

Lay of the Land Report

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

Summer 2020 Edition

pointData.

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- ▶ 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.

THE YEAR IN REVIEW

The year of 2020 was quickly impacted by the worldwide COVID-19 pandemic, creating predictions of a disastrous real estate collapse, mass unemployment, a prolonged recession and restrictions on the very way we live our lives. While there certainly has been significant social and economic impact, thankfully it has not been as severe or prolonged as widely predicted.

As the year progressed and Australia navigated COVID-19 better than much of the world, our analysis showed the Adelaide real estate market remained resilient, and at the end of August recorded the highest auction clearance rate across Australia's capital cities. The Adelaide market has shown steady growth for more than 12 months and whilst the COVID-19 pandemic is not over, as state borders open, business establishes the new normal and economic activity rebounds, [the future for real estate in Adelaide is looking bright.](#)

State borders are opening, social-distancing restrictions are being eased and a COVID-19 vaccine seems to be within reach next year. Combined with low interest rates, these factors could ignite the housing market next year. (Kunnen, 2020)

Historically low interest rates are forecast to remain for the foreseeable future. For those who remained in full employment throughout this pandemic, economic conditions are favourable for property investment. Furthermore, travel and other restrictions have led to a redistribution of a portion of household disposable income. Bank SA's Data Snapshot (3 December 2020) states that new housing lending reached a record high in October, with the value of new loans up by 15.1% over pre-pandemic levels in February and up 23.3% on the same time in 2019. This is led by owner-occupier loans, up 42% with investor lending up 29.5% since the market bottomed out in May this year. (Kunnen, 2020) Government stimulus aimed at the construction industry appears to have had a positive influence with owner-occupier lending for house construction recording a 10.9% increase in October and first homeowners making up 35.3% of all owner-occupier loans in October, the highest rate recorded since this data series was started in July 1991.

Australia's good record in managing the Coronavirus pandemic has meant that our local economies have been shielded from the worst predicted outcomes and Adelaide in particular has enjoyed greater freedom of movement throughout most of 2020.

BankSA's recent State Monitor Survey shows increasing business and consumer confidence in the state (prior to the recent 3-day lockdown) with consumer confidence reaching a seven-year high. Fewer people are worried about job losses and business spending projections are up. Regional South Australia is sharing the positive outlook and Westpac's Consumer Sentiment Index showed improvement across the country, recording a level 48% above the low in April and the highest level recorded since October 2010 (Westpac Banking Corporation, 2020).

Across all regions and demographics, the factors cited for generating the most optimistic scores for both consumers and businesses were the state and the national response to COVID-19, and South Australia's long-term outlook for the future. (BankSA, 2020)

THE YEAR IN REVIEW

Reports suggest that these positive economic and social conditions are reversing the brain drain which saw young people leave Adelaide for the promise of better job opportunities in bigger cities within Australia and overseas. In August, Max Opray wrote for IN-Daily that travel restrictions, rising unemployment and COVID-19 outbreaks in Melbourne and Sydney were not only discouraging South Australian youth from leaving but were actively encouraging expats to return to home from interstate and overseas. (Opray, 2020) However, the loss of international immigration would have an even greater negative impact on population size. The State Government is targeting growth in health, defence, space, cyber security, and creative industries to attract migration while the loss of backpackers as a workforce creates low-skilled job opportunities for South Australians who lost work through the lockdown.

Overall ...

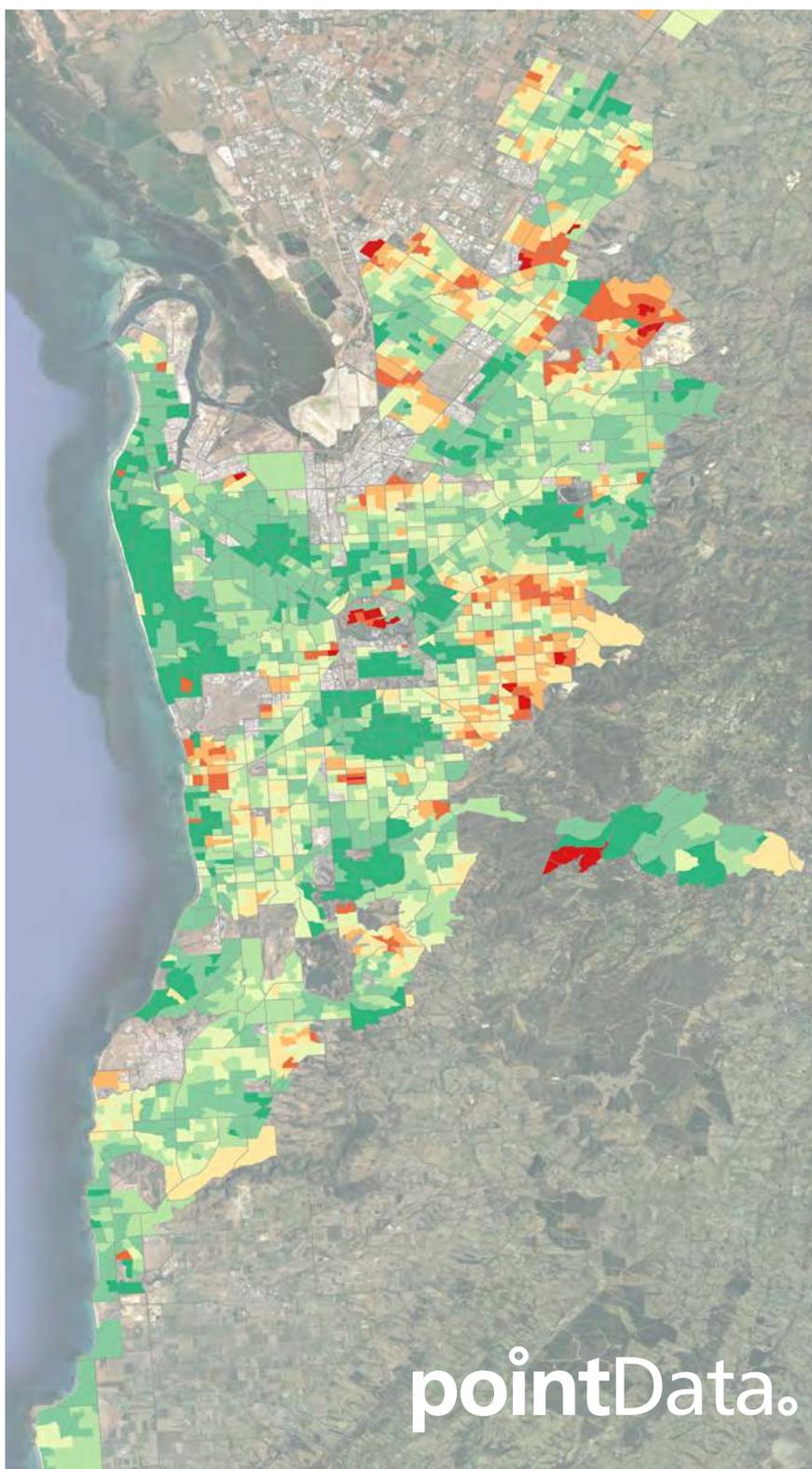
2020 has been a tumultuous year, but the South Australian economy and real estate market have weathered it better than expected. Recent activity and price trends suggest the real estate market is recovering from the early shock of COVID-19 and is currently operating as a seller's market, encouraging more listing activity. Looking forward to 2021, we wonder how the fall-out from the coronavirus pandemic will affect the housing market and buyer's desires.

Will increased remote working arrangements drive demand for bigger homes? What will this mean for apartments and medium density living? Will investors from the eastern states look to Adelaide as an affordable investment opportunity?



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 <https://valeri.com.au/> to find out more.

PROPERTY PRICE TRENDS



6 MONTHS TO DECEMBER AVERAGED BY SA1

Adelaide's real estate market has remained positive throughout 2020.

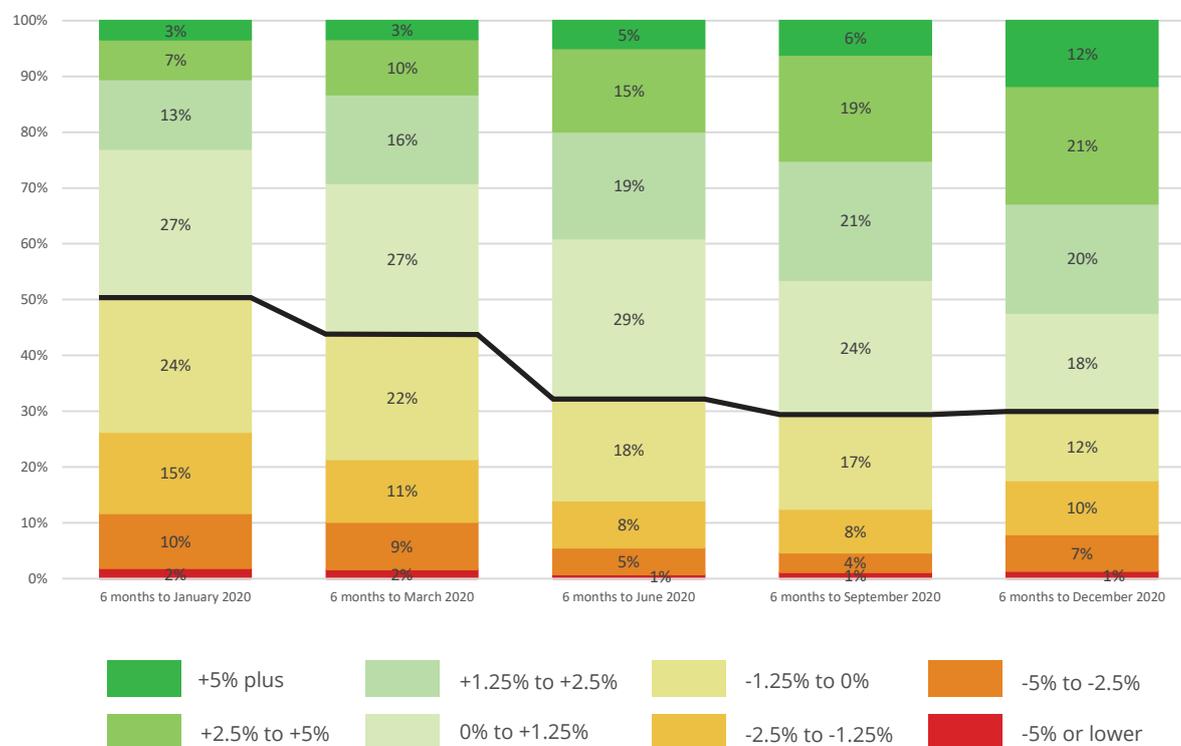
The Lay of the Land Spring edition discussed a wide-spread upward trend in property prices across Adelaide. The latest map shows this trend continuing and strengthening across the metropolitan area. Small pockets where prices are observed to be falling leading into Summer (Glenelg North, Upper Sturt, North Adelaide, hills face from Beaumont to Auldana, Elizabeth Grove and Greenwith) have generally been associated with rises in recent periods, suggesting that the latest data is a natural market fluctuation.

BankSA's Data Snapshot from December 3 2020 supports these growth signals, in particular recovery in housing lending as borrowers take advantage of historically low interest rates and the Reserve Bank provides long-term certainty, indicating the cash rate will not be lifted before the end of 2023. Government stimulus spending is also proving a boon for the housing construction industry, with lending to owner occupiers for new construction rising between 10.9% and 11.5% in the month of October (*Kunnen, 2020*).



PROPERTY PRICE TRENDS

PROPORTION OF ADELAIDE PROPERTIES 6 MONTHS TO DECEMBER



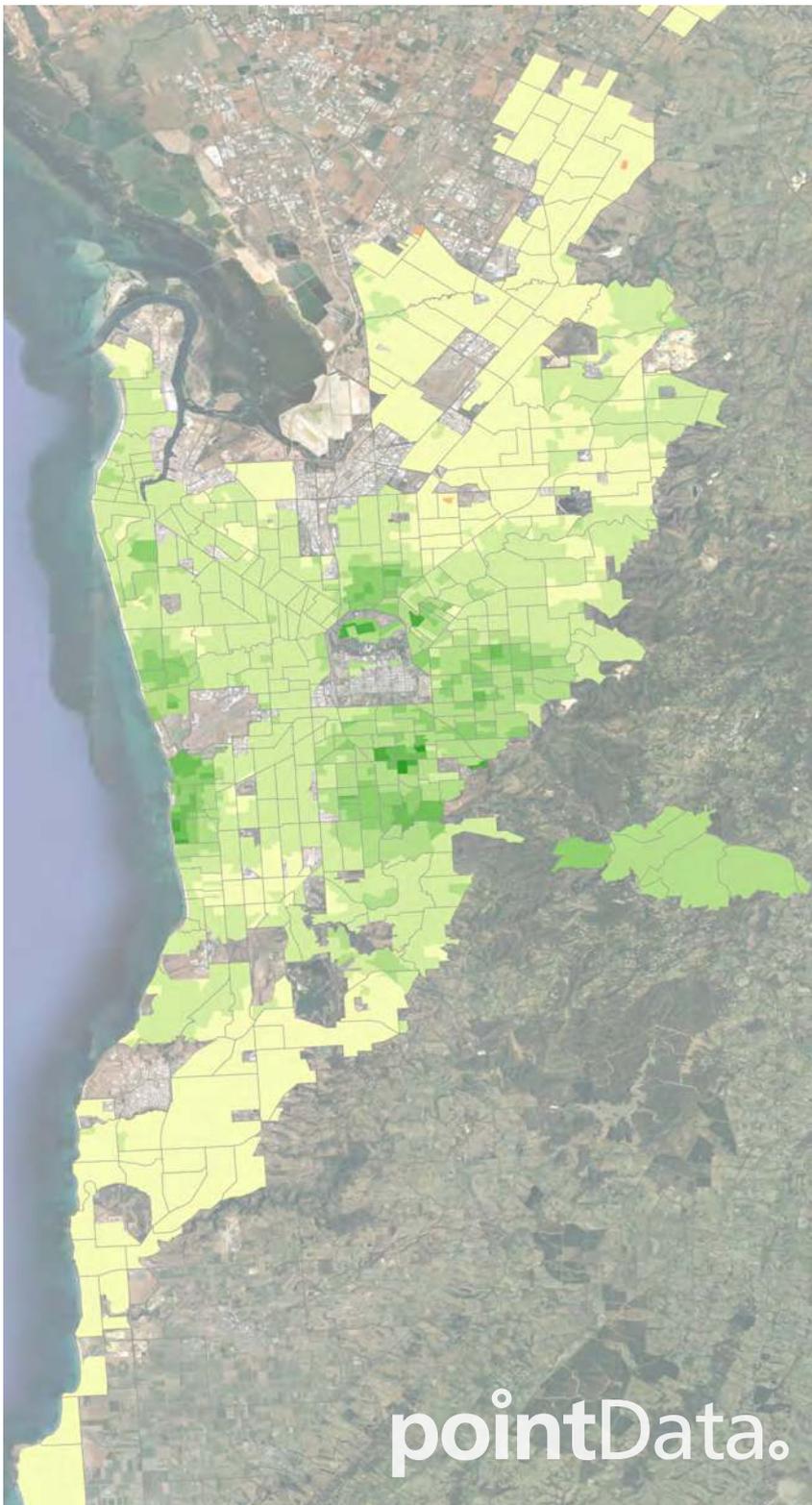
The graph above shows a summary of price trends by SA1 across Adelaide for 6-month periods to January, March, June, September and December 2020. The black line on the graph shows the neutral position with SA1 statistical areas recording average growth above the line, and those in decline below the line. Our analysis shows that the Adelaide market has experienced more than a year of growth, with each period showing an increase in the proportion of properties growing in value. In the 6-months to December 2020, our models show that 72% of SA1 regions across the Greater Adelaide City area enjoyed an increase in average house prices.

While the number of regions above the line has changed very little from 3 months ago, the number of areas experiencing annualised growth of more than 2.5% has increased, as has the number of regions experiencing falls of more than 1.25%. Reflecting on previous editions and data collected over an extended period shows that areas recording falls in the last quarter had generally recorded rises at other periods during the last 12 months.

At the beginning of 2020, many commentators spoke of the threat of rising homelessness as unemployment combined with mortgage or rental pressure forced evictions and cause a collapse in housing markets. None of these threats materialised to any significant extent as government, lending institutions and rental agents/landlords intervened with mortgage holidays, rental concessions and other industry protections. Despite this, some fire sales will have occurred, but they have not become so numerous as to become a dominant factor in the local market.

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

PROPERTY PRICE TRENDS



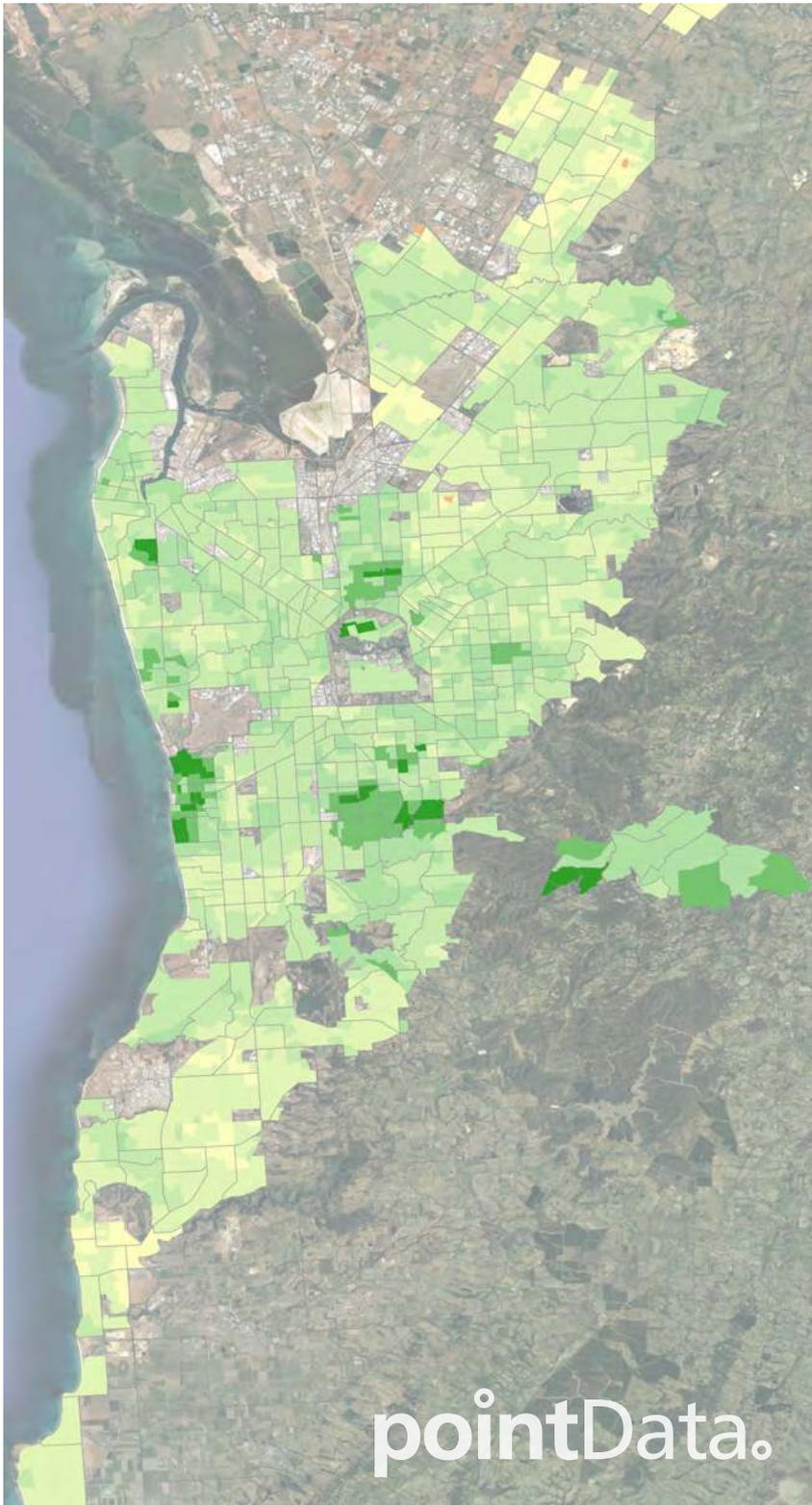
5 YEAR GROWTH AVERAGED BY SA1 (2016-2020)

PointData mapped 5-year house price trends as both an average value change since 2016 and an annualised percentage change (see next page), indicating **Metropolitan Adelaide has generally seen steady gains over the last five years.**

Average house value uplift of more than \$150,000 was observed in suburbs in the inner north, east and southern suburbs as well as coastal suburbs from Glenelg to Somerton Park. The highest recorded average value uplift occurred in Kingswood, Highgate, St Peters and North Adelaide. Strong percentage growth was also observed in Colonel Light Gardens, Mitcham, Torrens Park, Glenelg North and South, West Lakes, Prospect and Nailsworth (see next page).



PROPERTY PRICE TRENDS



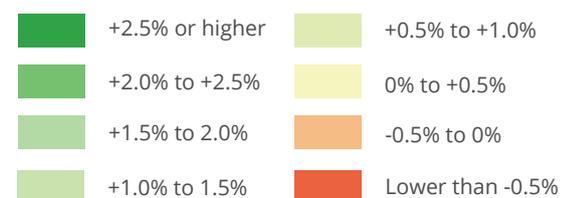
ANNUALISED 5-YEAR HOUSE PRICE TRENDS TO DECEMBER 2020

Reviewing the Adelaide market over the last 5 years highlights that paying down a mortgage is only part of the story of wealth creation available through property. Shorter term price trends can experience volatility; informed decision making when transacting property, regardless of your starting price, can be critical to long-term growth including opportunities to outperform the market average.

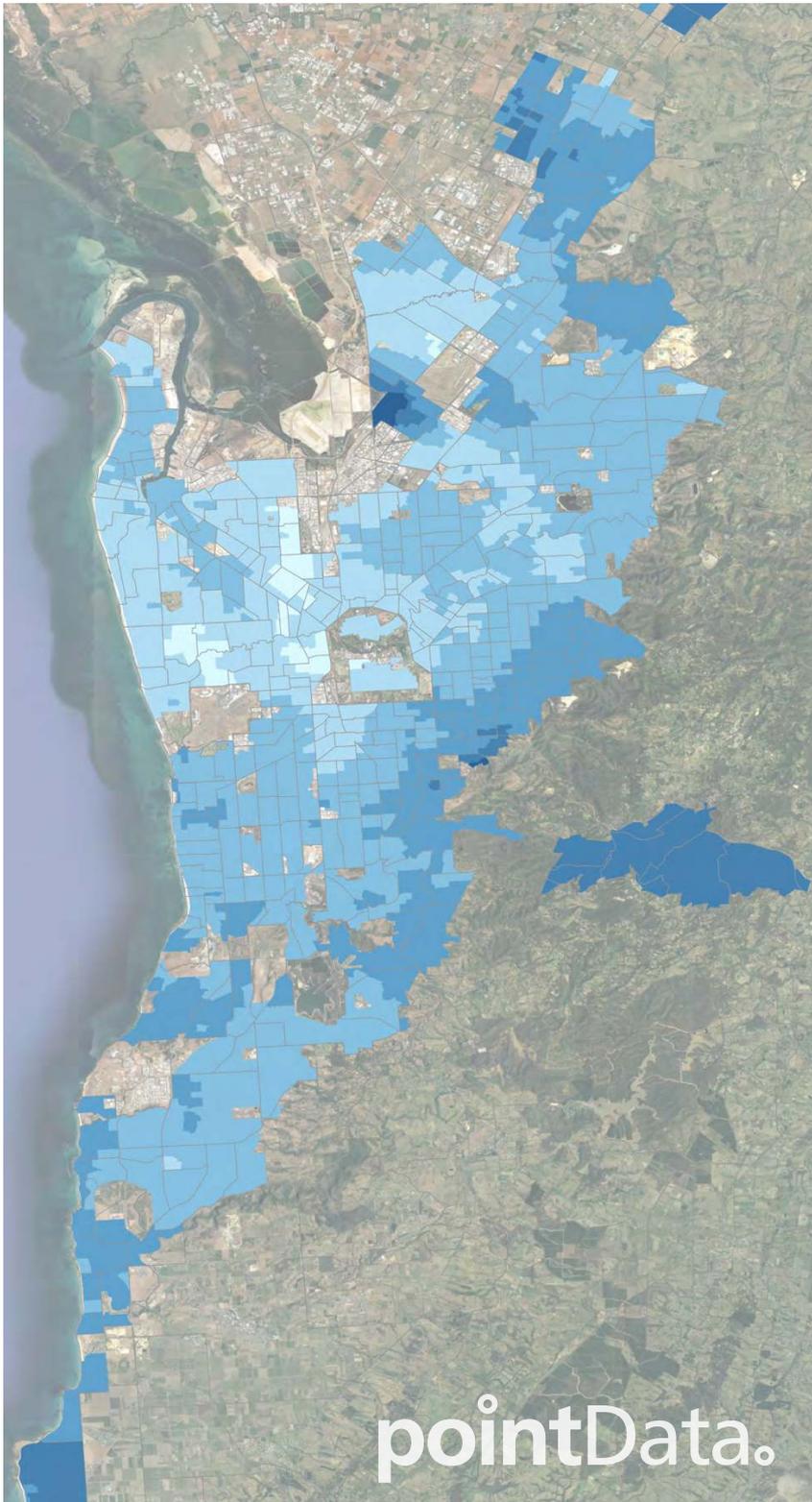
While few of us can afford to buy our first home in the best suburbs, insights through PointData's trend analysis and our automated valuation model, Valeri can help home buyers and property investors identify opportunities to buy in growth markets at a range of price points. These insights can also be used to periodically review the performance of your assets over the medium to long term.

Our planning expertise as well as our property development tools support buyers to make the right decisions about redevelopment and longer-term property investment planning.

Visit www.valeri.com.au for more information.



SALES ACTIVITY COMPARISON

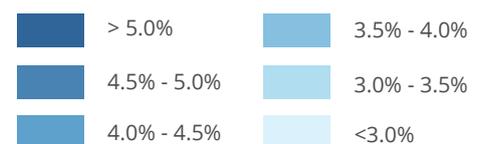


ANNUAL TURNOVER BY SA1

This map, showing annual turnover by SA1 is graded according to the number of settled sales in the region as a percentage of the total number of homes.

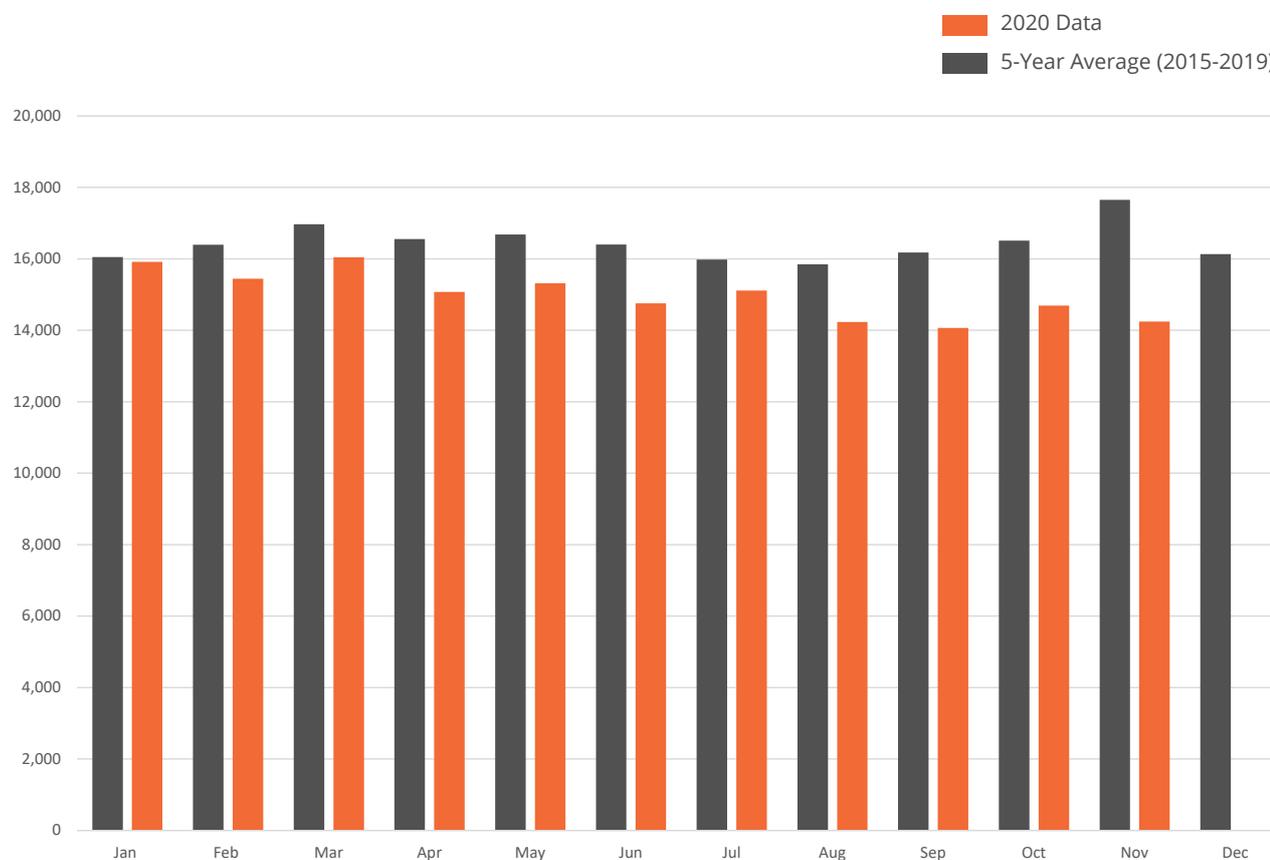
The map shows higher turnover in the northern and southern extents of the Greater Capital City region and an unexpected higher activity trend in the foothills to the east of Adelaide. Lower levels of activity are observed in western and north-western suburban areas.

According to SQM Research data, activity levels in 2020 are lower than the five-year average (SQM Research, 2020), which is reflected in recorded turnover rates of between 2.5% and 6%. Under these conditions, statistical anomalies can be more apparent and extreme, however outliers would tend not to result in orderly gradients such as shown in the accompanying map, lending greater reliability to the presented data.



SALES ACTIVITY COMPARISON

TOTAL ACTIVE LISTINGS PER MONTH (ADELAIDE METRO)



Throughout 2020, we have observed that buyer demand tracked proportionally to the slump in listing activity, maintaining buoyancy in house prices. SQM Research data shows that while listing activity is recovering, it still lags behind the 5-year average as a result of a steep fall in real estate activity during the early stages of the coronavirus pandemic lockdown in Australia.

As coronavirus restrictions ease, listings are anticipated to rise to more normal levels and current price trends suggest buyer demand is still high, providing ideal conditions for sellers and encouraging yet more listings.



For further information regarding any property please purchase a Property Development Potential Report from our website www.pointdata.com.au/products or contact us for more information: enquiries@pointdata.com.au.

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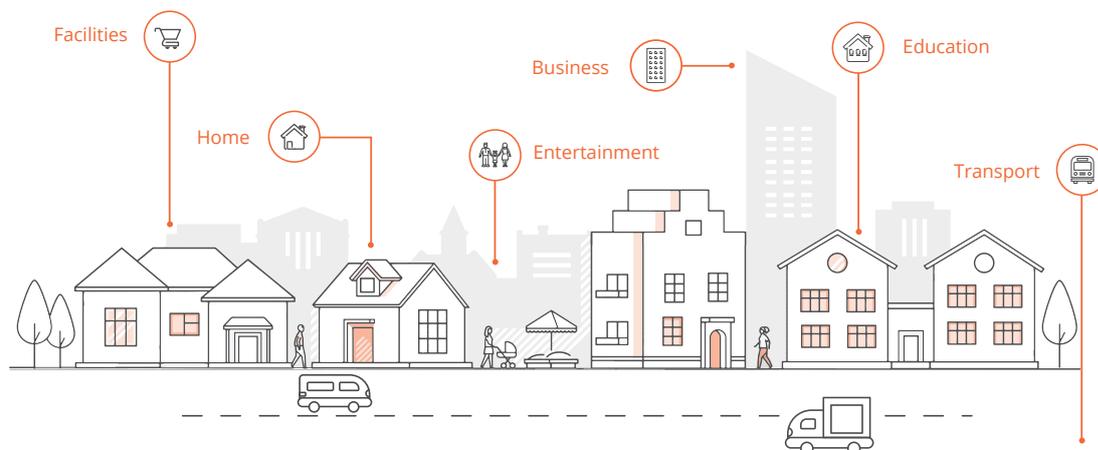
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POINTDATA AND LAND ECONOMICS

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.