



SA Property Landscape

November 2019



A joint publication of



Foreword

Land Services SA and BDO are pleased to release our second South Australian Property Trends Report.

Informed knowledge on the performance of South Australia's property sector is key to understanding the overall health of our State's economy and better targeting strategic investment. This Report provides an overview of the property market in SA and assesses the performance of the sector utilising data from property valuations and transactions over recent years.

With over 32,000 residential properties and 1,300 commercial properties transacted in South Australia annually, the importance of the real estate sector to the State's economy, feeding lending via brokers and financial institutions,

real estate agencies, conveyancers and other related industries is demonstrated.

Sales activity among residential properties shows gradual softening over a 3-year period with the sharpest decline since FY15 of 6.3% across the State recorded during FY19. Notwithstanding softer residential sales volume, overall residential capital values increased by 5.1% during FY19, with the largest increase in percentage terms across Metro Adelaide occurring among parcels > 900m².

The Big 4 financial institutions in Westpac, CBA, ANZ and NAB continued to hold significant mortgage marketshare across both residential and commercial properties. However, second tier lenders gradually increased their share, particularly of residential mortgages, to 32.7% during FY19.

During FY19 Westpac remained the strongest of the big 4 lenders increasing its overall marketshare to more than 23% of all mortgages lodged with Land Services SA. Total residential capital values subject to a mortgage eased slightly during FY19 to 64.1%

Completed residential construction activity softened during 2018, particularly in the State's regions with the 4th consecutive year of declining residential construction activity from a height of 2,081 properties in 2014. While metropolitan completed constructions eased from 9,531 in 2017 to 9,099 in 2018, construction activity across the State (including regional areas) continued to exceed SA's 15-year average. This suggests that opportunities continue to exist in the construction and development space.



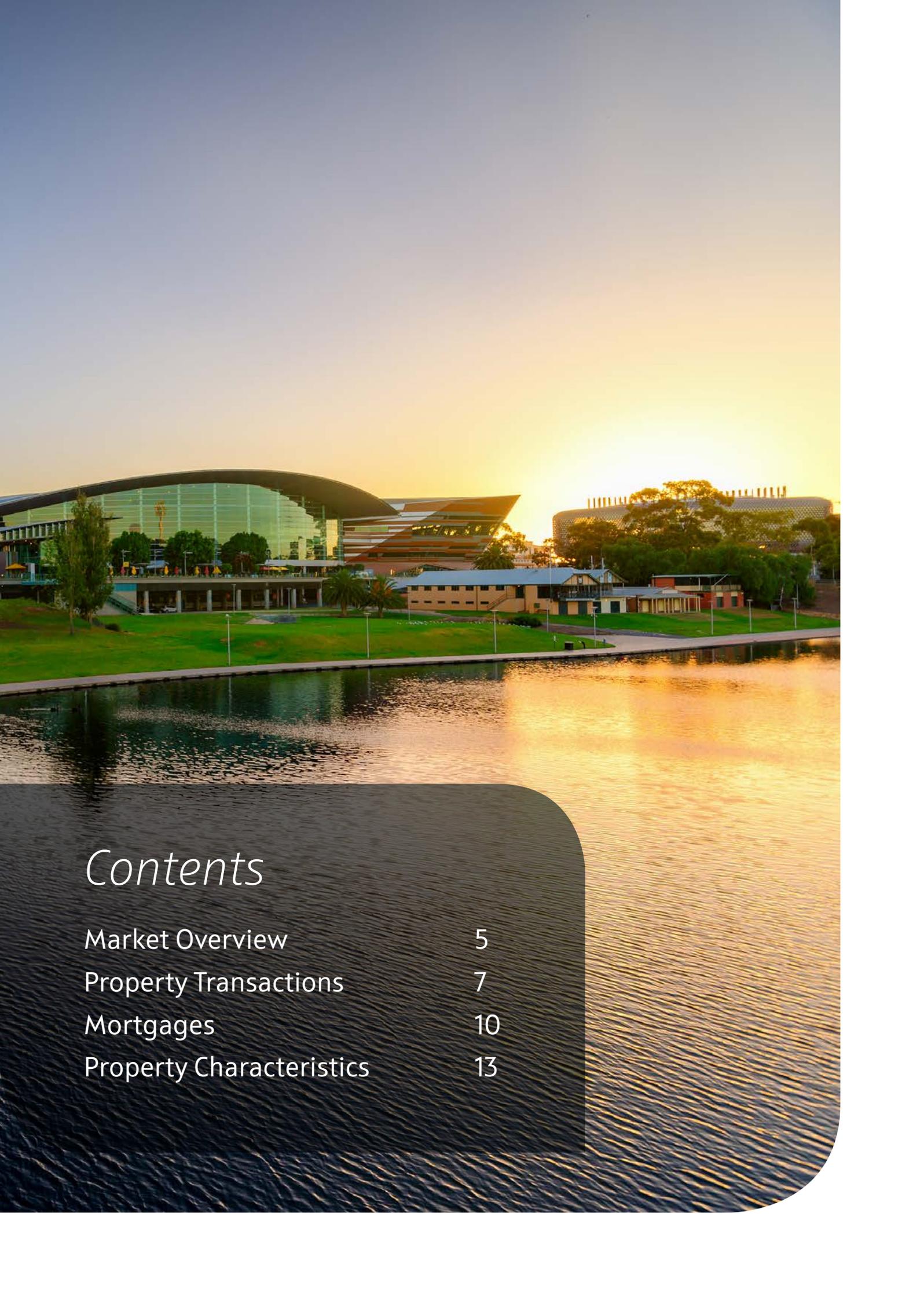
"The richness of Land Services SA data provides us with incredible insight into the State's property sector and its ecosystem. It is fundamental to informing investment decisions and driving growth"

BRENTON PIKE, LAND SERVICES SA

"Our Report highlights the importance of understanding key real estate trends to unlock business opportunities and grow economic prosperity for the future"

MATTHEW LAMING, BDO





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Snapshot

MARKET OVERVIEW

5.1%

the increase in capital value of residential property during FY19



51%

of LGAs recorded an increase in vacant land capital value during FY19

Highest

Capital value growth of 5.2% was recorded for rural property while the number of rural parcels held steady with 0.1% growth during FY19



PROPERTY TRANSACTIONS

12.3 years

Average holding period of residential property over the past 5 years



32,200*

Residential properties sold during FY19

Commercial

Commercial property sales increased by 9.3% to 1,300 in FY19



*Rounded down to the nearest hundred

MORTGAGES

Westpac increased its overall marketshare to 23.2% during FY19



3.2 in 10

residential mortgages are provided by a second tier lender

64.1%

of SA's residential capital value is subject to a mortgage



PROPERTY CHARACTERISTICS

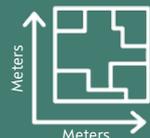


Mt Barker

Remains the LGA with the most subdivision activity over 10 years relative to its size

158 m2

Median size of residential properties in Metro Adelaide



9,700 Properties

15-year average number of residential properties constructed in SA annually

*Rounded down to the nearest hundred

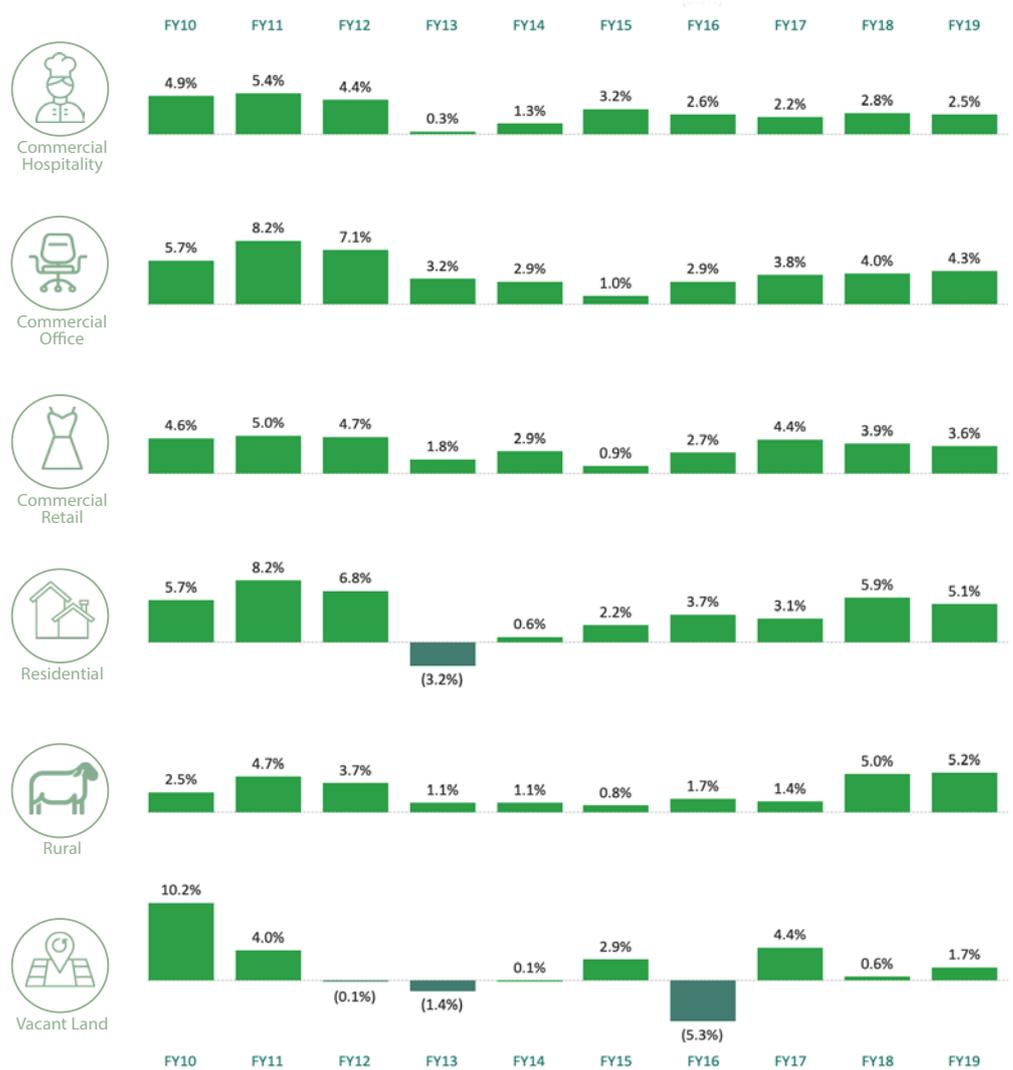


Market Overview

FIGURE 1: CHANGE IN CAPITAL VALUE BY LAND USE TYPE YEAR ON YEAR

Capital values are based on statutory Valuation Roll movements

51% of LGAs recorded an increase in vacant land capital value during FY19



- Figure 1 identifies the percentage change in capital value by land use type, based on statutory Valuation Roll records
- During FY19 capital value growth across all land use types has been relatively consistent with FY18, however Vacant Land was an area of positive upward trend, increasing in capital value by 1.7%
- Capital value growth during FY19 among residential properties eased from 5.9% in FY18 to 5.1% in FY19. However, the current rate of capital value growth in residential property still exceeded the period FY13 to FY17, which is positive given market pressures experienced through FY19. City of Adelaide and City of Norwood, Payneham and St Peters were large contributors to this growth in capital values with 13% and 10% uplifts respectively
- Compared with Adelaide Metro, residential capital growth was weaker in the State's regions, increasing by a more modest 2.5% during FY19
- During FY19 there was a 4.3% increase in commercial office capital value. This continues a moderate upward trend experienced in commercial office capital values over the past four financial years
- While the capital value of vacant land increased by 1.7% during FY19, variances between LGAs were significant with 49% of LGA's recording a decline in capital values of vacant land. The City of Norwood, Payneham and St Peters (41%), City of Walkerville (31%) and City of Prospect (22%) were all strong contributors to the net growth shown in the figure above

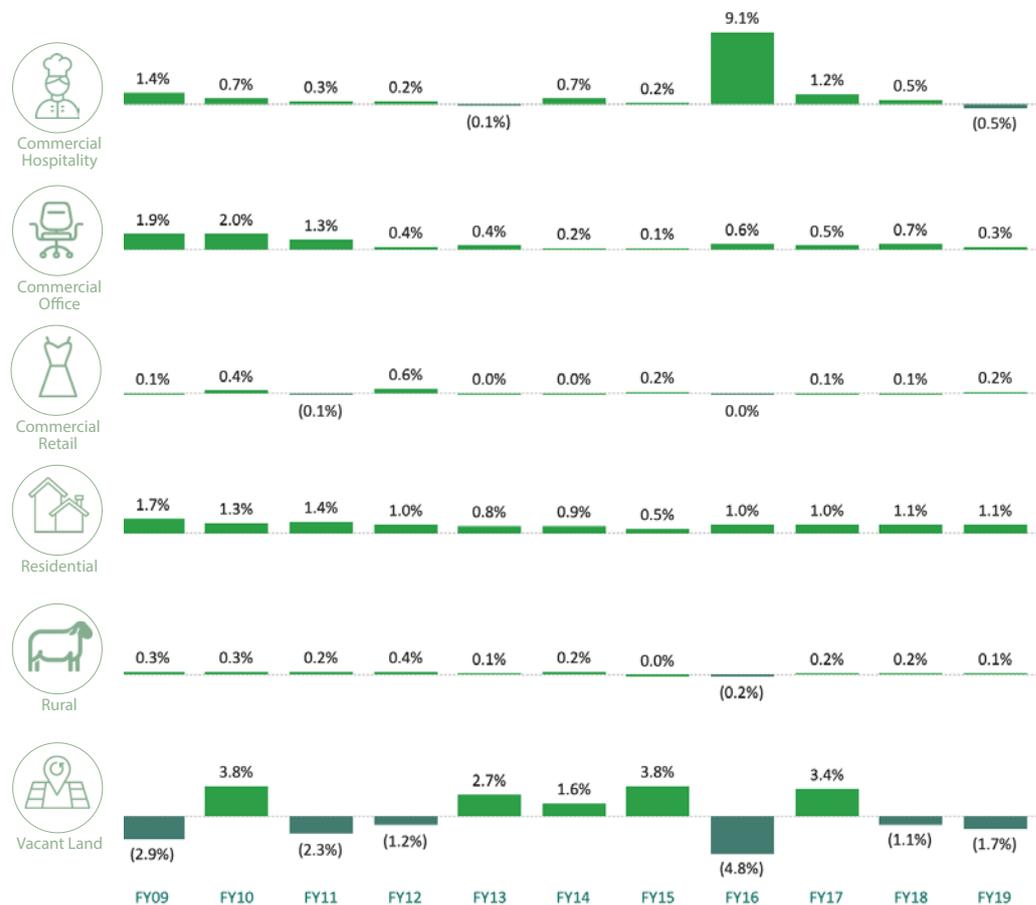


Property Transactions

- Aside from Residential and Vacant Land there has been little to no material change in the number of properties over the past 12 months
- Interestingly, Commercial Hospitality decreased slightly during FY19 by negative 0.5% across the State. Greater volatility among commercial hospitality stock was experienced in the State's regions, although in relative terms greater percentage movements in regional areas is mostly the result of fewer properties overall
- Significant decreases in the number of Commercial Hospitality properties were experienced through usually vibrant hospitality areas such as City of Holdfast Bay (down 15%) and City of Burnside (down 13%)
- More moderate increases occurred in residential property stock with the highest being City of Mt Barker at 4% which continues to increase through trends such as urban densification from property subdivision activity
- The number of Vacant Land properties decreased by 1.7% in FY19 across the State. City of Salisbury (down 18%) and Town of Gawler (down 10%) were impacted the most during FY19, which is a reflection of the transition from Vacant Land to Residential with both areas experiencing growth in residential stock
- The LGAs of Town of Walkerville (18%), Norwood, Payneham and St Peters (18%) and City of Prospect (11%) all experienced significant growth in Vacant Land which is a demonstration of subdivision activity through these areas

Residential property stock increased by 1.1% or 7,424 properties in FY19

**FIGURE 2:
CHANGE IN
NUMBER OF
PROPERTIES BY
LAND USE TYPE
YEAR ON YEAR**

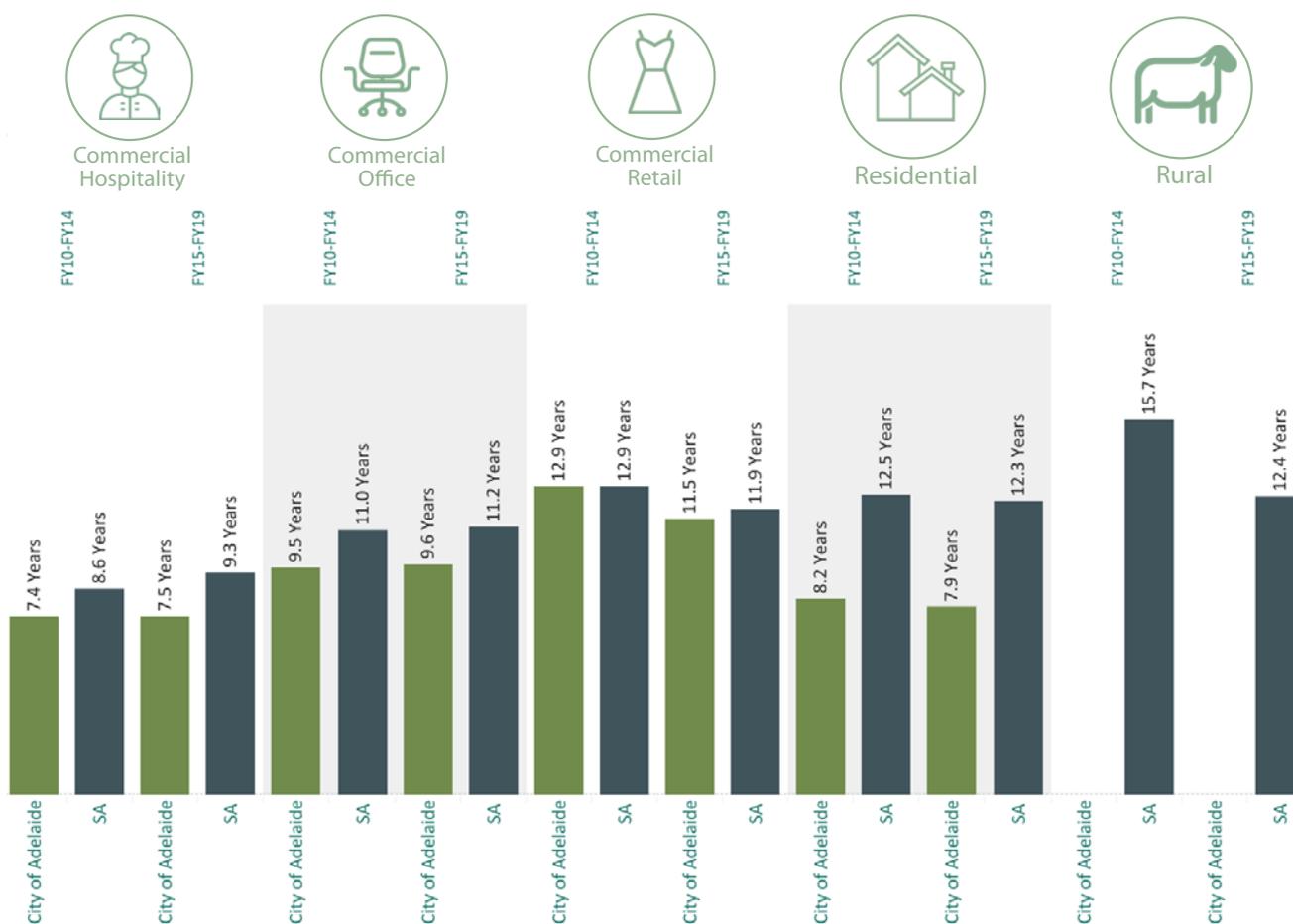


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FIGURE 3: AVERAGE HOLDING PERIOD (YEARS) BY PROPERTY TYPE

State and City of Adelaide LGA comparison. Based on properties sold during this period.



*Based on property sales between the period 1 July 2009 - 30 June 2019 at 5-year intervals

Average holding periods for commercial retail properties have decreased over the past 5 years

- The holding period for residential property in SA (FY15-19) was 12.3 years and has not changed dramatically in the past 12 months. This is still higher than commonly-held industry perceptions that suggest residential holding periods are between 7 - 8 years
- Metropolitan Residential Property was held the longest in City of Mitcham with an average holding period of 14.8 years during FY15-19, representing no change from last year. In contrast, metropolitan Residential Property was held for the shortest period in City of Adelaide at 7.9 years during the same period, also representing no change from last year
- All Land Use Types within City of Adelaide are held on average for a shorter period compared with the State overall, particularly Residential and Commercial Hospitality. This suggests decision making is based around lifestyle events or speculative investment activity moreso in the City of Adelaide compared with South Australia as a whole
- City of Campbelltown had the highest metropolitan average holding period for Commercial Hospitality (21.7 years) and Commercial Office property at 13.4 years (FY15-FY19) compared to the State average of 9 years and 11 years respectively
- The holding period for rural property shows variation in South Australia. Excluding Unincorporated Areas (i.e. areas not within LGA's), The District Council of Orroroo Carrieton had the highest average rural property holding period of all established LGAs at 20.4 years. Conversely, Mt Gambier Council had the lowest non-metropolitan rural holding period of 8.4 years (FY15-19)

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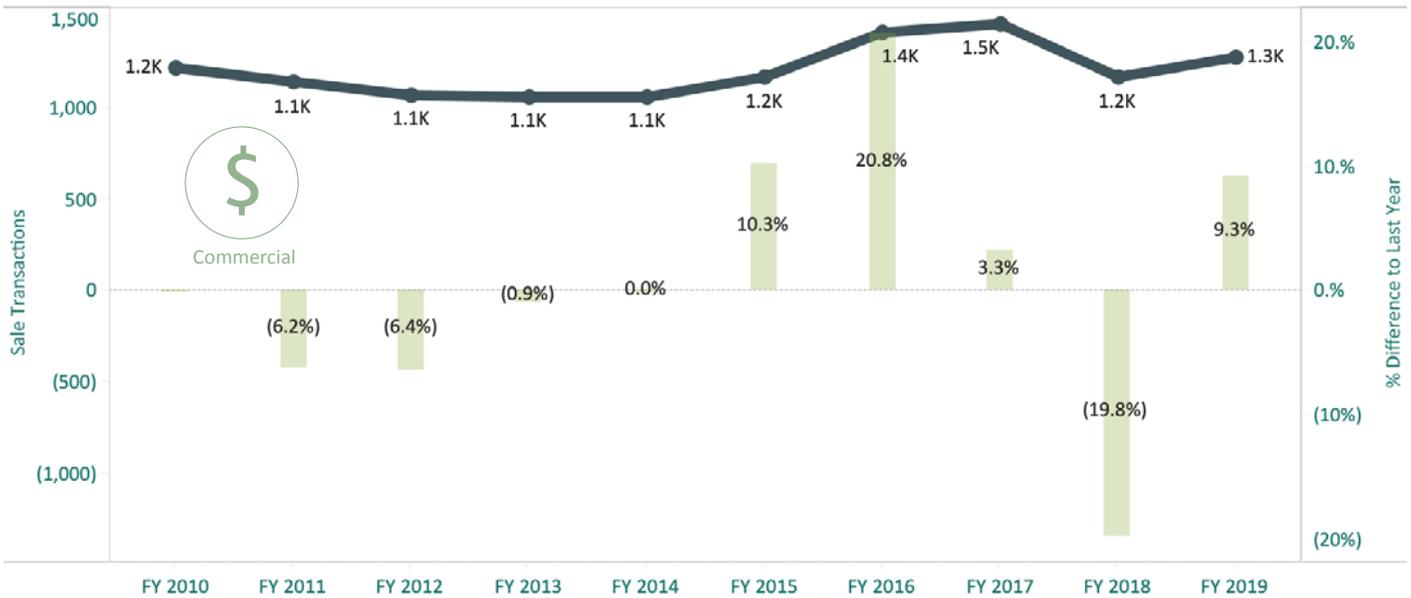




- The volume of total commercial sales transactions is comparatively small. Therefore, movements that are relatively minor in volume may yield more significant percentage variances compared to residential sales
- FY19 recorded 1.3K commercial property sales transactions, which represented a 9.3% increase from the prior year. This is the sharpest increase for commercial property sales since FY16 when 1.5K commercial properties were transacted
- City of Adelaide returned to a more usual volume of commercial property sales in FY19 with a 22.6% increase on FY18 resulting in 46 more commercial properties sold
- The sharpest increase was experienced in City of Charles Sturt achieving a 48.1% increase in FY19 compared to FY18, representing 26 more commercial properties sold, City of Unley (16 more properties) also experienced a significant increase of 41.0% in commercial property sales transactions during FY19
- Sales activity in the commercial property market does not appear to be closely correlated with the gradual year-on-year softening seen in residential property sales

FIGURE 4: COMMERCIAL SALES TRANSACTIONS

10 year movement to 30 June 2019

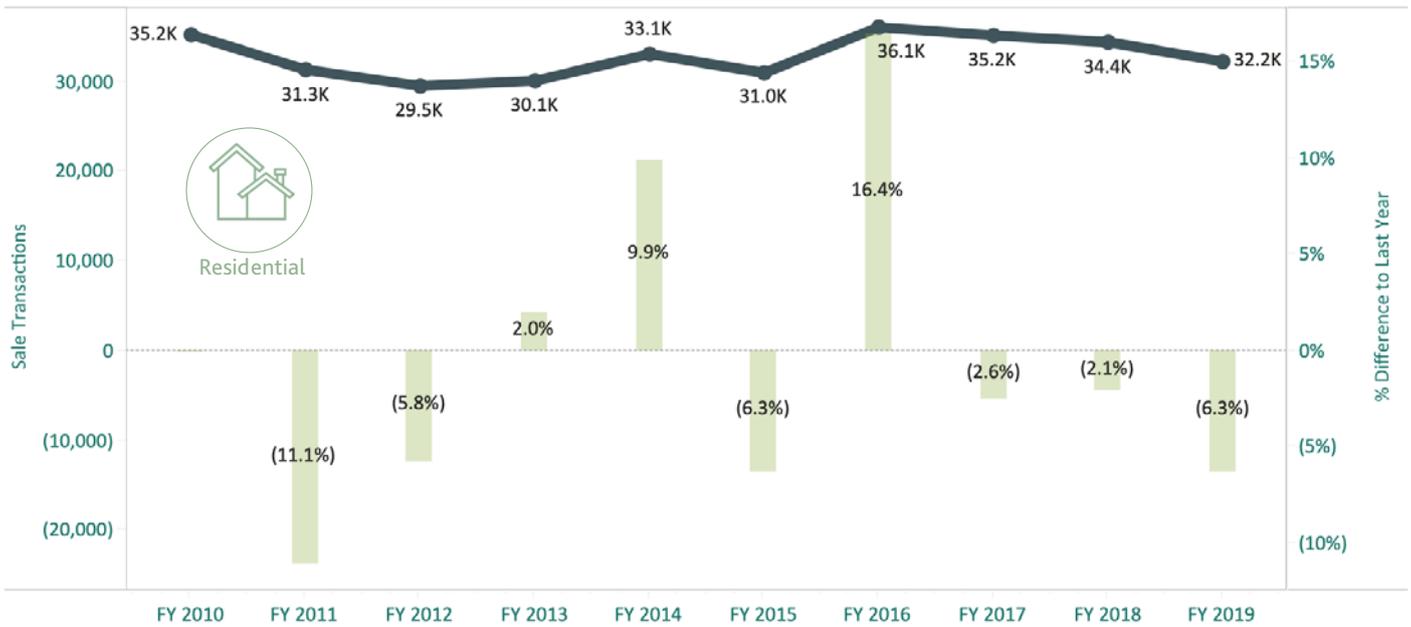


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FIGURE 5: RESIDENTIAL SALES TRANSACTIONS

10 year movement to 30 June 2019



- Residential sales activity experienced three years of consecutive decline in FY19. This year, the negative decline of 6.3% was the largest decline over the past 3 years, witnessing a drop in the number of transactions below 33K for the first time since FY15
- This decrease during FY19 aligns with common perceptions amongst real estate professionals. The largest decreases were experienced in City of Onkaparinga (249 less sales), City of Salisbury (241 less sales) and Campbelltown City Council (185 less sales)
- In percentage terms, only 30% of LGA's experienced an increase in the number of properties sold compared to FY18, with the greatest increases in sales activity being 71 more properties in Whyalla City Council
- Over the last 3 years 101,802 residential property sales have occurred, equating to \$39 billion transacted

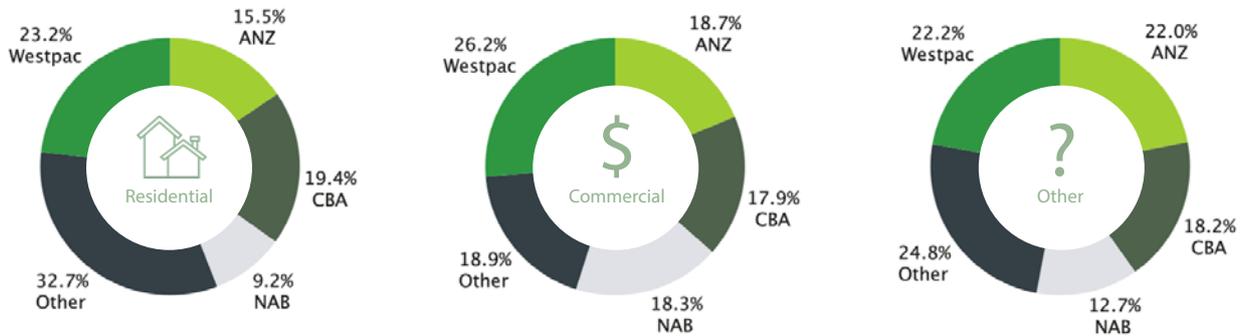
\$39 billion residential sales (\$) have settled over the past 3 years in SA



Mortgages

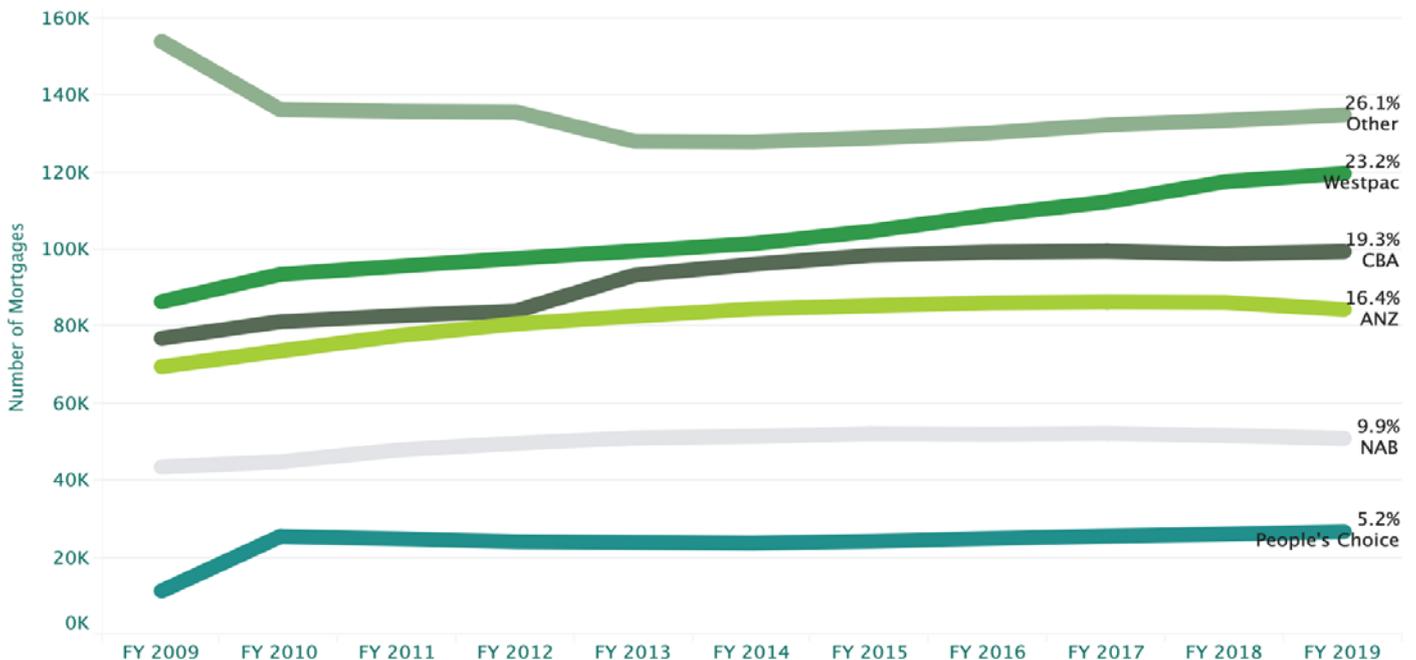
FIGURE 6: MORTGAGE MARKETSHARE BY LENDER AND PROPERTY USE TYPE

At 30 June 2019



- The Big4 financial institutions continue to hold significant mortgage marketshare across both residential and commercial properties
- One third of residential properties are supported by second tier lenders (at 32.7%), which increased slightly during FY19 from 32.4% during FY18
- Westpac has the largest marketshare across both residential and commercial properties, with marketshare increasing in residential to over 23% of all mortgages in SA at 30 June 2019. Commercially this has grown to 26.2%
- Westpac is the only Big4 lender that has grown marketshare in the residential mortgage sector during FY19, with all others showing gradual decline since FY18
- While second tier lenders have slightly grown their presence in the commercial lending space over the past 12 months, a majority of mortgages remain with Big 4 lenders, highlighting the complexities of commercial property lending

FIGURE 7: MORTGAGE MARKETSHARE BY LENDER (ALL LAND USES) 10 YEAR TREND



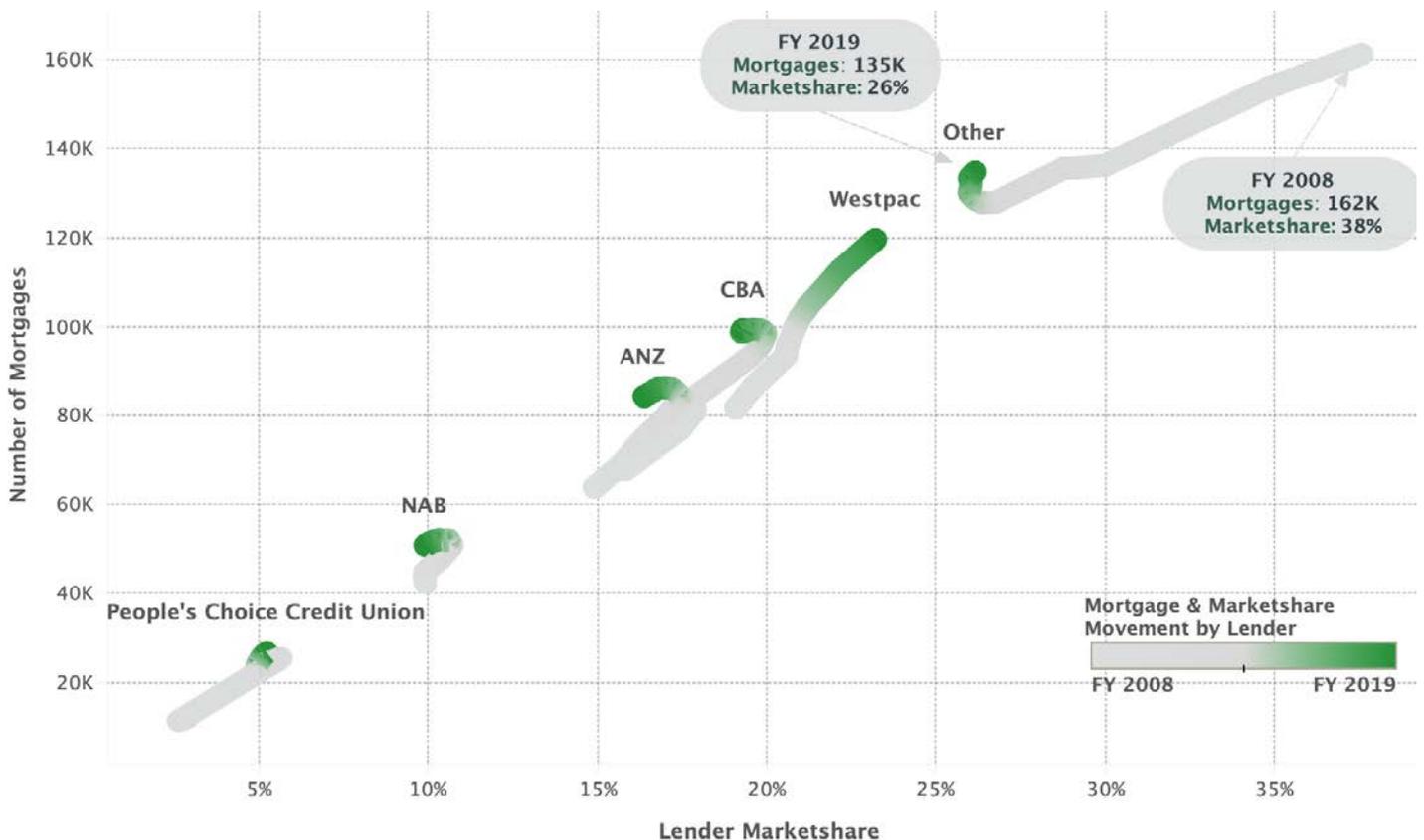
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- Figure 8 below shows the number of total mortgages issued in South Australia by top lenders on the y (vertical) axis. Marketshare by lender is shown on the x (horizontal) axis. The colouration of the lines display the period in years, with darker colours representing more recent years up to FY19
- While People's Choice Credit Union grew rapidly during the period FY08 to FY10 likely as a result of its merger with Savings and Loans Credit Union, since FY10 there has not been significant movement. In contrast, Westpac's growth both in terms of number of mortgages and lender marketshare has continued at a reasonably steady pace over the past 11 years
- Second tier lenders included in the Other category of Figures 7 and 8 decreased rapidly during the period FY08 to FY13. Of more recent years (since FY15) this decline has ceased, with other lenders showing signs of growth in terms of number of mortgages but relative stagnation in terms of marketshare

Marketshare for Westpac bank has grown both in terms of mortgage numbers and lender marketshare over the past 11 years compared to its competitors

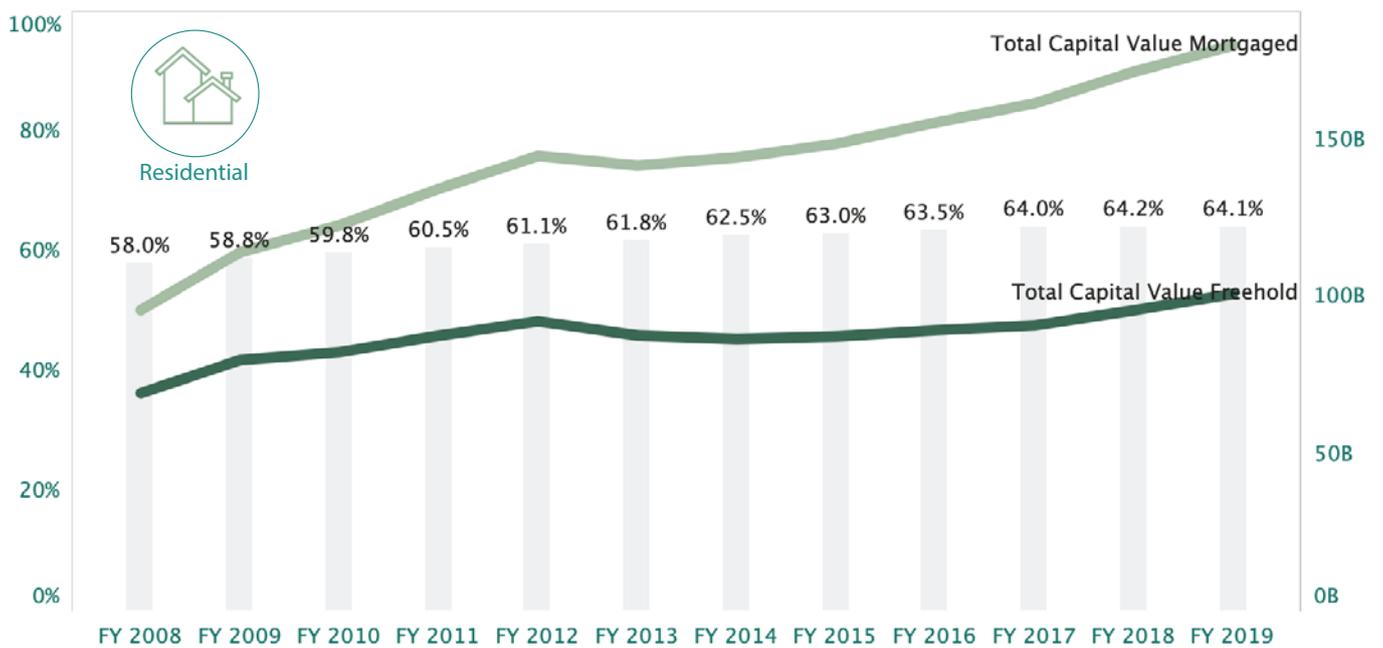
FIGURE 8: TOP LENDER MOVEMENT AND MARKETSHARE
During the Period FY08 to FY19



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FIGURE 9: DIFFERENCE BETWEEN FREEHOLD AND MORTGAGED CAPITAL VALUES OVER TIME



Residential Property capital values subject to a mortgage remained steady at 64.1% in FY19

- During FY19 the percentage of South Australian residential property capital values subject to a mortgage decreased slightly to 64.1%
- However, over the past 10 years this trend has increased by 5.3%, up from 58.8% in FY09
- City of Playford remains the highest mortgaged LGA with 76.3% of total capital value subject to a mortgage
- When analysing the total number of individual properties subject to a mortgage, City of Playford and Mount Barker District Council have the greatest number of mortgaged properties at 73.6% and 72.4% respectively

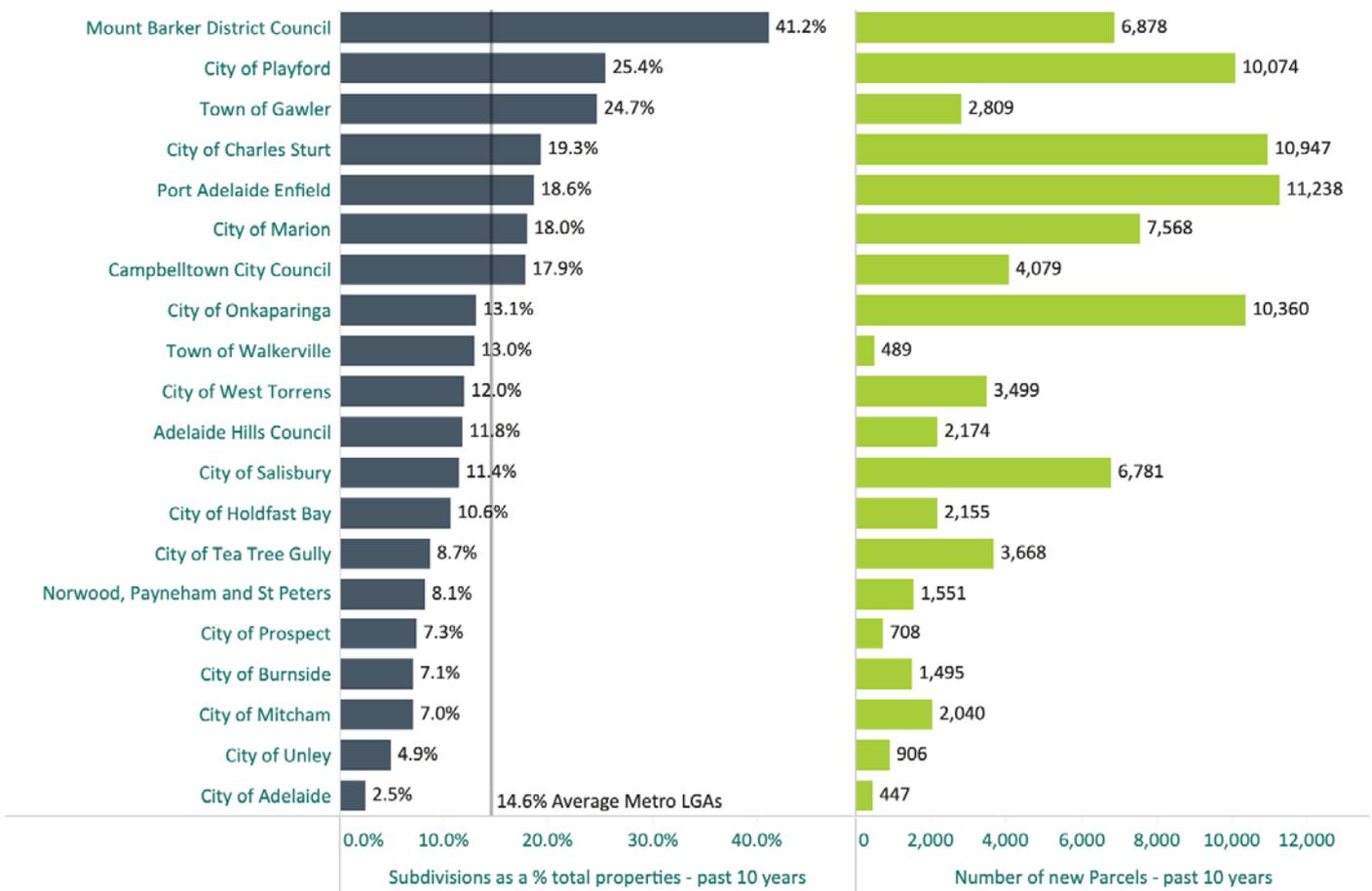


Property Characteristics



- Figure 10 below represents areas across Metro Adelaide where greater densification of residential property stock has occurred. The percentage (left column) is the number of new parcels of land created through subdivision over the past 10 years, divided by total properties in each LGA. The right column represents the total number of new parcels that have been created as a result of subdivision activity during the period 1.7.2009 to 30.6.2019 (10 years)
- Across Metro Adelaide, 14.6% of residential property stock has been created through subdivision activity over the past 10 years. This compares with 14.1% during FY18, suggesting the portion of total stock created through recently subdivided parcels is increasing

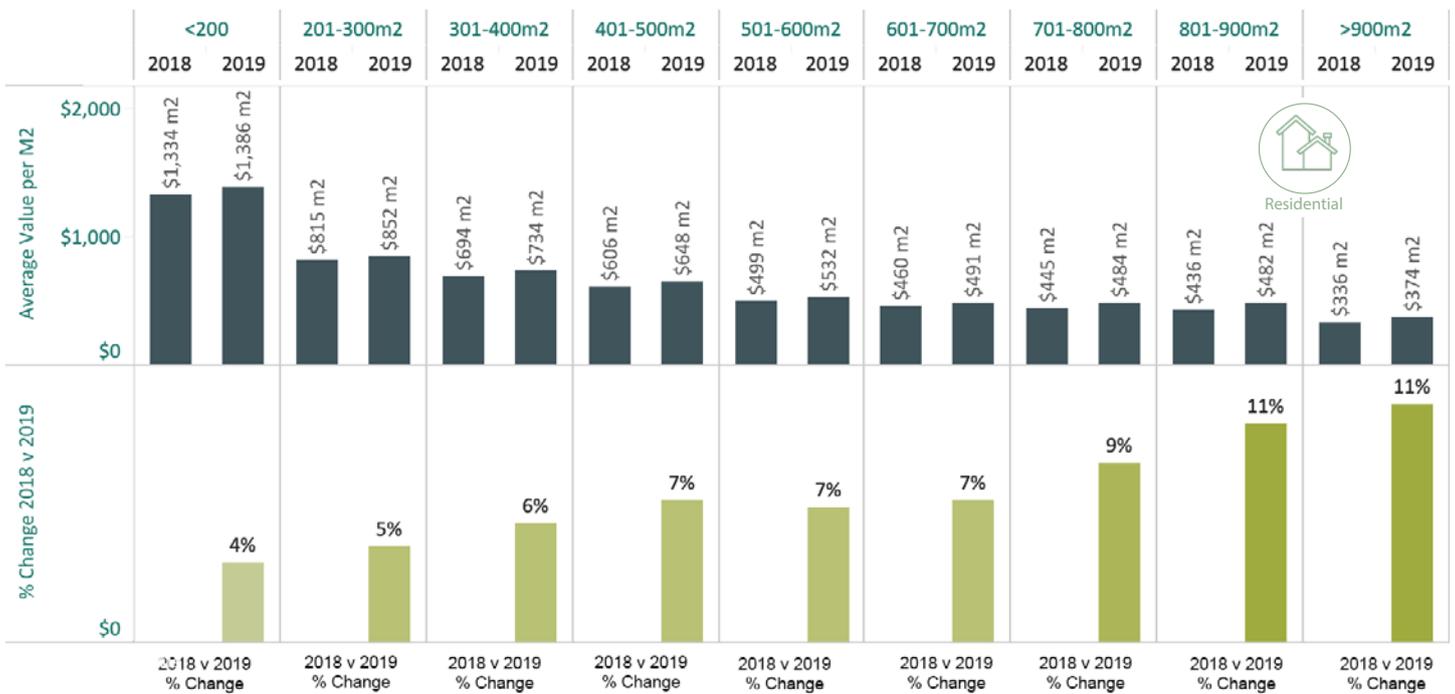
FIGURE 10: NEW PARCELS CREATED THROUGH SUBDIVISION ACTIVITY OVER THE PAST 10 YEARS AS A % OF TOTAL PROPERTIES AT 30 JUNE 2019



- The m2 capital value of residential parcels across metro Adelaide increased during FY19 most noticeably among parcels >900m2, increasing by \$38 to \$374/m2
- While the increase was greatest among large parcels, the average value per m2 was highest among small parcels <200m2, which increased on average by 4% or \$52 to \$1,386/m2
- City of Adelaide had the highest value per m2 for residential parcels <200m2 at \$2,351/m2 while the District Council of Mt Barker had the cheapest at \$503/m2, demonstrating demand for subdivision activity in Mt Barker
- Town of Gawler had the lowest capital value for large residential parcels >900m2 at \$138/m2

The value per m2 in Metro Adelaide was highest among small parcels <200m2, increasing by 4% on average in FY19

FIGURE 11: METRO LGA RESIDENTIAL AVERAGE VALUE PER M2 BY PARCEL SIZE - 2018 V 2019 COMPARISON



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City of Holdfast Bay has the highest commercial land value for parcels <200m², increasing 7.8% to \$4,654/m² in FY19

- Metro LGA commercial property values per m² increased fairly consistently across large and small parcel size categories during FY19. The greatest increase occurred on average for large parcels >900m², which increased by \$89 to \$521/m²
- City of Holdfast Bay remains the LGA with the highest average value per m² for commercial property in Metro Adelaide at \$4,654/m² in FY19, which is higher than the City of Adelaide at \$4,084/m² during FY19
- Considering Commercial Office space, excluding the City of Adelaide at \$2,216/m² during FY19, City of Unley has the most expensive capital value per m² at \$1,199/m², which is particularly expensive among boutique office space in parcels <200m², with an average capital value of \$5,489/m² during FY19, suggesting highly desirable office accommodation on main commercial roads in close proximity to the CBD



FIGURE 12: METRO LGA COMMERCIAL AVERAGE VALUE PER M² BY PARCEL SIZE - 2018 V 2019 COMPARISON



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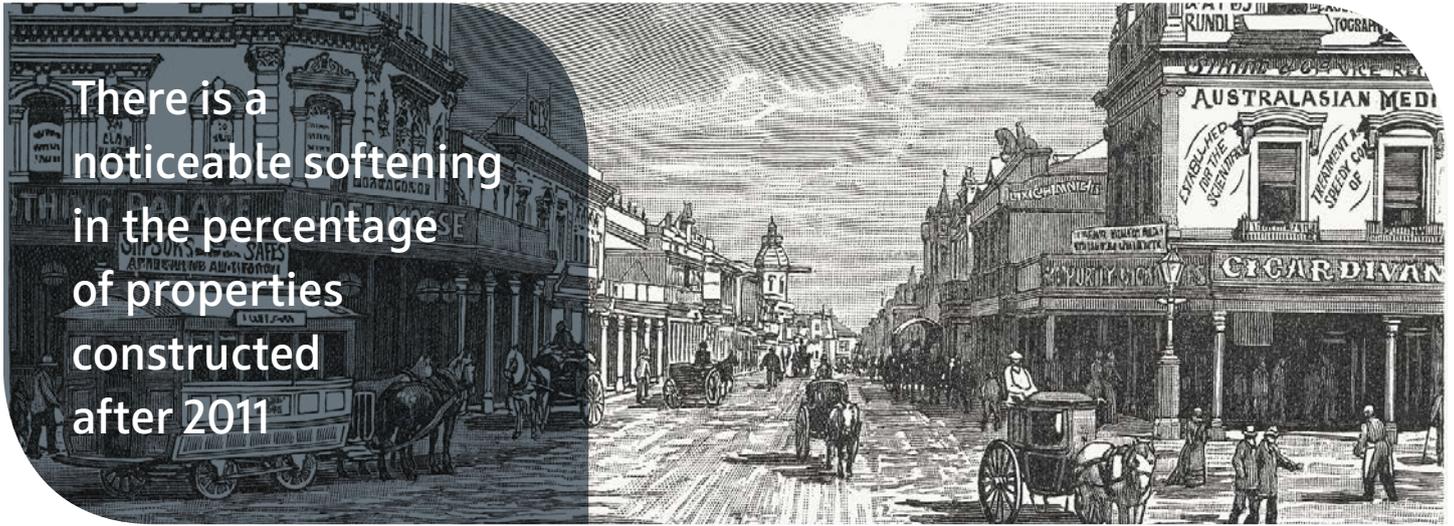
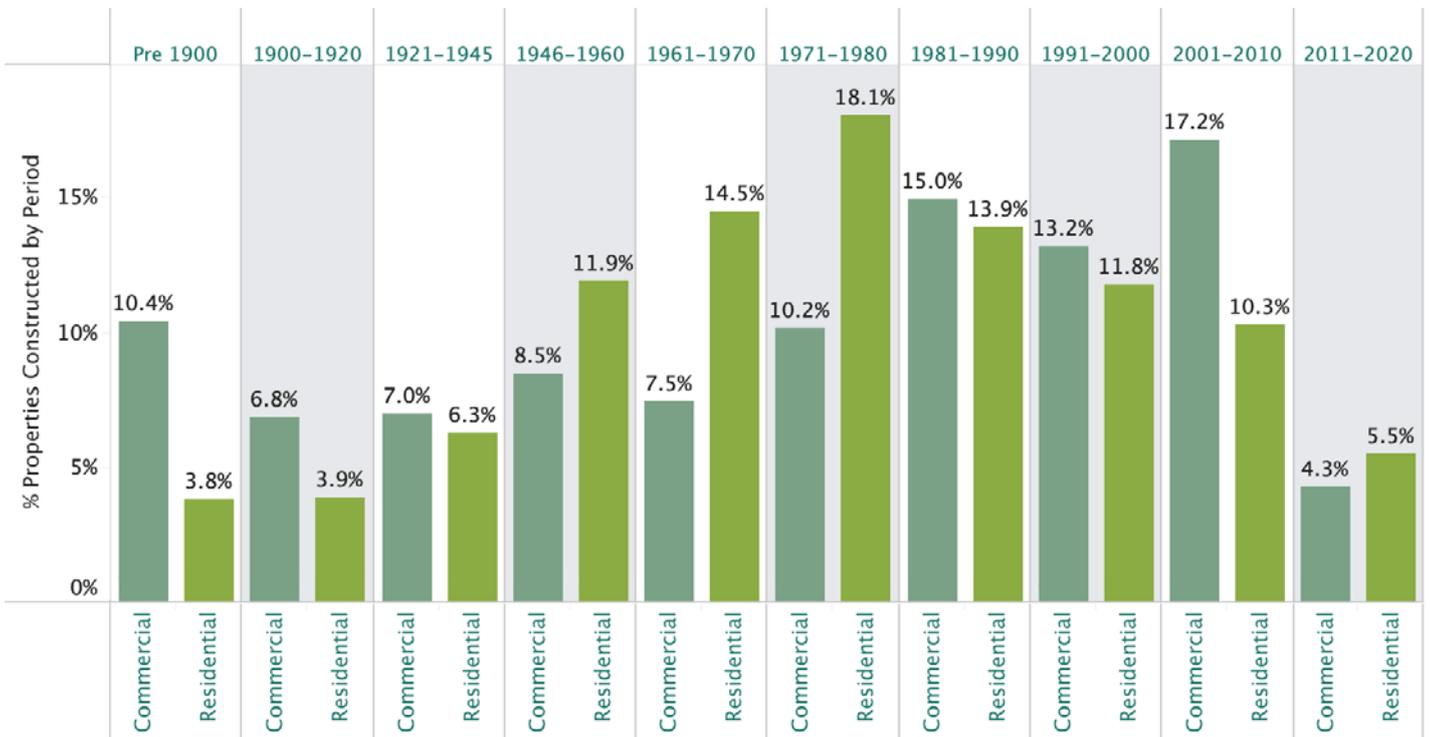


FIGURE 13: PROPERTIES CONSTRUCTED BY PERIOD - COMMERCIAL V RESIDENTIAL

Calendar Year to 31 December 2018



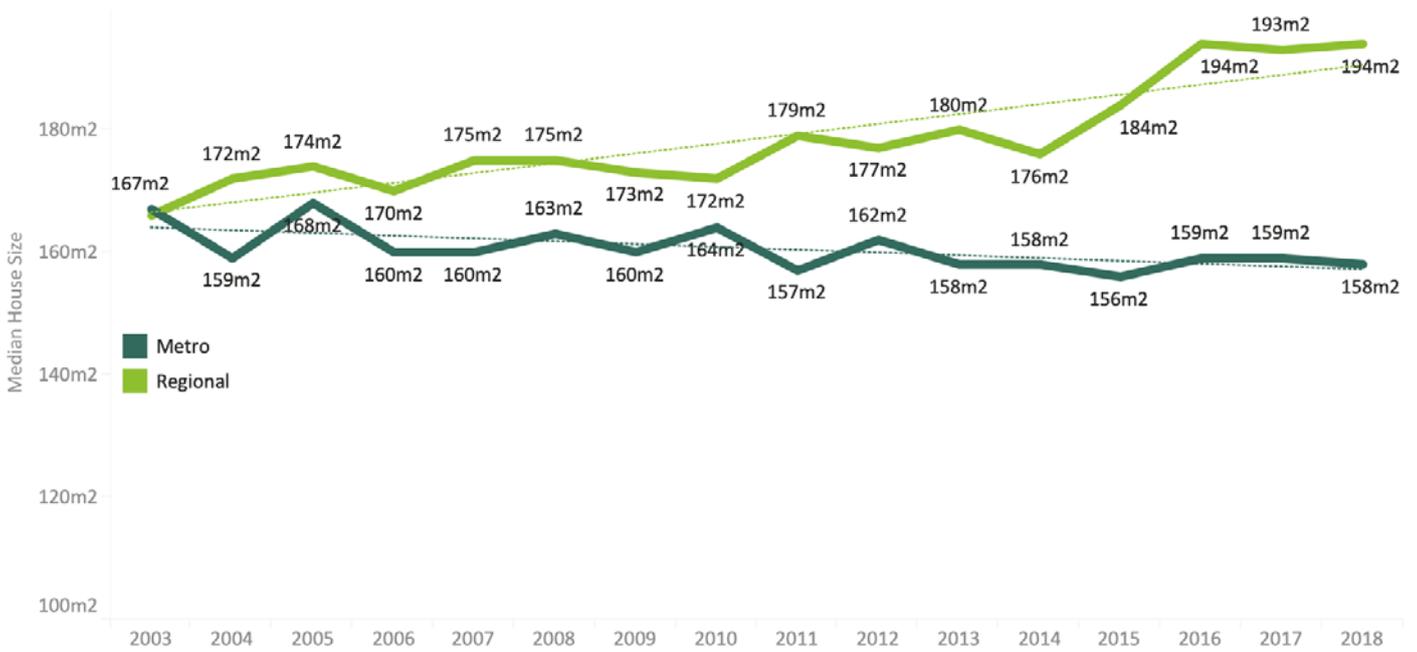
- Figure 13 considers the period of construction by decade of residential and commercial property stock. Properties that have been built and subsequently demolished are not captured above
- While the decade to 2020 is not yet complete, there is a noticeable softening in the number of properties constructed post 2011 compared with those completed during the period 2001 - 2010, particularly among residential properties
- Construction activity is highly specific to local factors including subdivisions, changes or amendments to development plans and allotments of new estates / masterplans. For instance, 56% of all residential properties in the Mount Barker District Council have been constructed after 1990. For comparison, in the City of Unley only 11% of residential properties have been constructed after 1990.

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FIGURE 14: RESIDENTIAL MEDIAN HOUSE SIZE

Calendar Year to 31 December 2018



- While the median size of residential properties in metropolitan Adelaide has gradually declined to 158m² in 2018, residential properties in the State's regional areas are getting bigger with a median size of 194m²
- Changes to development plans, subdivision activity, urban infill and greater demand for housing through

population growth place in context the gradual shrinking of metropolitan property sizes. As the portion of newly constructed properties is softer than in recent history (4.3% constructed since 2011), the median size of newly constructed dwellings will be even smaller than the total population of residential properties shown in Figure 14 above

Residential properties in Metro Adelaide are getting smaller with a median size of 158m² in 2018



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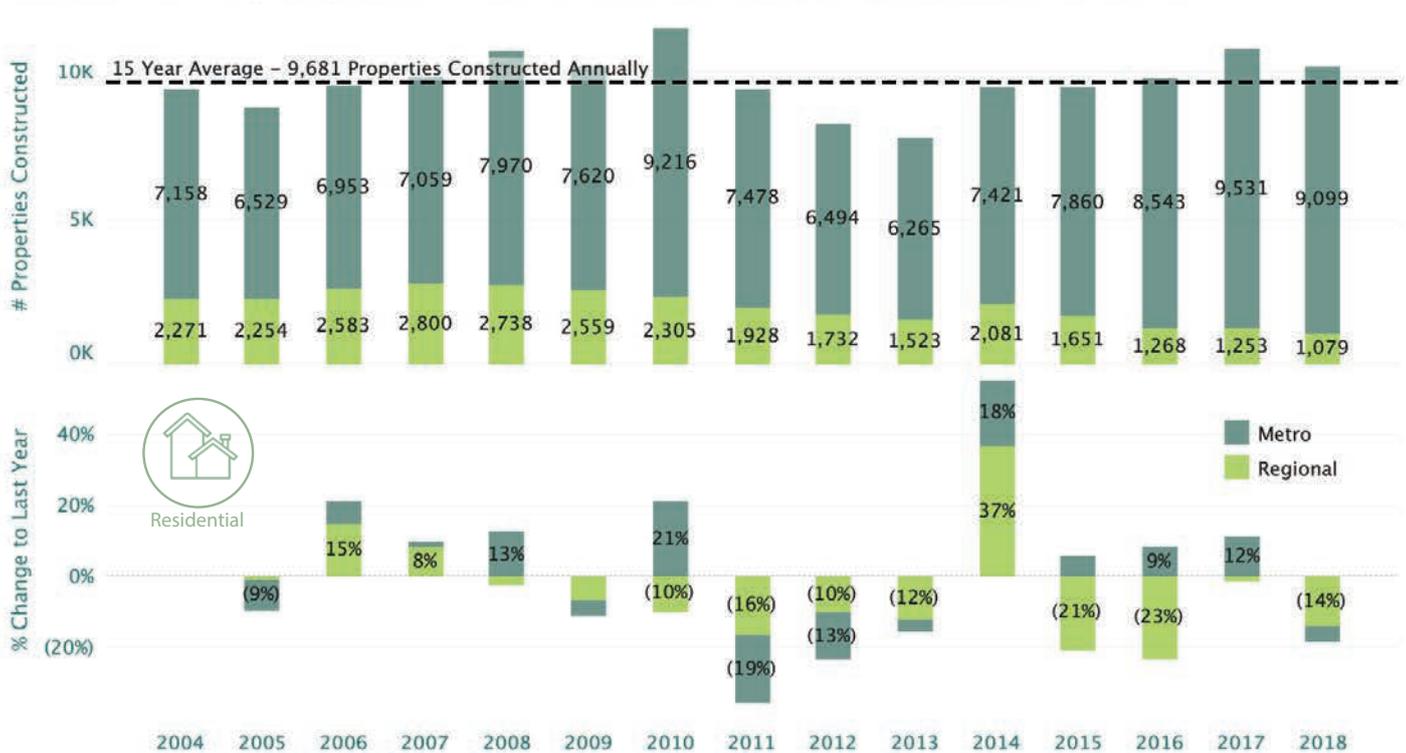


Residential property construction softens, particularly in SA's regions

- Residential construction activity eased in 2018 by 432 properties in Metro Adelaide to 9,099 and 174 properties in regional South Australia to 1,079
- 2018 represents the 4th consecutive year of declining residential construction activity in regional SA from a height of 2,081 properties in 2014
- Of the 20 LGAs in Metro Adelaide, 7 recorded increases in the number of residential properties constructed while the remaining 13 all recorded decreases. City of Salisbury recorded the largest decrease of 530 residential constructions to 260 while the City of Playford recorded the greatest increase of 806 residential property constructions during 2018 to 1,231
- Alexandrina Council had 130 residential constructions during 2018, which was the largest LGA in regional SA, followed by The Barossa Council with 121

FIGURE 15: RESIDENTIAL CONSTRUCTION ACTIVITY - METRO V REGIONAL

Calendar Year to 31 December 2018



Completed residential constructions increased by 190% in City of Playford during 2018



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The information published in this report is on an aggregated basis. Please contact Land Services SA today to enquire about access to the underlying data contained within this report.

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