



SA Property Landscape



A joint publication of



Foreword

Real estate and its supplier industries are critical to South Australia's economy. Therefore Land Services SA and BDO are pleased to provide the South Australian Property Trends Report.

The purpose of this Report is to provide an overview of the property market in SA and assess the performance of the sector utilising data from the past 10 years with key trends being analysed across property transactions, mortgages and property characteristics.

In the order of 35,000 residential property transactions in South Australia annually providing around \$16 Billion in transaction value, this demonstrates the importance of the real estate sector to the South

Australian economy, feeding lending via brokers and financial institutions, real estate agencies, conveyancers, property developers, surveyors and the valuation services profession.

The impact of decisions and policies of large corporate organisations as well as State and Local Governments can be seen throughout the Report. For instance, an uplift in commercial property transactions is noticed at the same time stamp duty concessions on commercial property occurred. Development policies at an LGA level are seen to impact subdivision activity and the flow-on impact of commercial decisions, such as postponing the expansion of Olympic Dam are seen to impact property capital values in the surrounding region.

The release of the report from the Royal Commission into Banking

has highlighted competition in the mortgage industry and delivering consumer outcomes. Notably, the detail continues to suggest consumer demand requires broad choice with approximately one third of the mortgage market provided by lenders outside of the four majors in Westpac*, CBA, NAB and ANZ.

Opportunity continues to exist in the construction and development space, with on average 9,400 residential properties constructed each year in South Australia, new land subdivision in council areas such as Playford, Mount Barker and Port Adelaide Enfield whilst changes in average parcel size have also encouraged regeneration of older properties on larger blocks.

*Bank SA included within the Westpac Entity



"Land Services SA is the source of truth for all property transactional data in South Australia. In addition to delivering our trusted services, we are committed to unlocking the richness of our data to empower the community and entrepreneurs through to big business, in their growth and important investment decisions."

BRENTON PIKE, LAND SERVICES SA

"The insights in this Report are the next frontier that will inform crucial business decisions regarding property in South Australia. This data can be used to forecast opportunity, innovate, and validate current market trends."

MATTHEW LAMING, BDO





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Snapshot

SA PROPERTY OVERVIEW



5.9%

The capital value movement of **residential** property during FY18

Vacant Land

Experienced the least capital growth of 0.6% during FY18



Retail

No real change in the number of retail properties over the past 10 years

PROPERTY TRANSACTIONS

12.3 years

Average holding period of **residential** property over the past 5 years



34,700*

Residential properties sold during FY18

Commercial

Commercial property sales decreased by 21.4% to 1,200 in FY18



*Rounded down to the nearest hundred

MORTGAGES

2/3 with Big 4 banks

Two-thirds of residential mortgages are with Big 4 banks



3 in 10

residential mortgages are provided by a second tier lender

64.2%

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



PROPERTY CHARACTERISTICS



Mt Barker

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

771 m2

Average residential parcel size in metro Adelaide



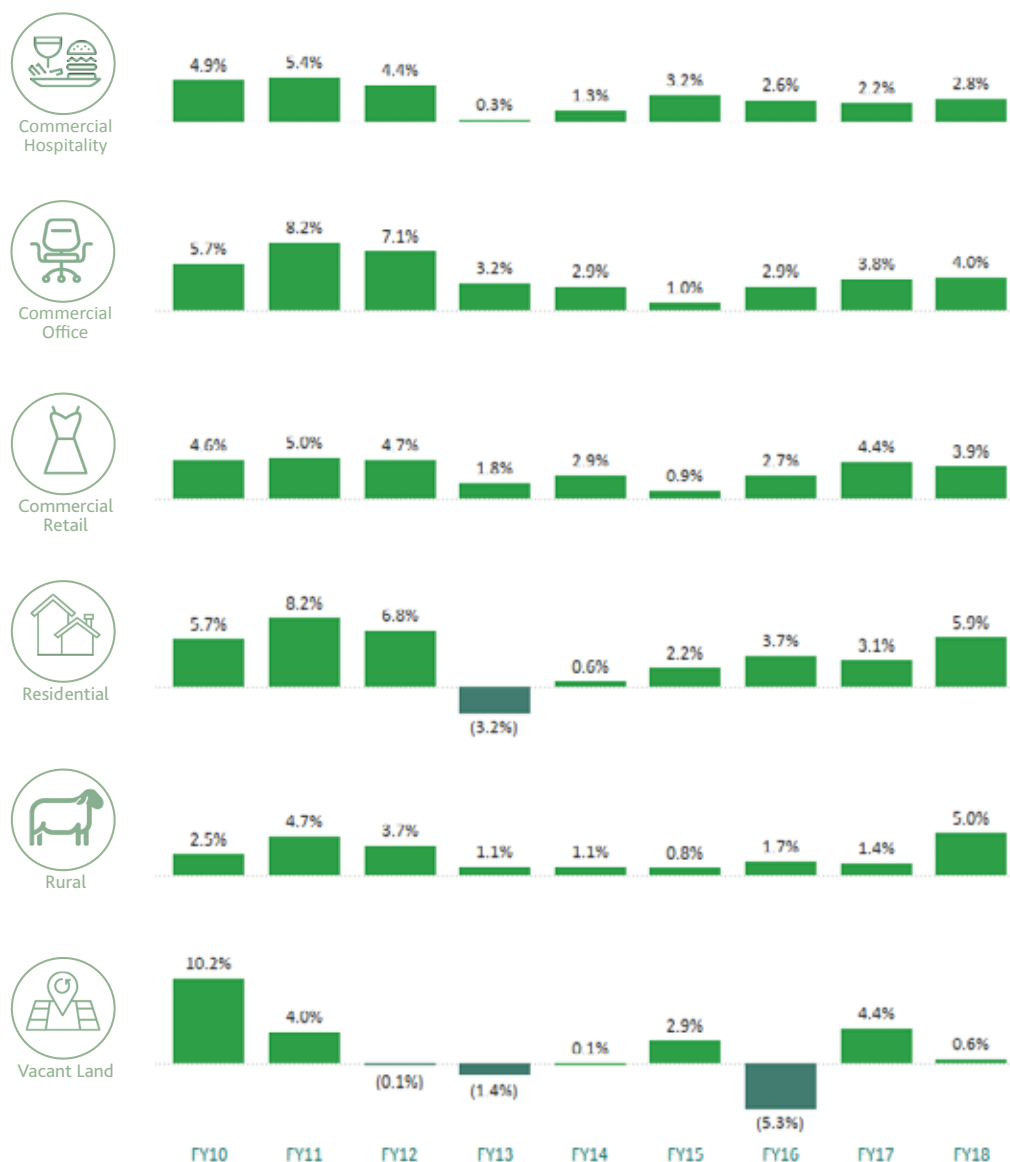
Construction

Nearly 1/4 of SA's residential housing stock has been constructed after the year 2000



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

Capital values are based on statutory Valuation Roll movements



Capital values have consistently increased across all land use types

- Over the past 8 years there has been reasonably consistent capital value growth across all land use types.
- FY13 saw a decline in residential property capital values which was in contrast to the upward trend experienced in most years. This was largely contributed to by a general slowdown in property demand, tightening of credit and the decision of BHP in August 2012 to postpone the expansion of Olympic Dam indefinitely. Across Metro LGAs, residential capital values increased during FY13, in line with the overall trend.
- Changing characteristics of properties in South Australia can be seen through capital value movement. For instance, City of Prospect recorded the highest growth in Commercial Hospitality during FY18, driven by the completion of the Palace Nova cinema in December 2017.
- During FY16 there was a (5.3%) decrease in the capital value of vacant land. This correlated to a (4.8%) reduction in the total number of vacant land parcels over the same period, brought about by construction activity. The largest vacant land reductions during FY16 occurred within the City of Port Adelaide Enfield, in suburbs such as Walkley Heights (former Yatala Labour Prison), Broadview, Northgate and Greenacres.
- During FY18, Campbelltown City Council recorded the highest increase in residential land capital values at 9.75%. Over this same period, the number of residential properties in Campbelltown City Council only increased by 1.55% suggesting strong capital growth in real terms.

- Commercial retail property stock has experienced no material change over the past 10 years. This trend is likely to be influenced by a move towards e-commerce which overall has reduced demand for new retail properties.
- Similarly, with commercial hospitality there has been minimal growth over the past 10 years. The exception to this has been during FY16, where commercial hospitality properties grew by 9.1% across South Australia and by 158% in Walkerville with the completion of The Watson, a serviced apartment complex with separate titles.
- With the exclusion of country LGAs, the increase in residential property stock is largely the product of urban densification in the north (City of Playford) and southern hills (City of Mt Barker) with relatively consistent property subdivision activity.
- The City of Adelaide has experienced the greatest increase in metropolitan residential properties over the past 10 years. Growth in the number of residential properties within City of Adelaide was fairly stagnant during FY15 and FY16 at 1.4% and (0.5%) respectively with a notable increase during FY17 of 5.1% and FY18 of 3.7%. Looking at the past 10 years in aggregate, the number of residential properties has not decreased in any LGA in South Australia.
- While the number of rural properties has remained relatively constant over the past 10 years, the most notable movement has been a decrease in the Adelaide Hills Council which saw a net loss of 65 rural properties over the past 10 years.

**Residential
property stock
increases by
roughly 1%
annually or
6,700 properties
per annum**

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

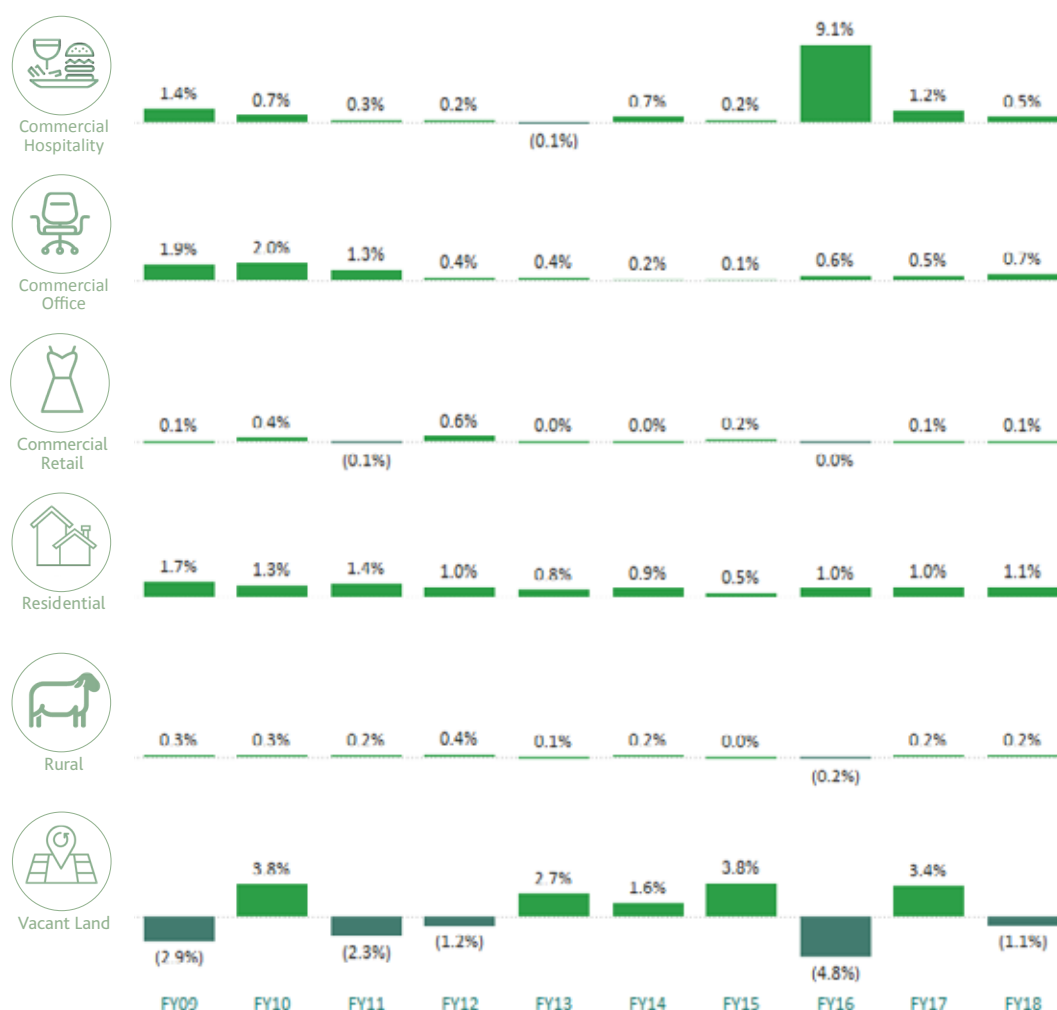
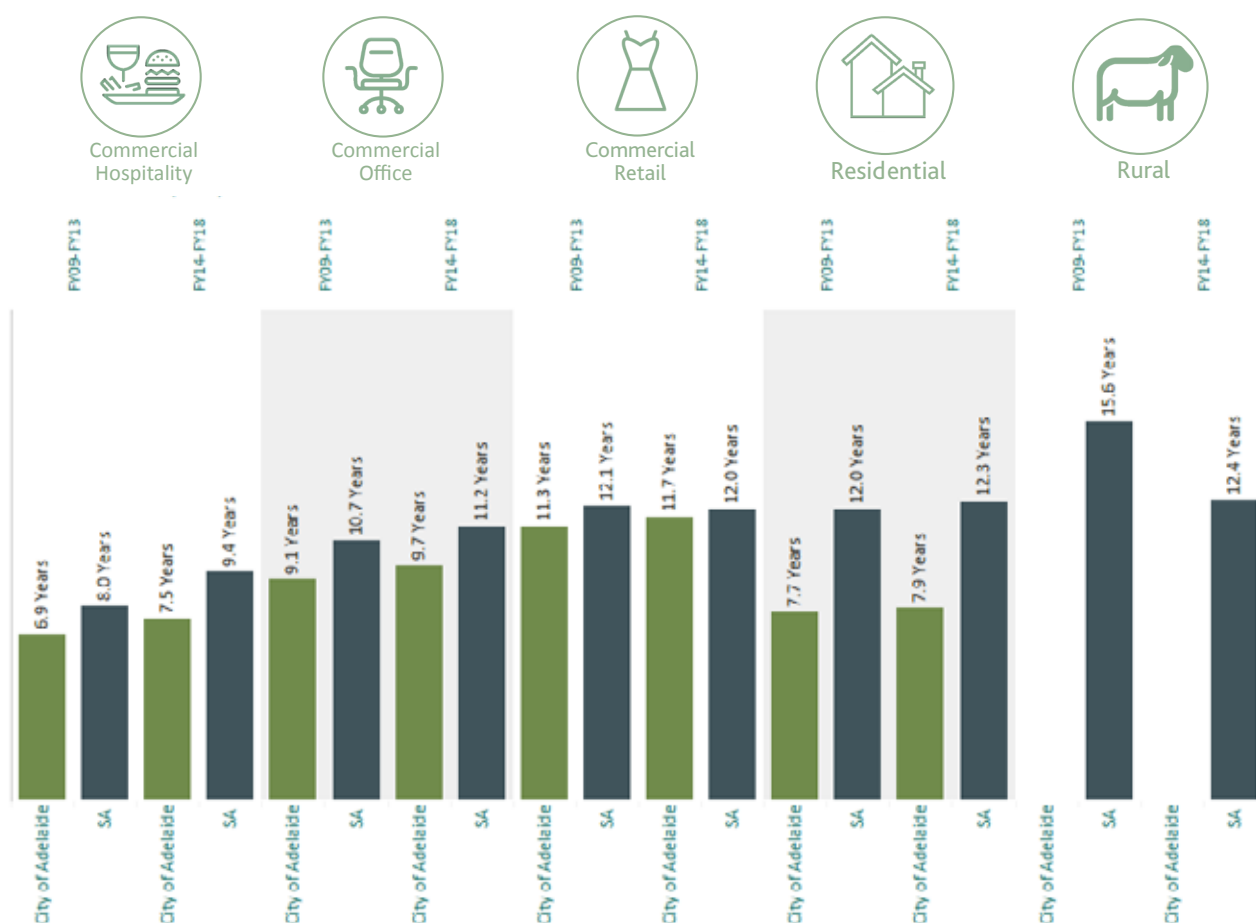


FIGURE 3: AVERAGE HOLDING PERIOD (YEARS) BY PROPERTY TYPE

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



Average holding periods have increased over the past 5 years

- The holding period for residential property in SA (FY14-18) was 12.3 years which is 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 FY14-18. In contrast, metropolitan residential property was held for the shortest period in City of Adelaide at 7.9 years during the same period.
- All property use types within City of Adelaide are held on average for a shorter period compared with the State overall, particularly residential. 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 office property at 13.5 years (FY14-FY18) compared to the state average of 12 years. With the exclusion of City of Adelaide, Mount Barker District Council and Town of Walkerville, the average holding period for commercial office property was higher than 10 years across every metropolitan LGA.
- The holding period for rural property is relatively volatile 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 20.1 years. Conversely, Alexandrina Council had the lowest non-metropolitan rural holding period of 8.8 years (FY14-18). This volatility does not appear to centre around a particular geographic region.



- The sharpest increase in commercial property sales transactions over the past 10 years occurred during FY16, possibly as a result of State government stamp duty concessions which started on 7 December 2015 to 30 June 2017, offering a 1/3rd discount on the full stamp duty price. During this period, purchasers appear to have made use of the concession. However, from 1 July 2017 to 30 June 2018 a further discount on stamp duty was offered, providing purchasers with relief from 2/3rds of their total stamp duty obligation. It appears this further discount did not result in continued sales activity growth as the number of sales declined by over 20% during FY18.
- From 1 July 2018 stamp duty on commercial property transactions was abolished. Purchasers may have been waiting for relief from their full stamp duty obligation during FY19, and therefore holding off on purchases during FY18.
- The sharpest FY18 reduction occurred in City of Adelaide where 69 less commercial properties sold compared with FY17, representing a 26% decline. The City of Holdfast Bay (44 less commercial properties), City of Charles Sturt (35 less properties) and City of Norwood, Payneham and St Peters (32 less properties) also experienced reasonably large declines in commercial property sales transactions during FY18.

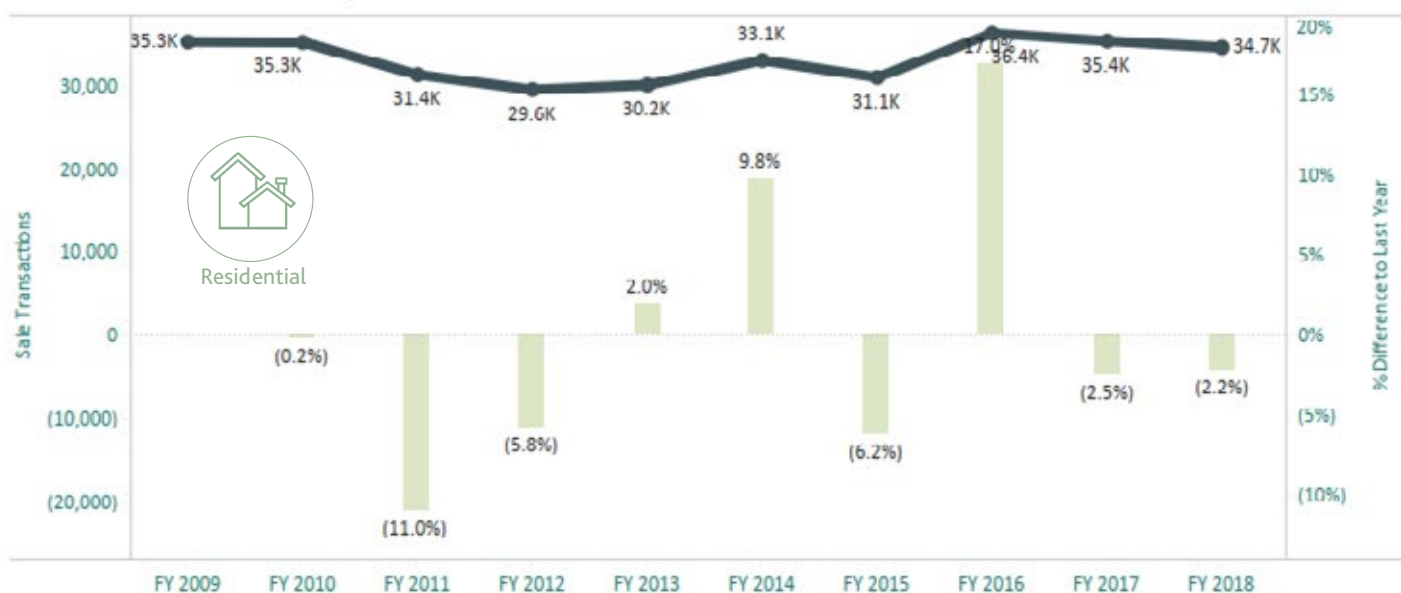
FIGURE 4: COMMERCIAL SALES TRANSACTIONS

10 year movement to 30 June 2018



FIGURE 5: RESIDENTIAL SALES TRANSACTIONS

10 year movement to 30 June 2018



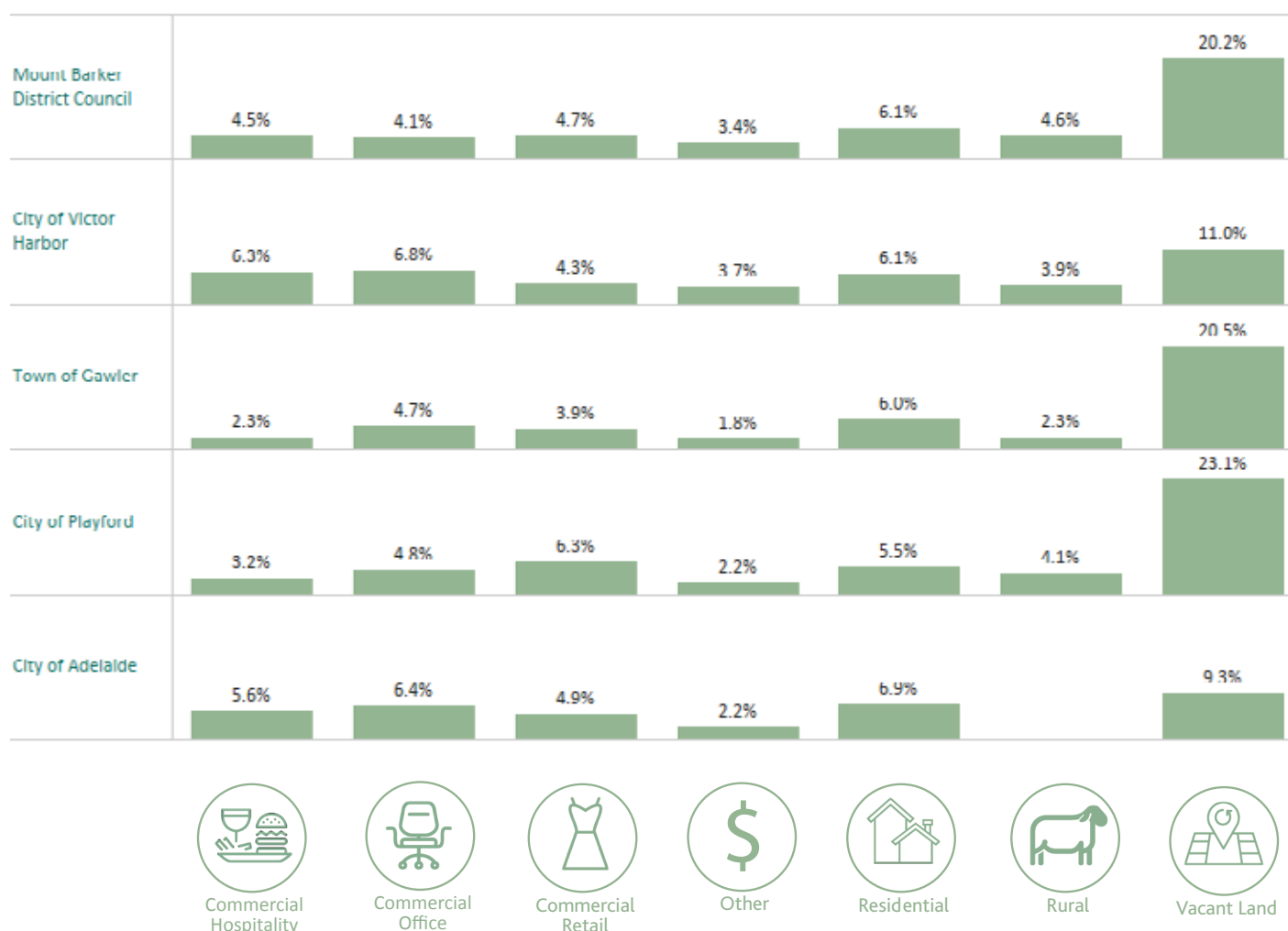
- Three of the past 10 years to 30 June 2018 have recorded a positive uplift in residential sales activity. The highest was in FY16 where sales activity grew by 17% which was relatively evenly distributed across metro Adelaide.
- Although residential property sales cooled during FY17 (2.5%) and FY18 (2.2%), total residential sales have remained relatively constant at approximately 35,000 over the past 3 years. In numeric terms, the City of Burnside experienced the greatest fall in sales activity during FY18, with 196 less residential properties sold compared with FY17.
- The relatively minor decreases during FY17 and FY18 demonstrate Adelaide's return to stability in the property market in recent years compared with volatility seen through the FY11 - FY15 period.
- Over the last 3 years 106,438 residential property sales have occurred, equating to \$41 billion transacted.

\$41 billion residential sales (\$) have settled over the past 3 years in SA, \$36 billion of which occurred in metro Adelaide



FIGURE 6: PROPERTY SALES OVER 10 YEARS TO 30 JUNE 2018 AS A % OF TOTAL PROPERTIES

Top 5 LGAs by percentage

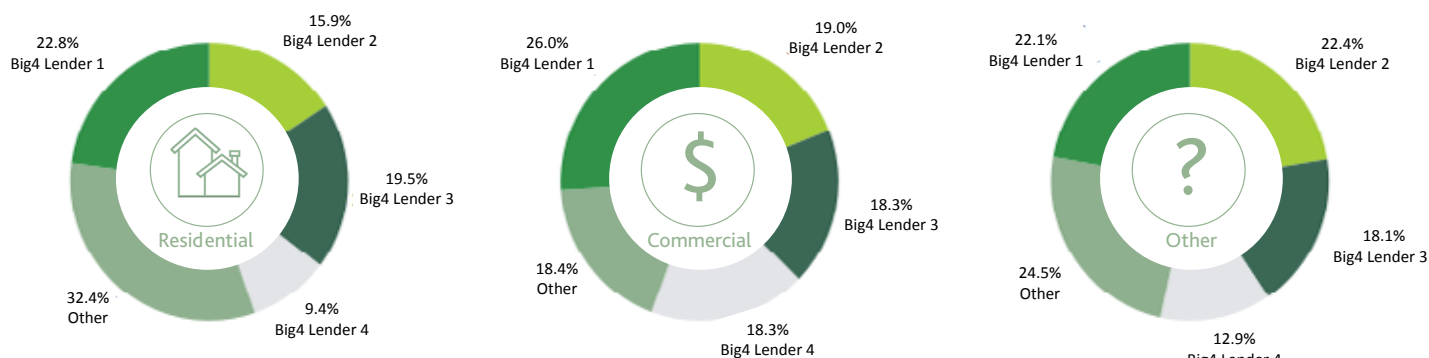


- Figure 3 'Average Holding Periods' on page 7 represents the number of years a property was held before its most recent sale. For properties to appear in Figure 3, a sale needs to have occurred during the Period. In contrast, Figure 6 above shows the number of properties sold relative to all property stock (% properties sold over 10 years) by top 5 LGAs.
- Unsurprisingly, vacant land is most likely to turn over, particularly around the urban metro fringe. Two in every 10 parcels of vacant land that are located in LGAs such as Mount Barker District Council, Town of Gawler and City of Playford have been sold over the past 10 years.

**2.3 in 10 parcels
of vacant land
were sold in City
of Playford over
the past 10 years**

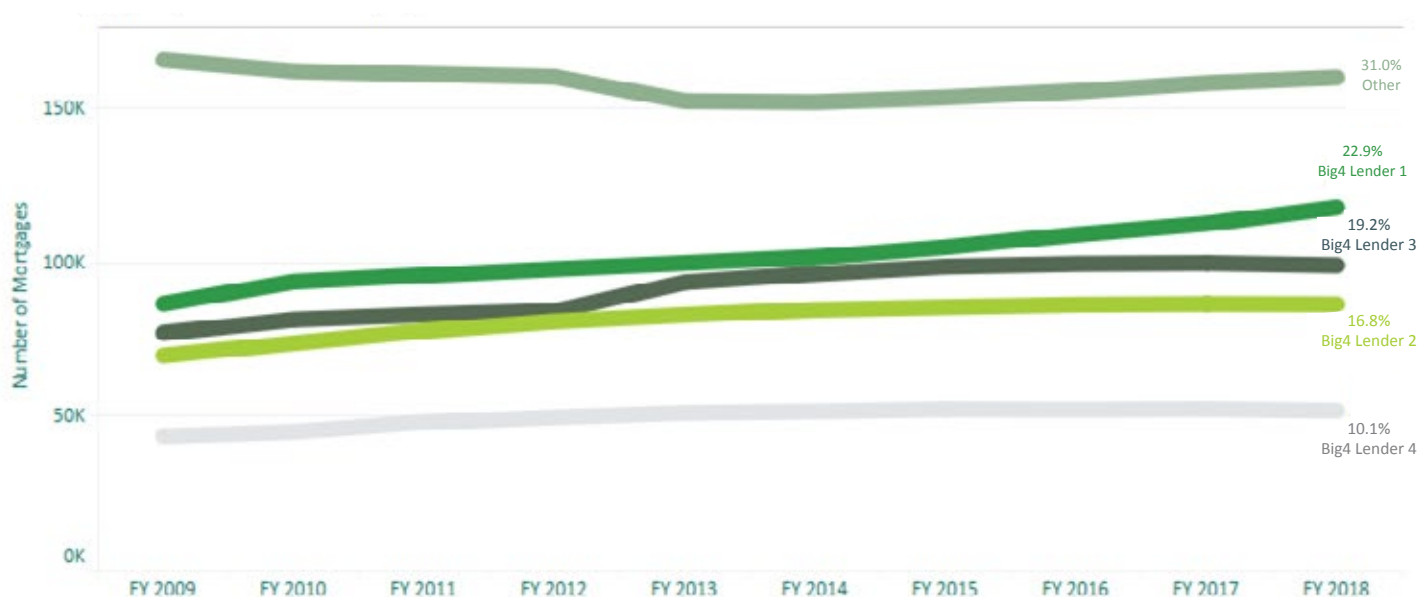
FIGURE 7: MORTGAGE MARKET SHARE BY LENDER AND PROPERTY USE TYPE

At 30 June 2018



- The Big4 financial institutions hold significant mortgage marketshare across both residential and commercial properties.
- One third of residential properties however are supported by second tier lenders. Interestingly, two-third of SA's residential mortgages are provided by one of Australia's biggest Big4 banks.
- One Big4 lender has the largest market share across residential and commercial properties, with marketshare of nearly 23% of all mortgages in SA at 30 June 2018.
- The complexities of commercial property lending are reflected in mortgage marketshare with 82% of commercial lending being provided by Big 4 financial institutions.
- A negative trend was observed through to FY13 for second tier lenders, a likely hangover from confidence levels following the Global Financial Crisis, however there has been steady growth since that time to FY18 with second tier lenders now providing 31.1% of mortgages in South Australia.

FIGURE 8: MORTGAGE MARKET SHARE BY LENDER (ALL LAND USES) 10 YEAR TREND



- Figure 9 below represents the flow of refinance transactions between lenders during FY18. The left column represents the original lender and the right column represents the new lender. We have shown the movement of refinance activity that flowed to one Big 4 lender during FY18. In total, this Big 4 was the new lender for 6.9%, and the previous lender for 8%, of all refinanced mortgages.
- It is interesting to note that there has been a slight shift away from second tier lender refinancing during FY18. Of all mortgages originating with second tier lenders, during FY18 56.7% refinanced with a Big4 lender. Conversely, of all mortgages originating with a Big4 lender, 50.4% refinanced with a second tier lender during FY18.
- Big4 lender 3 won 50% of its refinance transactions from second tier lenders, 15% from Big4 Lender 1, 13% from Big4 Lender 2 and 11% from Big4 Lender 3. Conversely, it lost 51.5% of its refinance marketshare to second tier lenders and the balance of 48.5% to its Big4 competitors.
- Only one Big4 financial institution has grown in respect of refinanced transactions, growing from 15.7% to 22.2% during FY18. Two Big4 institutions have declined in respect of refinance activity, whilst the other Big4 has remained steady.

Only one Big4 lender grew its mortgage portfolio from refinances during FY18

FIGURE 9: REFINANCE TRANSACTION FLOW BETWEEN LENDERS

During the year ended 30 June 2018

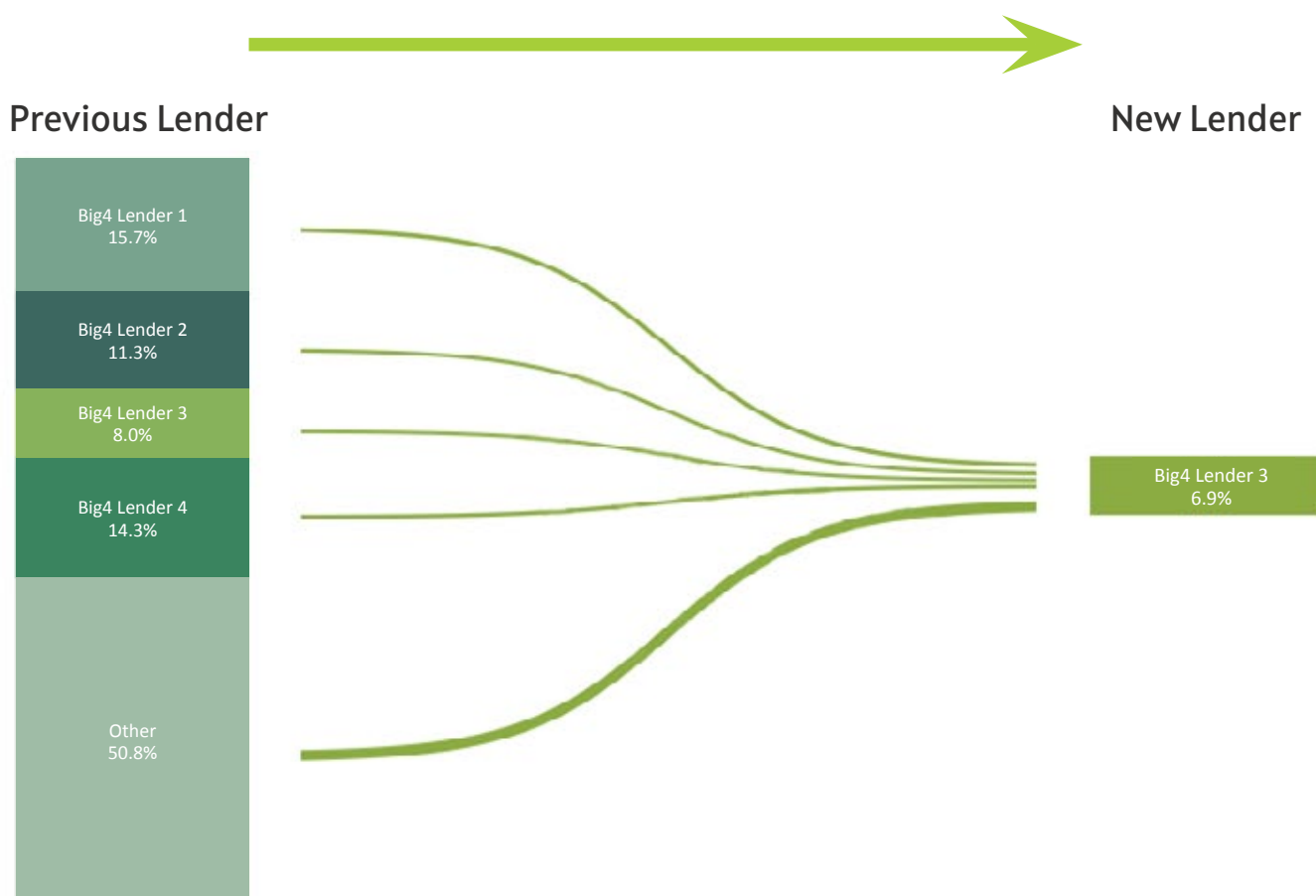


FIGURE 10: DIFFERENCE BETWEEN FREEHOLD AND MORTGAGED CAPITAL VALUES OVER TIME



64.2% of residential property capital values are subject to a mortgage

- Over the past 10 years, the percentage of residential property values subject to a mortgage has increased year on year from 58% in FY08 to 64.2% in FY18.
- The increase in % properties mortgaged between FY17 and FY18 was minor, growing by 0.2%, which is possibly reflective of recent tighter lending policies.
- City of Playford had the highest mortgage rate in South Australia with 76.3% of all residential capital values in City of Playford subject to a mortgage. Conversely, City of Campbelltown had the lowest metropolitan residential mortgage rate at 58.7%. Excluding UIAs, Mid Murray Council had the lowest residential mortgage rate in South Australia at 37.1% of all residential capital values.

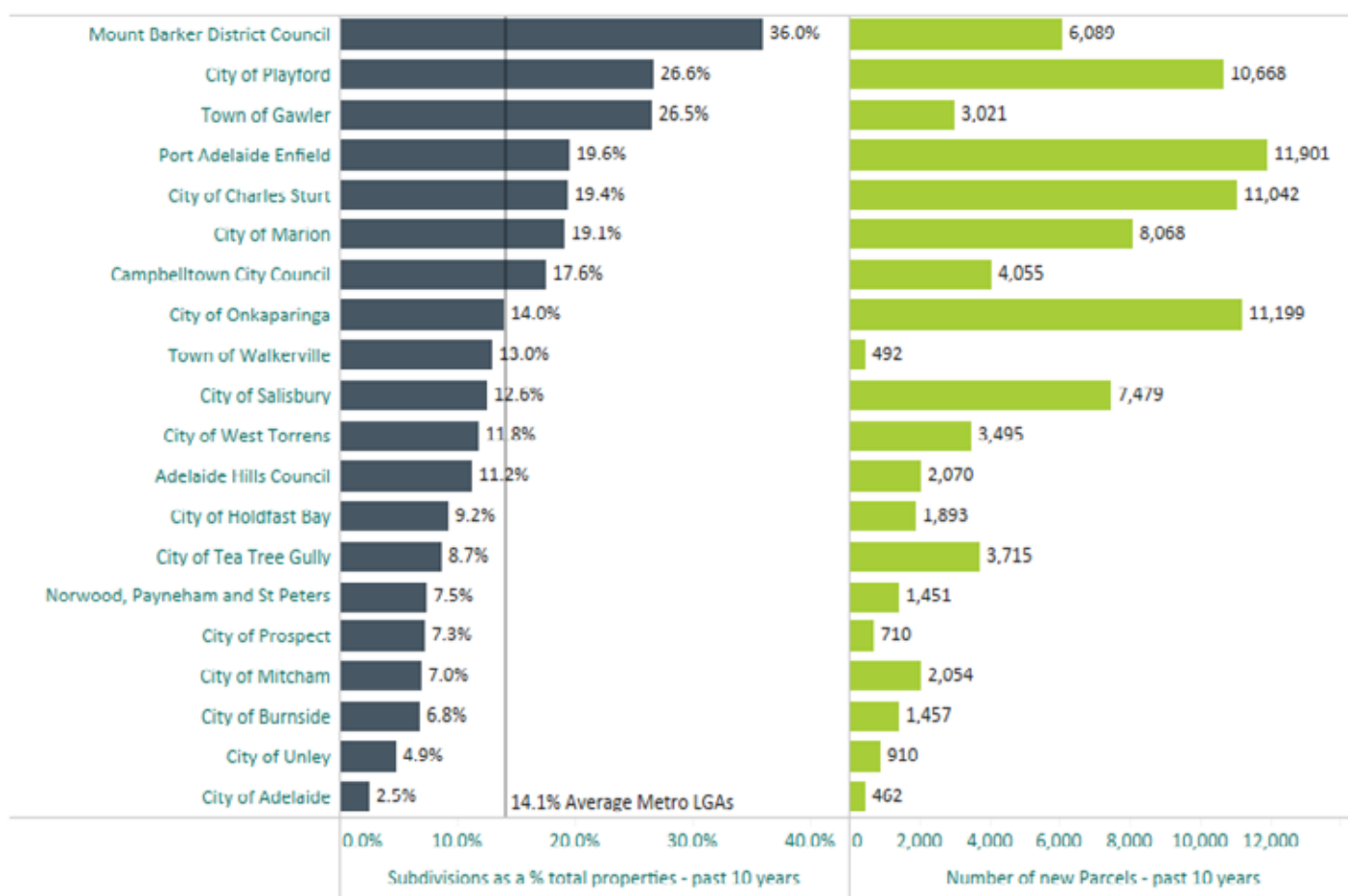


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w: landservices.com.au
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- Figure 11 below represents areas across Metro Adelaide where greater densification of residential property stock has occurred. The percentage (left column) is the number of new parcels of land created through subdivision over the past 10 years, divided by total properties in each LGA.
- Across Metro Adelaide, 14.1% of all residential property stock has been created through subdivision activity over the past 10 years. New housing estates such as Aston Hills in Mount Barker and Playford Alive in the City of Playford contribute significantly to this trend.
- Smaller inner-metro LGAs such as the Cities of Unley and Burnside have less available land and therefore the number of new parcels created over the past 10 years are less.

FIGURE 11: NEW PARCELS CREATED THROUGH SUBDIVISION ACTIVITY OVER THE PAST 10 YEARS AS A % OF TOTAL PROPERTIES AT 30 JUNE 2018

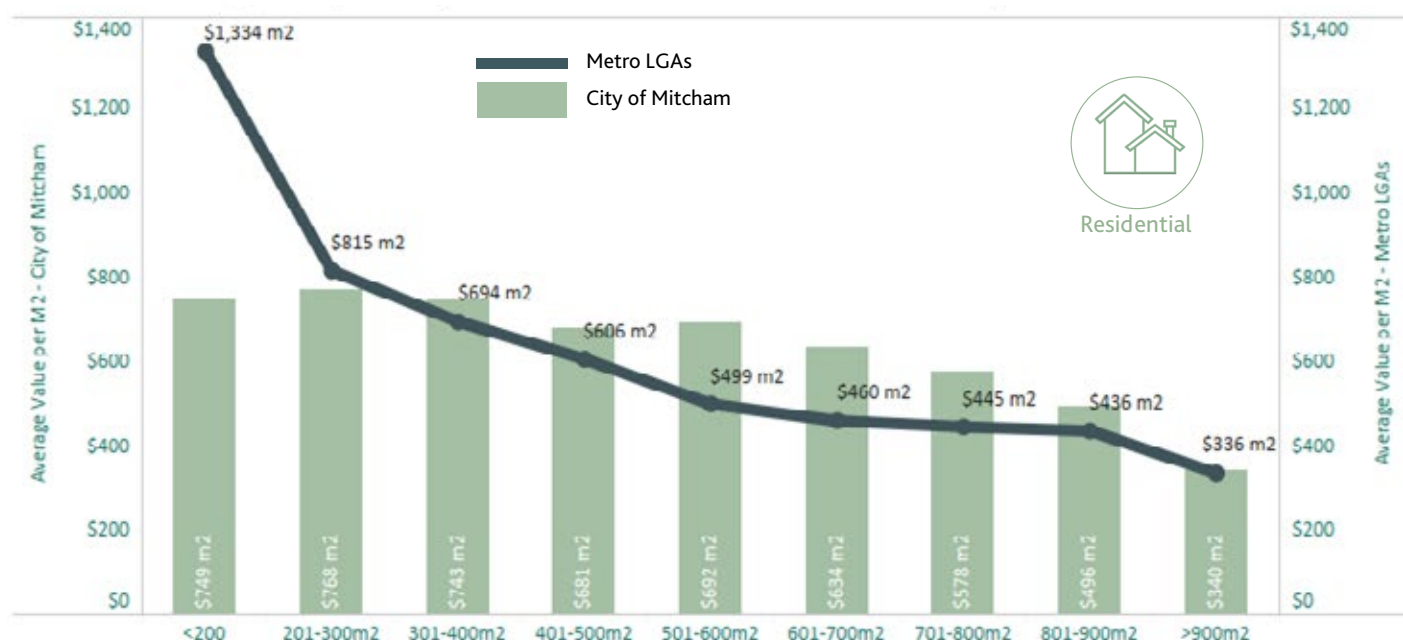


- Residential land is most valuable in metropolitan Adelaide where the parcel size is < 200m². The only exception to this is City of Mitcham where the average m² capital value for a parcel <200 m² is \$749 compared with a 201-300 m² parcel where the capital value is \$768 m², suggesting local development plan restrictions around residential development on smaller parcel sizes.
- Figure 13 below compares average m² residential capital values by parcel size in metropolitan Adelaide to the average m² capital value in City of Mitcham. As demonstrated in Figure 13, local factors influencing land parcels, subdivision and development opportunity in each LGA have bearing on the m² value of residential land by parcel size.

M2 values
increase as
parcel sizes
decrease

FIGURE 13: RESIDENTIAL
AVERAGE VALUE PER M2 BY PARCEL SIZE - METRO LGA'S AND CITY OF MITCHAM

as at 30 June 2018



Excluding City
of Mitcham,
<200m² parcels
yield the highest
m² capital value

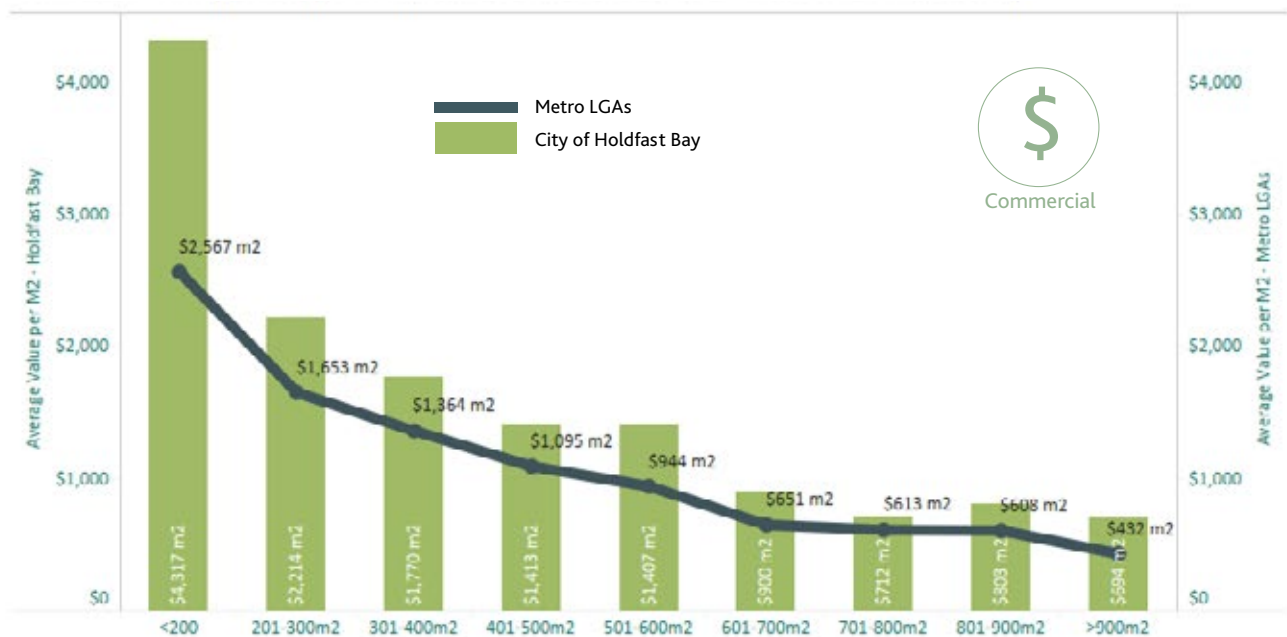


City of Holdfast Bay has the highest commercial land value for parcels <200m² at \$4,317m²

- The m² capital value of commercial property in metropolitan Adelaide generally increases as the parcel size decreases, similar to residential property.
- However, in City of Mitcham the highest value commercial land is \$658m² for 301-400m² parcels. Similar trends are also noticed in Town of Walkerville where the highest value commercial land is in 201-300m² parcels, in City of Tea Tree Gully where the highest value is 401-500m² and in Campbelltown City Council 201-300m² attract the highest m² value.
- Figure 14 below provides the average capital value per m² by land parcel size for metropolitan Adelaide, compared with the City of Holdfast Bay, which includes Jetty Rd. The capital value of small commercial parcels in Holdfast Bay are significantly higher than the overall average for metropolitan Adelaide, including small parcels in the City of Adelaide.

FIGURE 14: COMMERCIAL
AVERAGE VALUE PER M² BY PARCEL SIZE - METRO LGA'S AND CITY OF HOLDFAST BAY

as at 30 June 2018



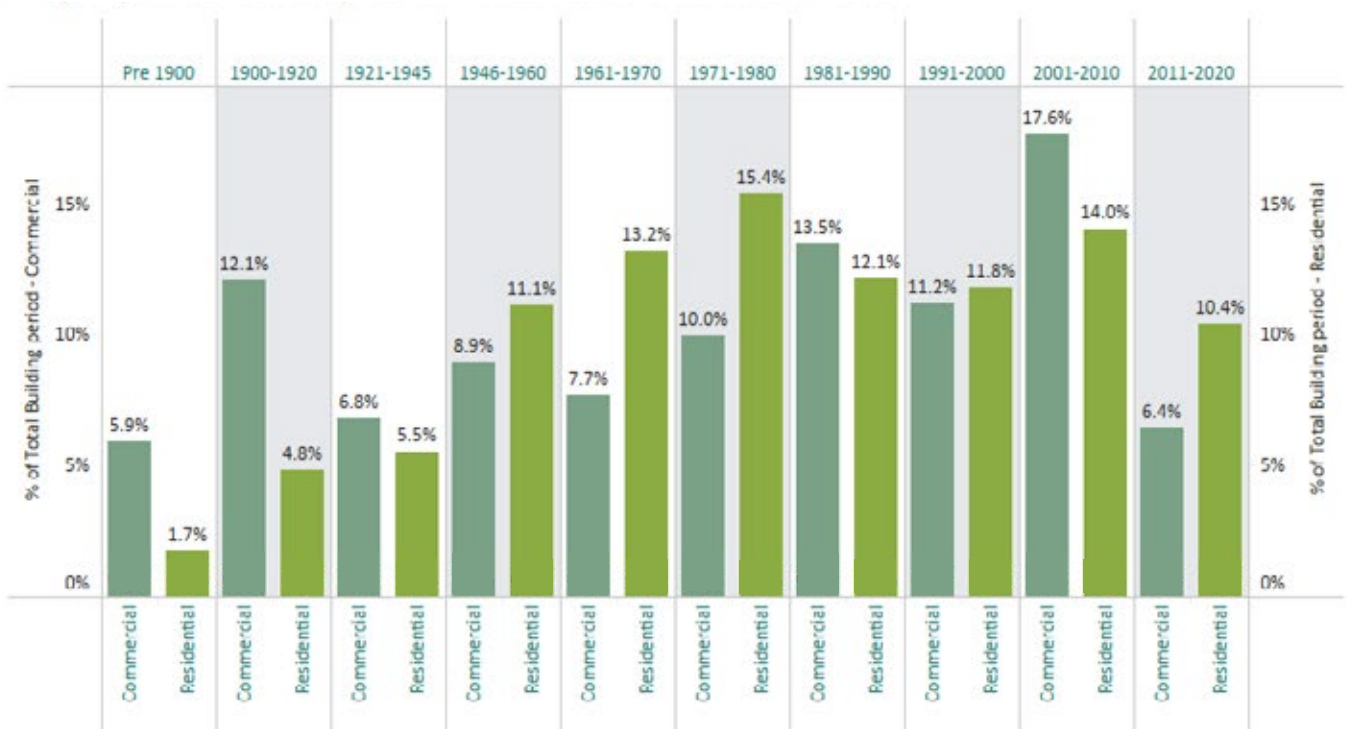
The value of commercial parcel sizes is highly dependant on location (beach and CBD)



Nearly 21%
of homes in
Mt Barker District
Council have been
constructed since
2010

FIGURE 15: PROPERTIES CONSTRUCTED BY PERIOD - COMMERCIAL V RESIDENTIAL

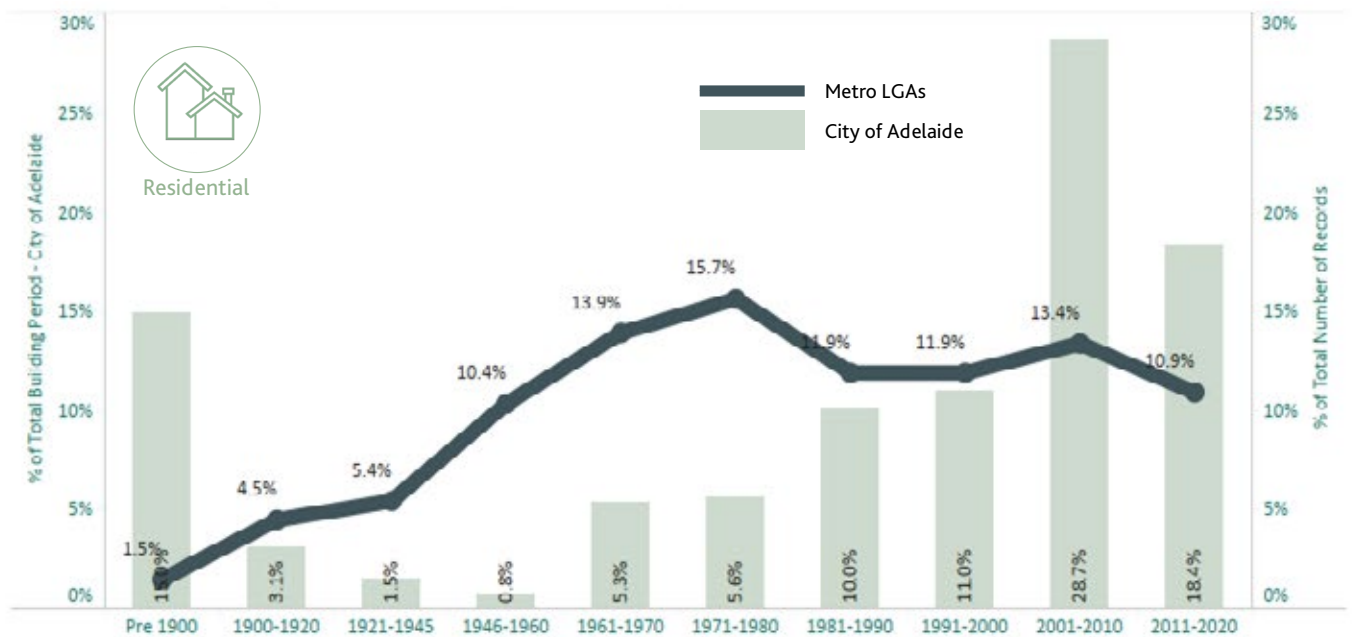
As at 30 June 2018



- Construction activity is highly region specific with many factors such as local development plans, new housing estates and subdivision activity influencing trends in property construction. 10.4% of South Australia's residential homes have been built since 2010, with the highest activity occurring in the District Council of Mt Barker (nearly 21%) and the lowest occurring in Adelaide Hills Council (4.6% homes constructed in 2010). The impact of new estates is particularly apparent in this instance as Mt Barker and the Adelaide Hills neighbour each other.
- Commercial property construction during the period 2001 - 2010 largely occurred within the City of Adelaide. While 17.6% of South Australia's commercial properties were constructed over this time, 44.2% of commercial property stock in the City of Adelaide was constructed during the period 2001 - 2010. Nearly 50% of all commercial property within the City of Adelaide has been constructed since the year 2000.

FIGURE 16: RESIDENTIAL PROPERTY CONSTRUCTION BY PERIOD METRO LGA'S AND CITY OF ADELAIDE

As at 30 June 2018



- Figure 16 above represents the construction period for residential property in metro Adelaide (line graph). The columns represent residential construction in City of Adelaide over the same period. The era of residential property construction is highly dependent on local history within a region or LGA. For instance, 15% of housing stock in CBD Adelaide is constructed pre 1900 with little further construction activity until the 1960's.
- The spike in residential construction activity occurring in City of Adelaide after the year 2000 is reflective of a trend towards inner-city apartments which has occurred over the past two decades.



The era of residential property construction varies significantly across metro Adelaide

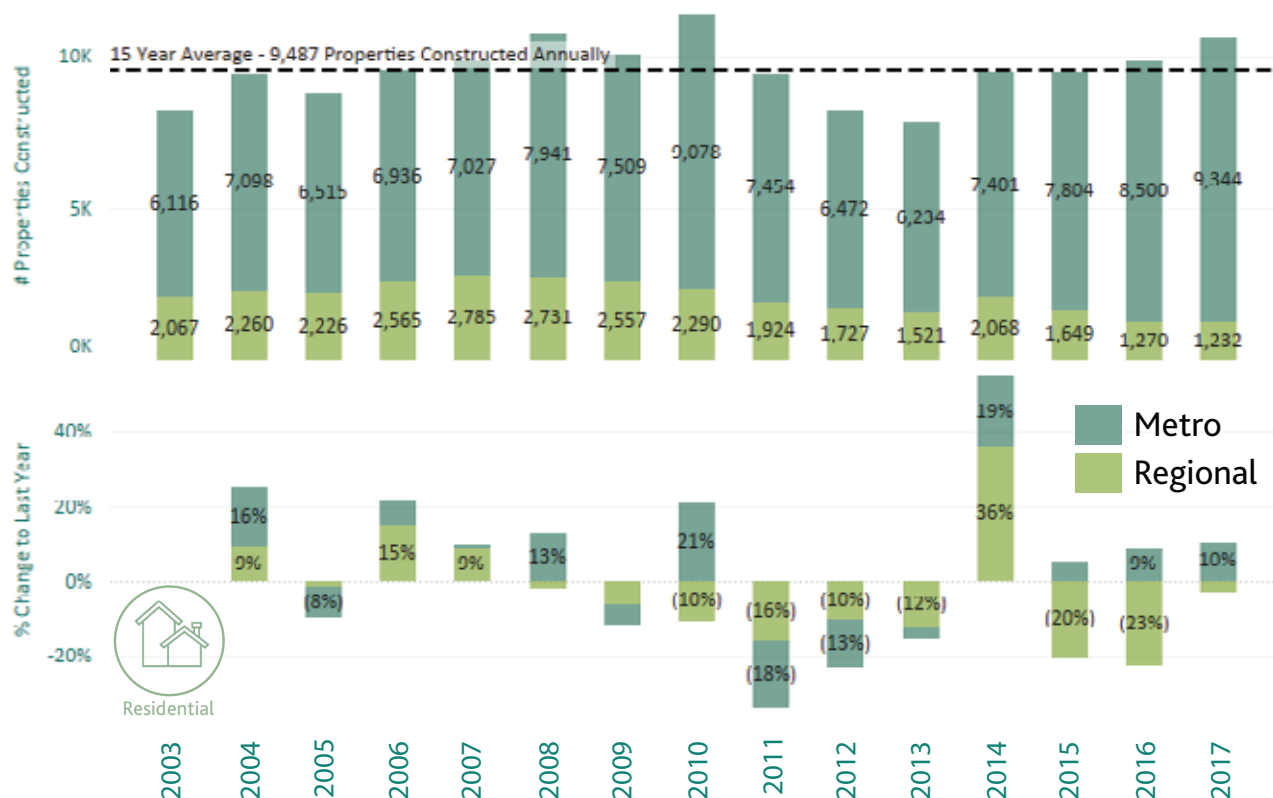
- Figure 17 below records the year of construction of residential properties in South Australia.
- The period 2015 to 2017 has seen an increase in the number of residential properties constructed in metro Adelaide, however construction activity in regional areas is declining. Since 2007, residential construction increased during only 1 (2014) of the previous 10 years, compared with metropolitan areas where growth has occurred in 6 out of 10 years. Reduced demand for residential properties in regional areas is likely to be influenced by a broader trend away from regional areas to living in major cities.
- 2017 recorded the highest number of residential properties constructed since 2010 in South Australia. On average over the past 15 years, 9,400 residential properties are constructed annually in South Australia.

Construction activity in Metro Adelaide has increased over the past 4 years*

*to 31 December 2017

FIGURE 17: RESIDENTIAL CONSTRUCTION ACTIVITY - METRO V REGIONAL

as at 30 June 2018



On average, 9,400 residential properties are constructed annually





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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