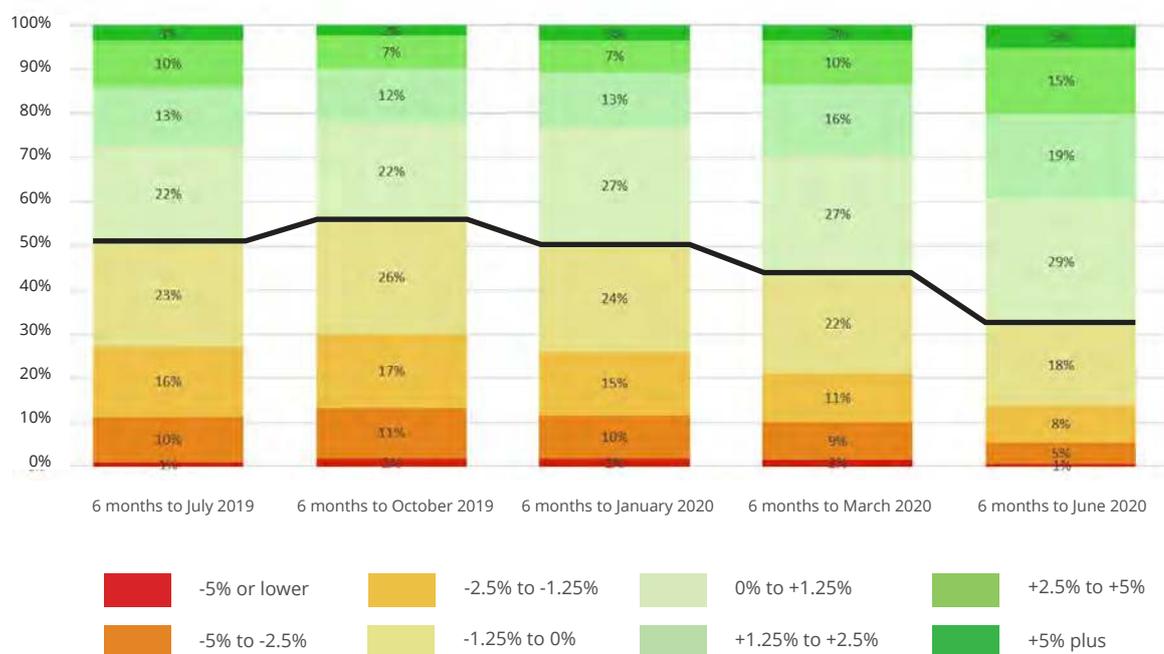
Our Insights:

Compared to the 6-month price trend map to March 2020 (see Lay of the Land Autumn edition), the latest price trends generated by PointData reflect a general increase in real estate values across the Adelaide metropolitan area. Most notable in the 6-months to June map are the small pockets of red, indicating falling values, in Grange, North Brighton, Unley Park and Christies Beach. Another cluster of falling values is noted around Blair Athol, Sefton Park and Clearview.

West Lakes, Mile End and Thebarton, North Adelaide, Adelaide City, Glenelg North and southern Prospect/Thorngate are all showing growth trends of 5% and above. There are several other small pockets of growth recorded across the metropolitan area, suggesting strength in the local real estate market.

■ -5% or lower	■ -1.25% to 0%	■ +2.5% to +5%	
■ -5% to -2.5%	■ 0% to +1.25%	■ +5% plus	
■ -2.5% to -1.25%	■ +1.25% to +2.5%	▢ Suburb Boundary	

PROPERTY PRICE TRENDS

**PROPORTION OF ADELAIDE PROPERTIES
6 MONTH PRICE TRENDS**

| Color	Range	Color	Range	Color	Range	Color	Range
	-5% or lower		-2.5% to -1.25%		0% to +1.25%		+2.5% to +5%
	-5% to -2.5%		-1.25% to 0%		+1.25% to +2.5%		+5% plus

Our Insights:

The graph above shows a summary of price trends by SA1 across Adelaide for the 6-month periods to July 2019, October 2019, January 2020, March 2020 and June 2020. The black line on the graph shows the neutral position with SA1s averaging positive growth above and those falling in value below. This shows a relatively steady market with very few areas recording price changes of more than 5% in either direction in this time period. That the proportion of properties above the black line has increased since October indicates that property prices have, on average, been improving in Adelaide since that time:

▶ In the 6-months to October 2019 over half of Adelaide (56% of SA1 regions) was in decline. This may reflect a period of uncertainty linked to land tax debates.

▶ Many of these neighbourhoods have since recovered, in the 6-months to June 2020, 68% of Adelaide SA1s are shown to be increasing in value, with 20% having improved by more than 2.5% since December 2019.

As the AI system continues to learn, property price patterns will emerge over time that may be matched to seasonal variations, impacts by state and council planning policies, global and national financial markets, changes in population and job numbers as well as infrastructure and local investment.

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.

PROPERTY PRICE TRENDS
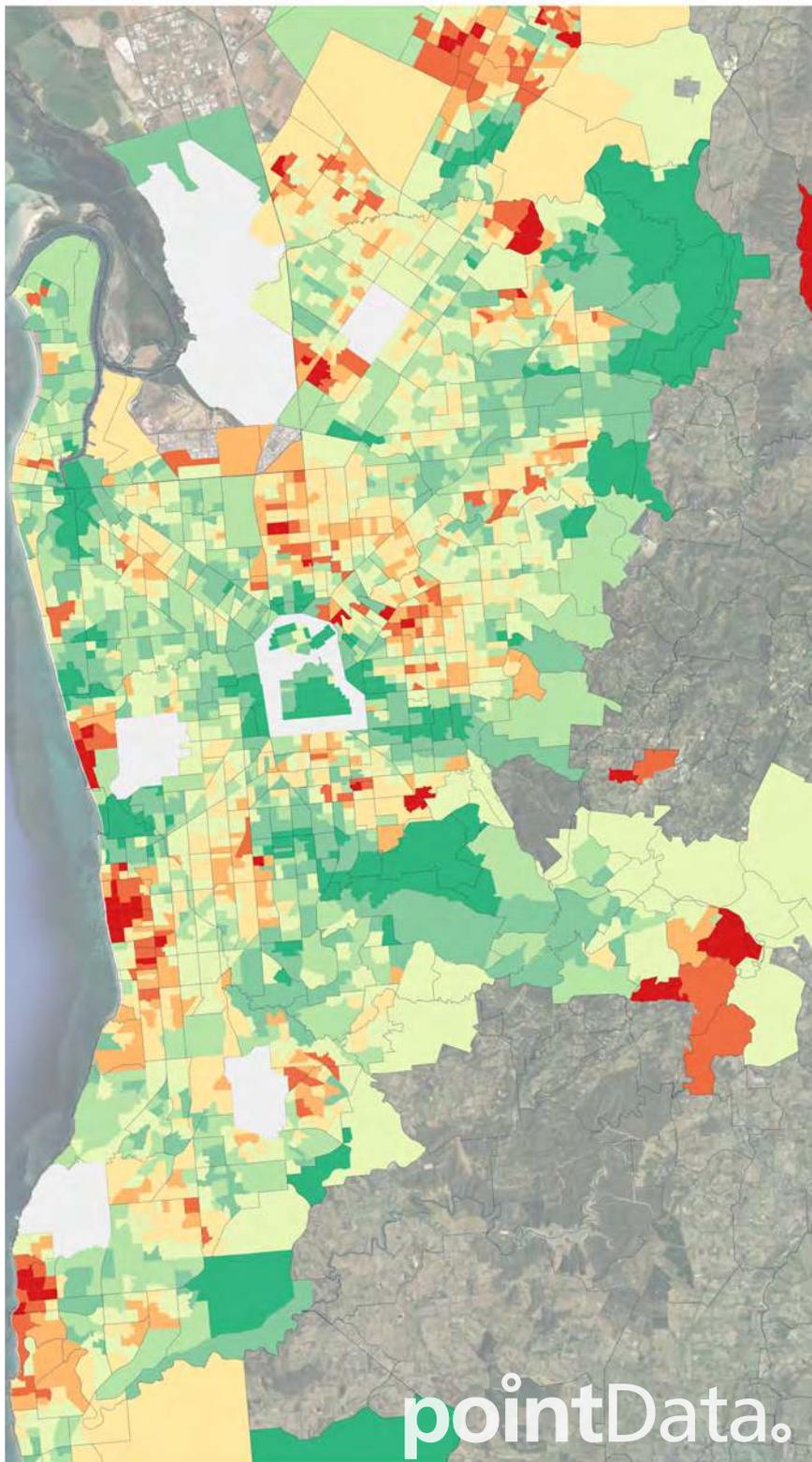
3 MONTHS TO JUNE
AVERAGED BY SA1

The map shows price trends for the 3-months to June 2020, calculated using the process outlined in the Property Price Trends section.

It is notable that the 3-month trend map shows a much greater coverage of green compared to the 6-month map, indicating a recent upward trend in residential property prices.

This suggests that despite COVID-19 shutdowns and restricted activity in the real estate market, average prices have been rising, indicating strength in the local housing market (see Sales Activity Comparison).

Our Insights:

The map image shows rising price trends across the vast majority of the metropolitan area, with localised patches of red, notably at Glenelg South to Brighton, West Beach and at Christies Beach and Port Noarlunga in the south.

Areas north-east of the Edinburgh Airport show a reversal of this overall trend; the 6-months to March map showed steady prices while this map shows falls of more than 2.5% in the 3-month period to June.

Parts of Mawson Lakes and Salisbury Heights show similar reversals. Salisbury Heights had shown +5% growth in the previous period, it now shows falls of more than 2.5%, perhaps indicating a correction in the local market.

Generally, inner ring suburbs (except for those on the southern edge of the city) show medium to strong growth, except for Gilberton and Medindie, two traditionally high value areas. The city square and North Adelaide also show high growth.

🟥 -5% or lower	🟨 -1.25% to 0%	🟩 +2.5% to +5%
🟧 -5% to -2.5%	🟨 0% to +1.25%	🟩 +5% plus
🟧 -2.5% to -1.25%	🟩 +1.25% to +2.5%	⬜ Suburb Boundary

pointData

SALES ACTIVITY COMPARISON AND COVID-19 IMPACTS

NUMBER OF SALES FROM MARCH TO MAY, IN 2019 AND 2020

2019	8,324	1,386	380
2020	3,708	608	188
CHANGE	**-55.5%**	**-56.1%**	**-50.5%**
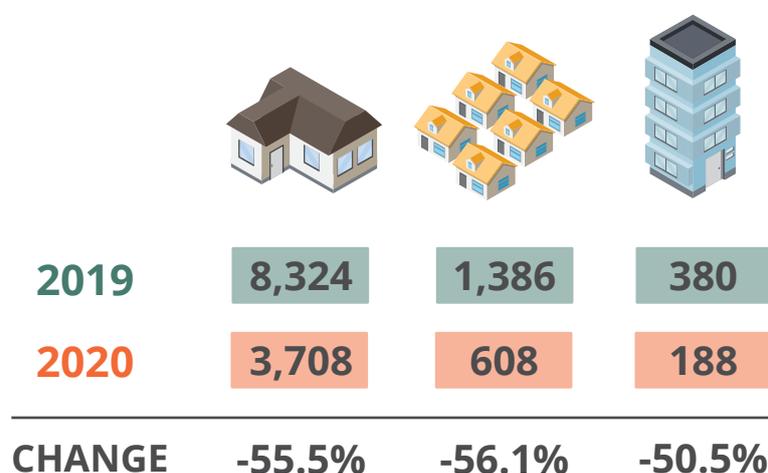
Data from residential real estate sales, sourced weekly from Land Services SA, shows activity in metropolitan Adelaide fell by over 55% in the three months to the end of May 2020 when compared to the same period one year earlier. This trend applies consistently across all types of dwellings, with slightly lower falls in the limited apartment market (50.5%). This trend is seen across the metropolitan area, with 102 of 103 SA2 regions experiencing a fall in sales numbers in 2020.

Our analysis indicates that a fall in sales activity during the COVID-19 shutdown has coincided with slight increases in the average house prices in Adelaide (see PROPERTY PRICE TRENDS). On average, the Adelaide Metropolitan area has seen a slight rise of around 1.1% in this period. House prices were predicted to fall due to due to a combination of loss of incomes, rising unemployment and sharp population slowdown, (BankSA Economics, 2020) but our analysis shows rising values across Adelaide, indicating that the demand did not fall as sharply as feared, instead tracking relative to the fall in supply. Social distancing measures made transacting for property more difficult and some construction projects have been extended, delayed or cancelled. (BankSA Economics, 2020)

The rising property market in Adelaide shows that a predicted 7-10% fall has yet to materialise (BankSA Economics, 2020). Government and bank interventions may have deferred impacts, however many economists predict a sharp fall post September, once income support and mortgage repayment holiday programs both come to an end.

REFERENCES

BankSA Economics. (2020). *Residential Property Outlook*. Adelaide: BankSA

Harling, J. (2020, July 1). *CoreLogic*. Retrieved from Housing Values Edge Lower In May, While Transaction
   Activity Partially Recovers From A Sharp Drop In April:
      https://www.corelogic.com.au/news/housing-values-edge-lower-may-while-transaction-activity-parti
      ally-recovers-sharp-drop-april

Maley, K. (2020, June 16). *One in five home loan deferral customers in strife*. Retrieved from Financial
   Review:
      //www.afr.com/companies/financial-services/one-in-five-home-loan-deferral-customers-in-strife-202
      00615-p552rj

Owen, E. (2020, June 9). *Buyers are surprisingly responsive to a rise in listings over may*. Retrieved from
   CoreLogic:
      https://www.corelogic.com.au/news/buyers-are-surprisingly-responsive-rise-listings-over-may?utm_
      medium=email&utm_source=newsletter&utm_campaign=20200609_propertypulse

TERMS & CONDITIONS

This publication (Product) is compiled by PointData Pty Ltd, (Company) ACN: 166 676 919 and contains content owned or licenced by PointData Pty Ltd and its related entities. By acquiring or accessing the PointData products, you acknowledge and agree to the following disclaimers;

- ▶ Each of which limits any liability that we may otherwise owe you (whether in contract, tort or otherwise);
- ▶ The Company does not warrant the accuracy or completeness of the information in the Product;
- ▶ The information in the Product is general in nature, current as at that the date you acquire and does not constitute advice;
- ▶ The information in the Product is provided for general information purposes only and is a summary based on selective information which may not be complete for your particular purposes;
- ▶ We have not, and have no obligation to, take into account any of your particular circumstances or goals.

Any estimated value or value ranges and target sales prices in the Product are based on public sales history (which has not been independently checked or verified by us) and may not include all sales. You acknowledge and agree that sales history and past performance is not indicative of future performance.

The Product does not guarantee any particular investment return, sale price, financial performance, or salability of a particular property or development.

The Product is not a professional appraisal of the subject property by a professional valuer, builder, architect or sales agent, and should not be relied upon as such.

Any information in the Product relating to estimated development costs are indicative only and based on the Company's reasonable estimates of likely development costs. It should not be relied upon as certain or fixed costs, and should not be considered an exhaustive list of all types of development costs. Other development costs may apply. © Copyright 2020 PointData Pty Ltd.

For full terms and conditions refer to our website: www.pointdata.com.au

WARNING

The information contained in this dataset is extracted from records of land status and cadastral boundary definition held by the Government of the State of South Australia (the "State"). The information is not represented to be accurate, current, complete, or suitable for any purpose, at the time of its supply by the State, and may have changed since the date of supply by the State. The software by which the information is provided is not represented to be error free. No responsibility is accepted by the State for any reliance placed by any person upon the information, or the software by which it is provided. Persons acquiring or using the information and its associated software must exercise their independent judgment in doing so.

COPYRIGHT

Copyright in the information remains with the Crown in right of the State of South Australia. The information is reproduced under licence from the Crown.