

EDITION 22



ADELAIDE CAPITAL CITY REVIEW

 **PERFORMANCE**
PROPERTY RESEARCH

DISCLAIMER

The data presented in this report are sourced from 3rd party resources that we have selected due to their reliability and availability over the historical periods that we require for our research to be relevant. Due to the fact that the current year is not yet complete, data presented for the current year are estimated to represent a full year.

ADELAIDE AT A GLANCE

Price Parameters - Adjusted for Current Interest Rate

| | HOUSE AI | PRICE | UNIT AI | PRICE |
|-------------------|--------------------------------------|-----------|--------------------------------------|-----------|
| AI FLOOR | 21% | \$320,265 | 16% | \$244,063 |
| AI CURRENT | 43% | \$665,000 | 28% | \$433,750 |
| AI CEILING | 53% | \$790,435 | 40% | \$601,098 |
| 3 YR PRICE TARGET | \$730,000 - \$800,000 Low Conviction | | \$470,000 - \$520,000 Low Conviction | |

In the current stage of cycle

The Adelaide house market has a **Hold Rating** while the unit market has a **Buy Momentum Rating**.

If buying houses, it would be best suited to a **Short to Medium Term Hold Strategy**. If buying units, it would be best suited to a **Short to Medium Term Hold Strategy**.

We classify the Adelaide house market currently as a **Medium to High Risk Investment**, and the Adelaide unit market as **High Risk Investment** based on the underlying economy.

Legend

Medium Term Strategy = **4 to 7 years**
Long Term Strategy = **10+ years**

HOUSE YIELD **3.7%**

UNIT YIELD **5.7%**

UNEMPLOYMENT RATE **3.7%**

POPULATION



Current: **1,383,209**

Current Growth Rate: **0.50%**

Avg 10 Yr Growth Rate: **1.05%**

CURRENT MEDIAN HOUSE

\$665,000

CURRENT MEDIAN UNIT

\$433,750

LONG TERM COMPOUNDED

GROWTH PA (1980) IS **7.07%**

FOR HOUSES & (1983) **5.57%** FOR UNITS.

Houses the last 3 years have seen 11.02% PA growth, units 8.62%.

7.07%

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Average Days
on Market

Houses : **32**
Units : **31**



EXECUTIVE SUMMARY

KEY MARKET INDICATORS

Positive

| | | |
|---|--|--------------------|
| ■ | Affordability Index HOUSE V. Price Movement..... | 08 |
| ■ | SA Monthly Housing Finance..... | 09 |
| ■ | Stock on Market V. Avg Days on Market..... | 10 |
| ■ | Vacancy Rate V. Median Rent..... | 11 |
| ■ | Job Creation Index..... | 12 |

SUPPLY & DEMAND - Neutral

Does Demand Exceed Supply?

| | | |
|---|--|--------------------|
| ■ | Change in Population | 13 |
| ■ | State Population Movement | 14 |
| ■ | Foreign Investment..... | 15 |
| ■ | Airport Arrivals..... | 16 |
| ■ | Dwelling Sales..... | 17 |
| ■ | Dwelling Approvals V. Population % Change..... | 18 |
| ■ | Bedrooms V. Population Change..... | 19 |

AFFORDABILITY - Negative

Is Property Affordable?

| | | |
|---|--|--------------------|
| ■ | Affordability Index HOUSE V. Price Movement..... | 08 |
| ■ | Affordability Index UNITS V. Price Movement..... | 20 |
| ■ | Price to Income Ratio..... | 21 |
| ■ | Rent to Income V Affordability..... | 22 |
| ■ | FHBs as % of Population..... | 23 |

Positive

Slightly Positive

Neutral

Slightly Negative

Negative

CONFIDENCE - Positive

Is There Confidence In The Market?

| | | |
|---|-----------------------------|--------------------|
| ■ | Retail Turnover Growth..... | 24 |
| ■ | Mortgage Arrears..... | 25 |
| ■ | Unemployment Rate | 26 |
| ■ | Underemployment Rate | 27 |
| ■ | State Job Vacancies | 28 |
| ■ | Business Investment | 29 |

MONEY SUPPLY - Slightly Negative

Will There Be More or Less Money Into The Economy?

| | | |
|---|--|--------------------|
| ■ | State Budget | 30 |
| ■ | Gross State Product V. Median Price Movement | 31 |
| ■ | Net Debt as % of GSP | 32 |

INVESTMENT VALUE - Slightly Positive

Is This Market Showing Value?

| | | |
|---|--|--------------------|
| ■ | Current Investment Value - Per Capital City..... | 33 |
| ■ | Yield V. Interest Rates | 34 |
| ■ | Long Term Trends | 35 |
| ■ | House V. Unit Price Comparison | 06 |
| ■ | Adelaide V. Sydney HOUSE Price Movement..... | 36 |

RISK - Negative

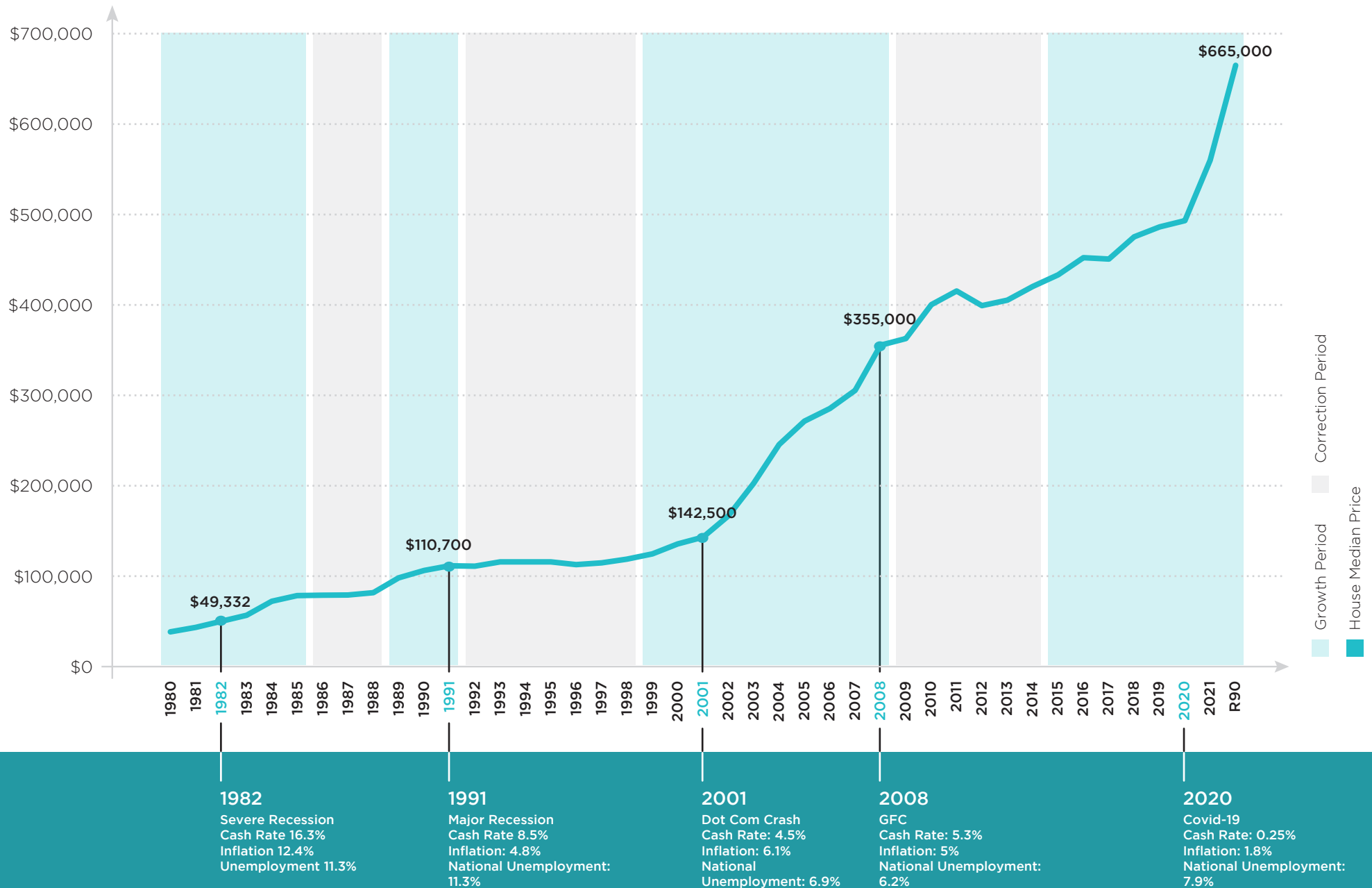
Is There Potentially Downside Volatility?

| | | |
|---|--|--------------------|
| ■ | Affordability Index HOUSE V. Price Movement..... | 08 |
| ■ | Price to Income Ratio | 21 |
| ■ | Industry Value Added | 37 |
| ■ | Population Pyramid..... | 38 |

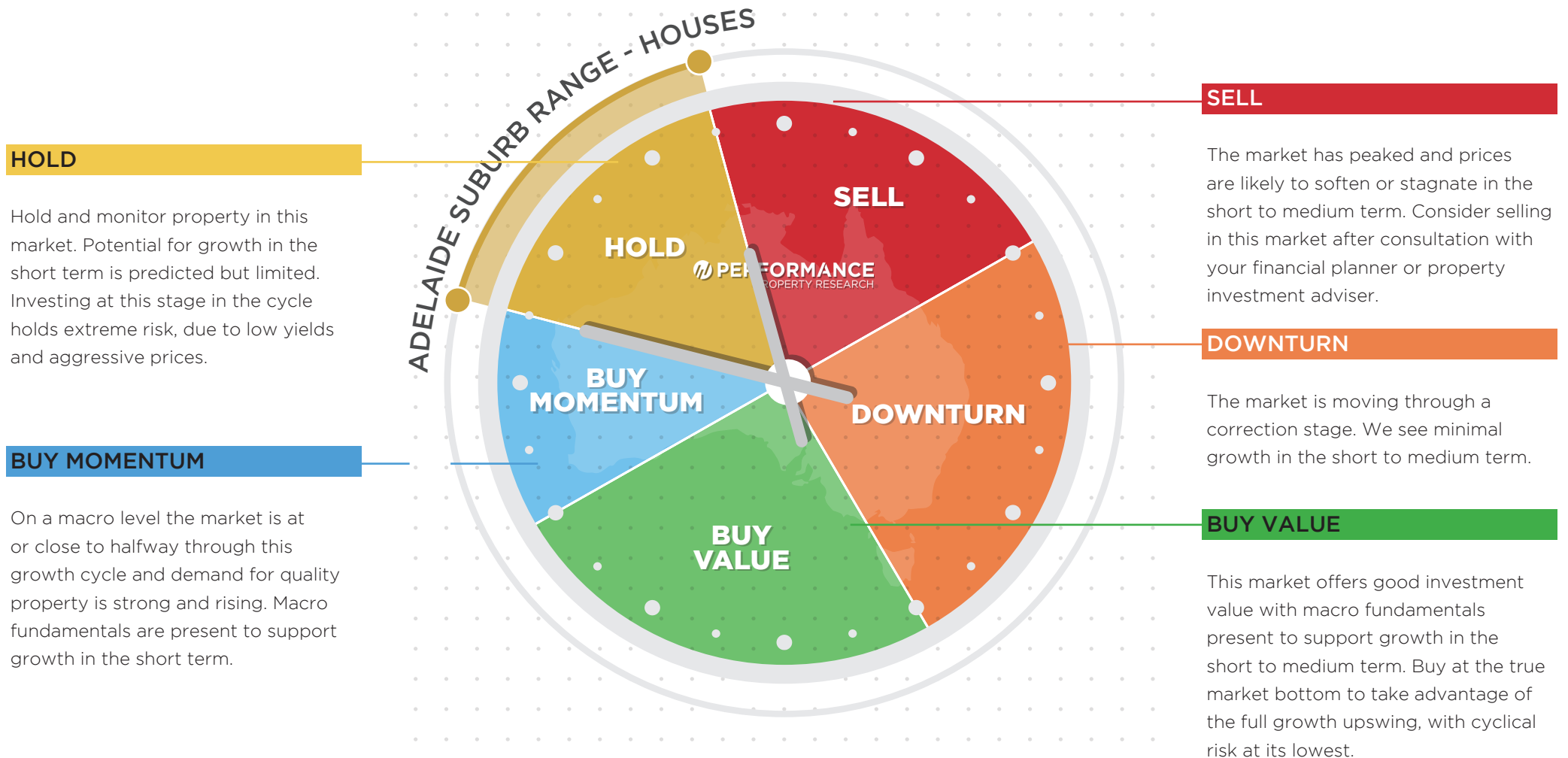
ADELAIDE HOUSE PRICE MOVEMENT

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OUR VIEW OF THE ADELAIDE **HOUSE** MARKET



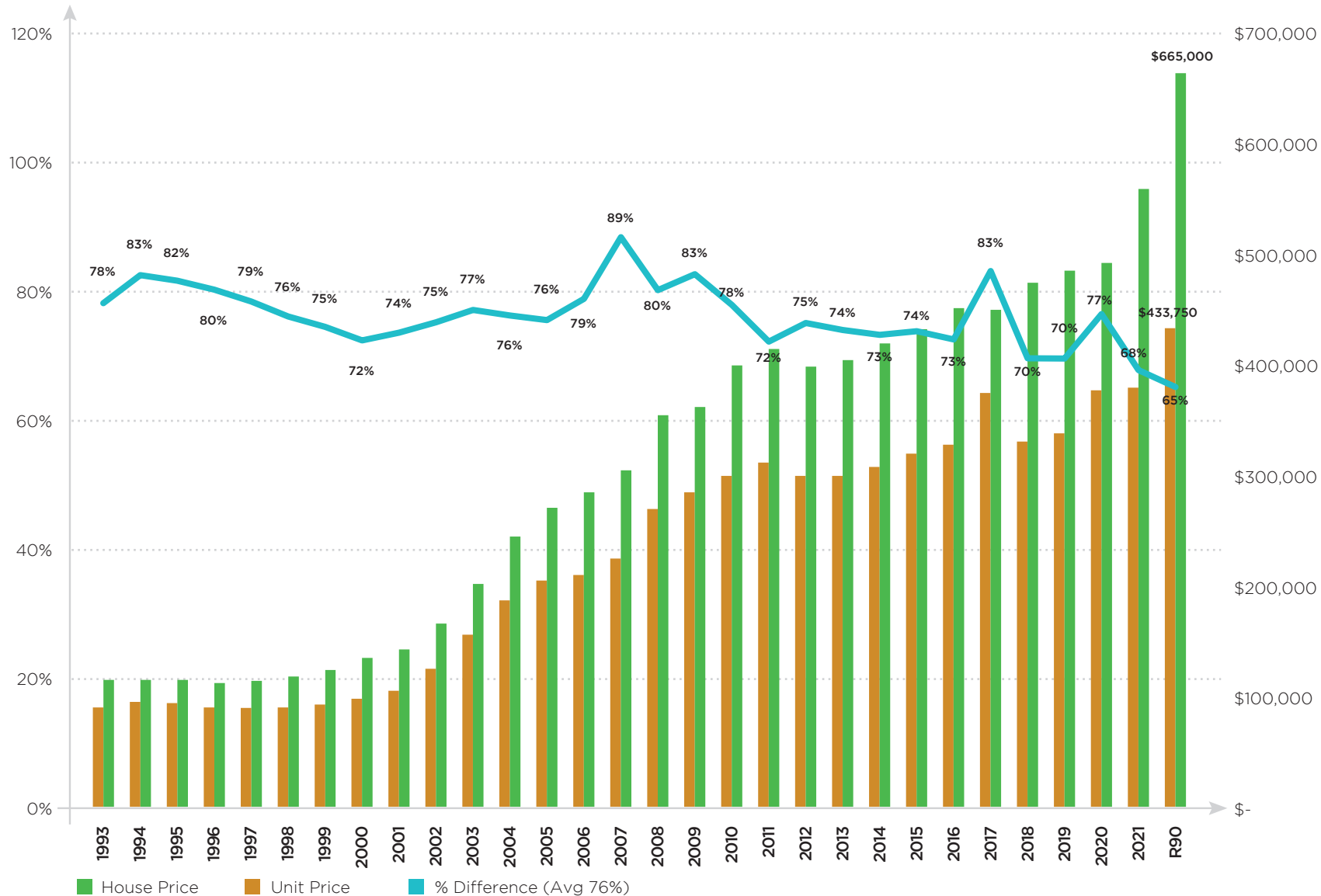
For more information on the Adelaide market, including individual property and suburb information, call to speak to one of our professional property advisors on (03) 8539 0300.

ADELAIDE HOUSE V. UNIT PRICE COMPARISON

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This graph shows the comparison between house and unit price movements and the percentage difference for each year.



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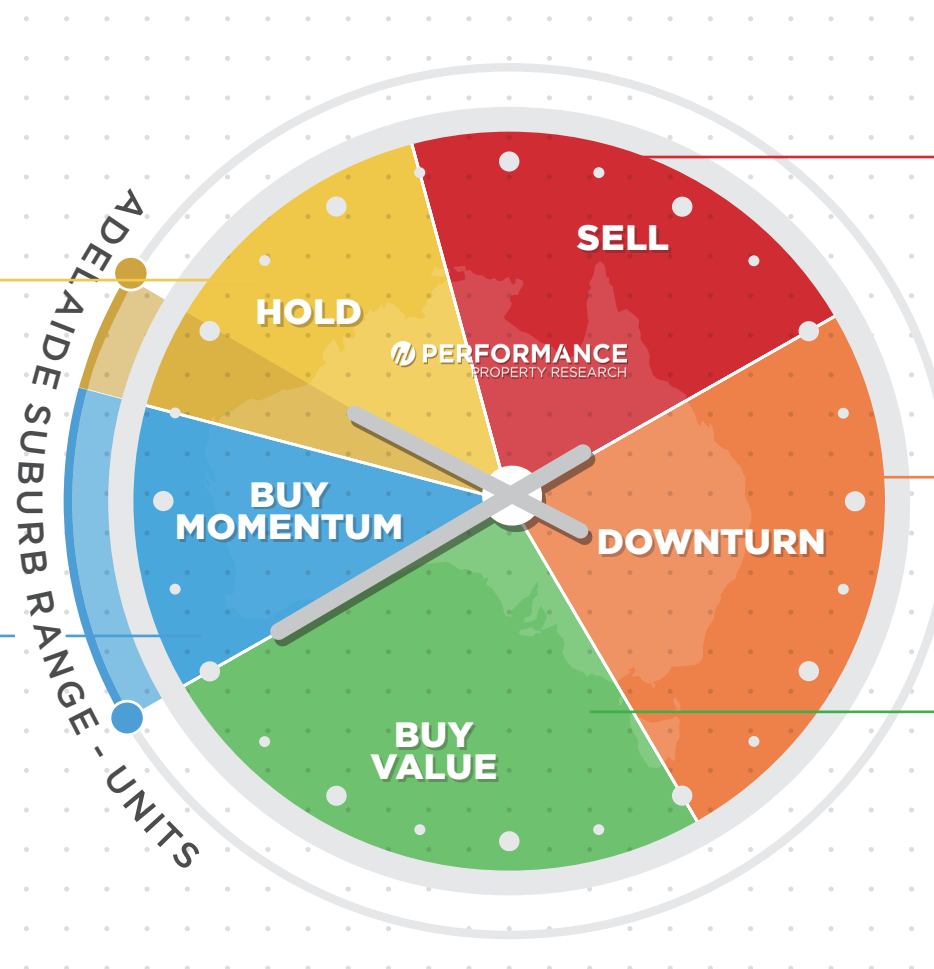
OUR VIEW OF THE ADELAIDE **UNIT** MARKET

HOLD

Hold and monitor property in this market. Potential for growth in the short term is predicted but limited. Investing at this stage in the cycle holds extreme risk, due to low yields and aggressive prices.

BUY MOMENTUM

On a macro level the market is at or close to halfway through this growth cycle and demand for quality property is strong and rising. Macro fundamentals are present to support growth in the short term.



SELL

The market has peaked and prices are likely to soften or stagnate in the short to medium term. Consider selling in this market after consultation with your financial planner or property investment adviser.

DOWNTURN

The market is moving through a correction stage. We see minimal growth in the short to medium term.

BUY VALUE

This market offers good investment value with macro fundamentals present to support growth in the short to medium term. Buy at the true market bottom to take advantage of the full growth upswing, with cyclical risk at its lowest.

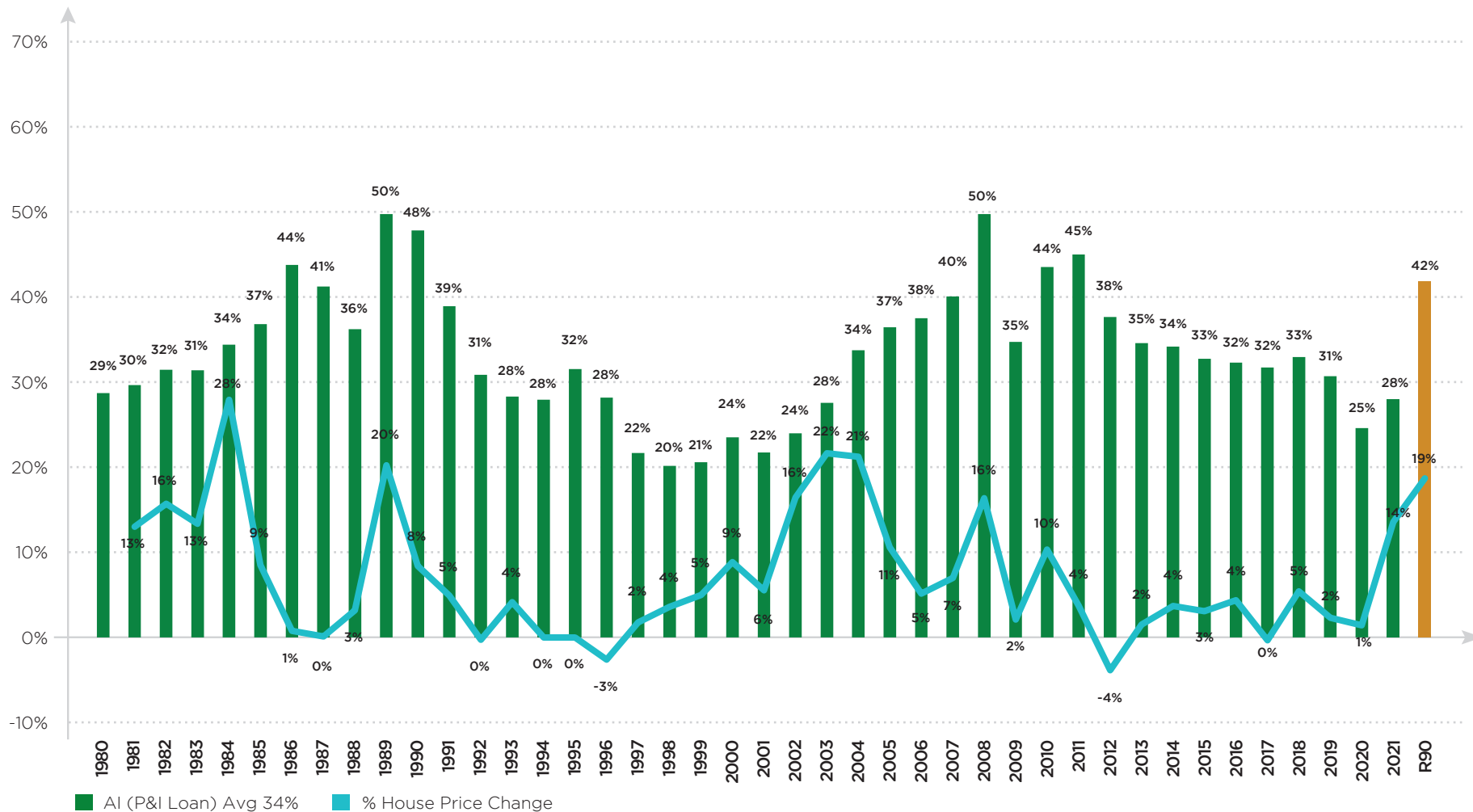
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AFFORDABILITY INDEX V. PRICE MOVEMENT - HOUSE

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This graph displays the impact interest rates have on house price movements. PPA's Gross Affordability Index (AI) is a measure of the average mortgage repayments versus the average income. The AI is calculated using the median price, average wage (before tax), assumes a 20% deposit, the current variable interest rate and Principle & Interest repayments over a 30 year loan term. For the current year 2021, the rolling 90 days (R90) is shown to convey latest market status.

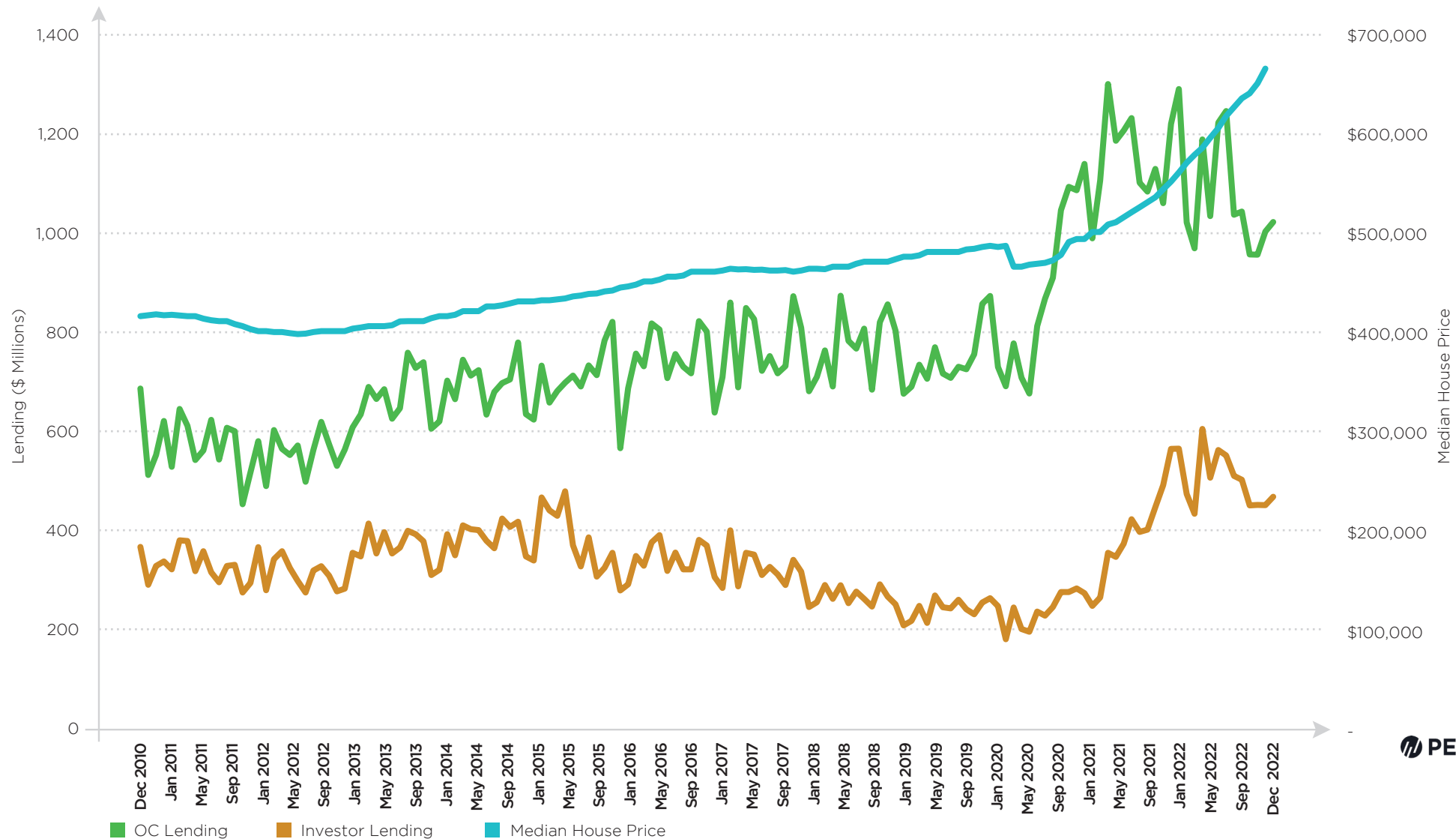


SA MONTHLY HH LENDING TO OC V. MEDIAN HOUSE PRICE

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This graph displays the value of housing finance for the state each month for owner occupiers and investors versus the median house price.

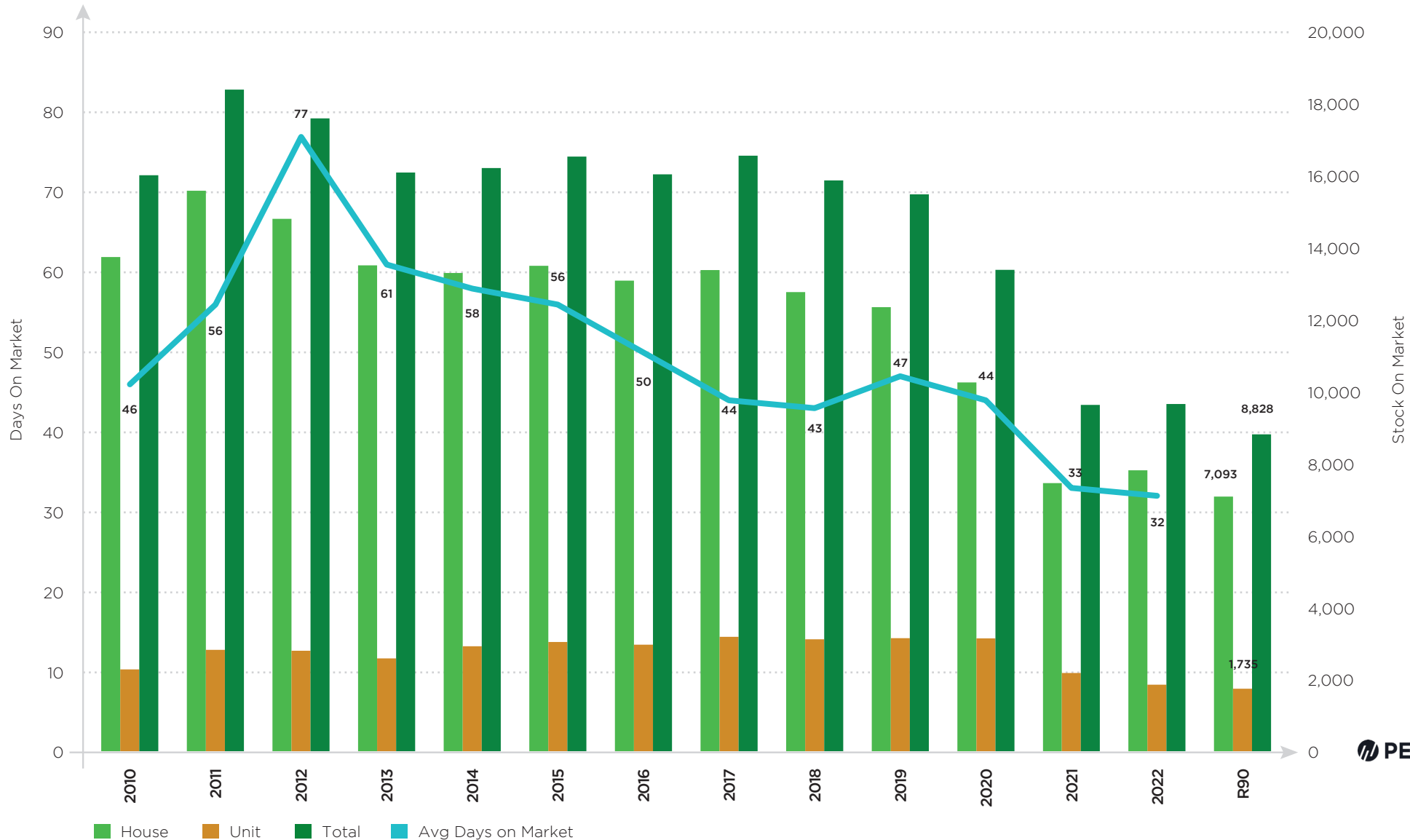


STOCK ON MARKET V. AVG DAYS ON MARKET

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This graph displays the stock on market.

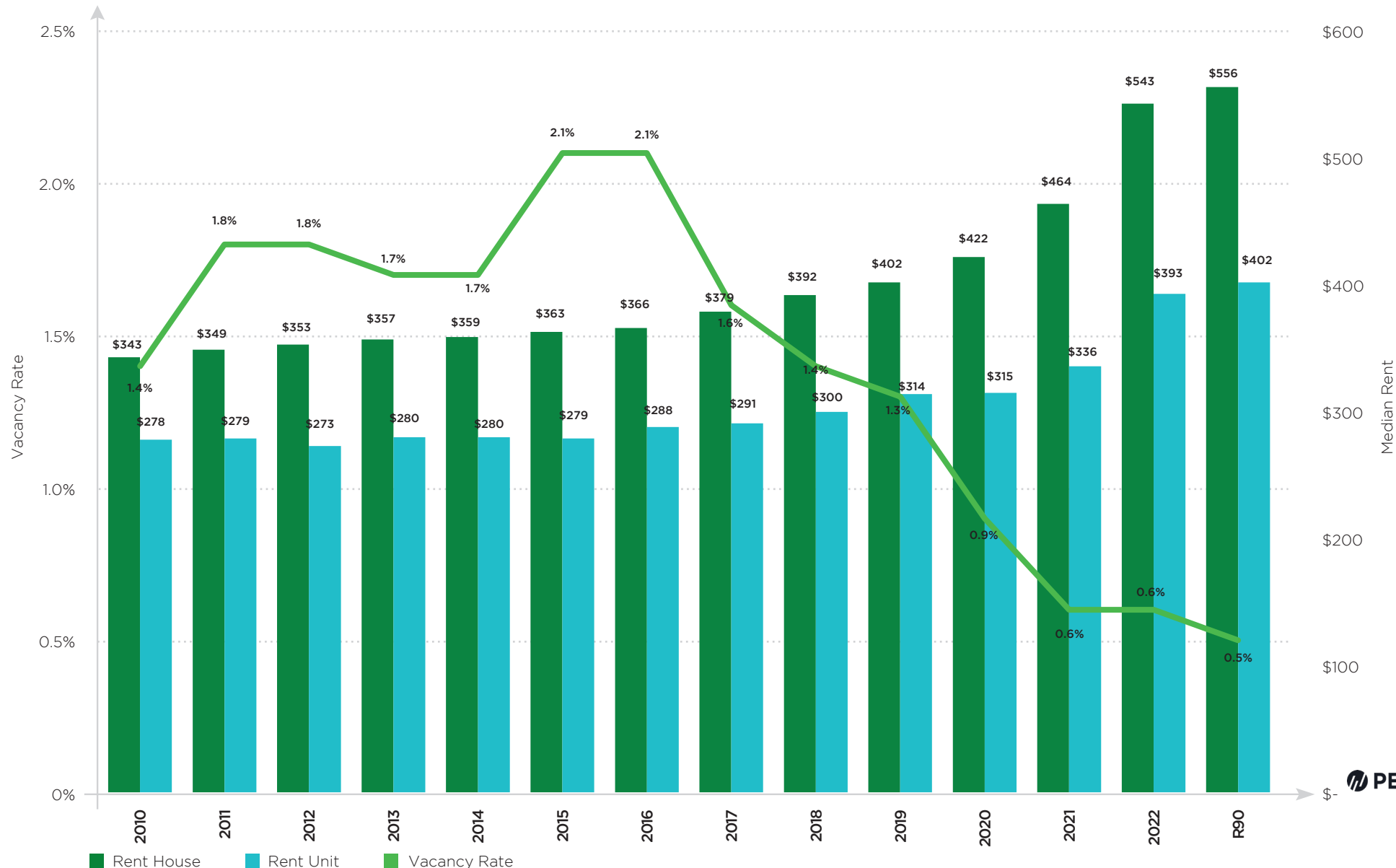


VACANCY RATE V. RENT

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This graph displays the relationship between rental growth for both houses and units and the vacancy rate.

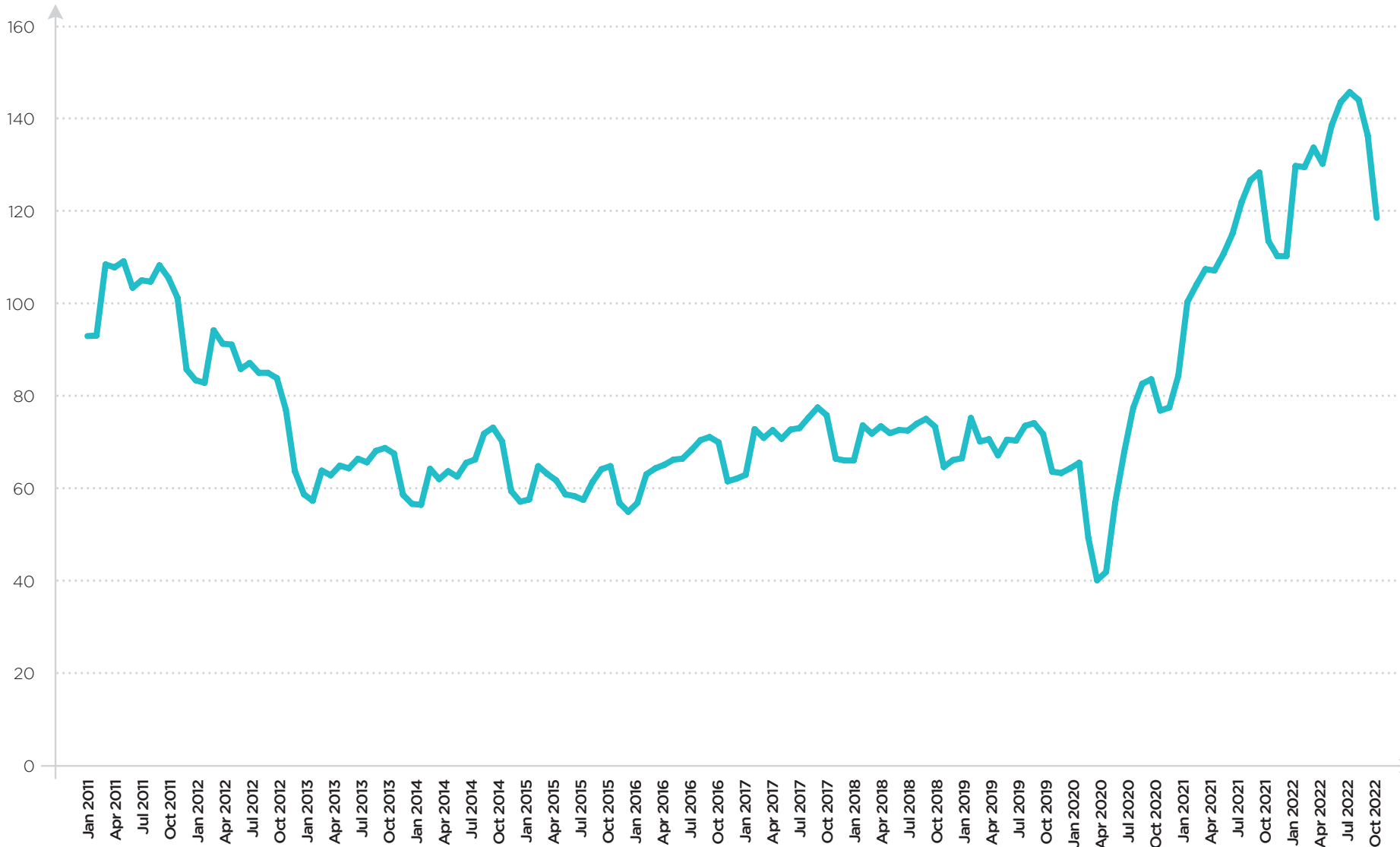


JOB CREATION INDEX - ADELAIDE

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This graph shows the internet vacancy index for online job advertisements on the three major job boards.

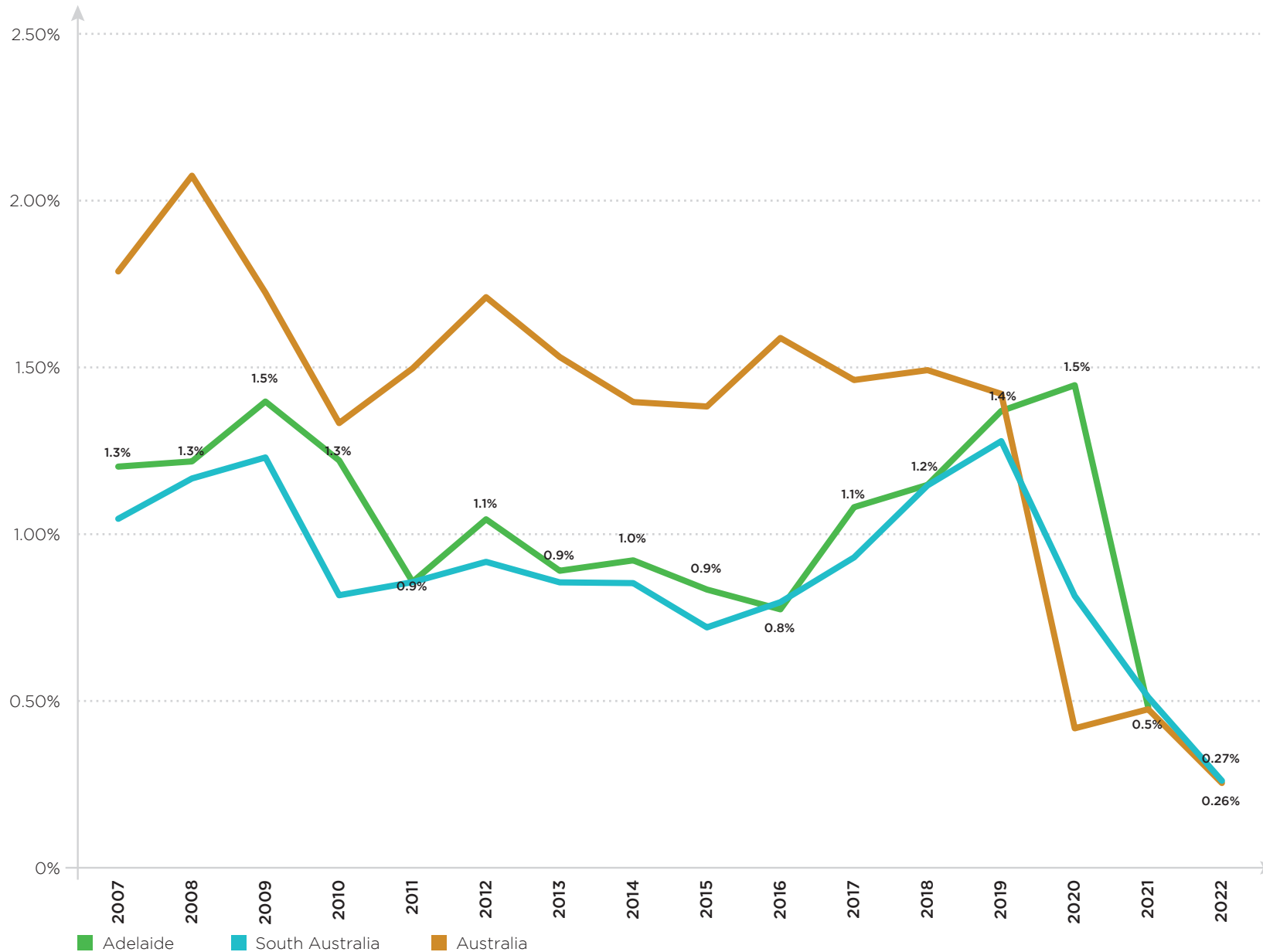


CHANGE IN POPULATION

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This graph shows the percentage change in the population growth rate for the city, state and Australia.



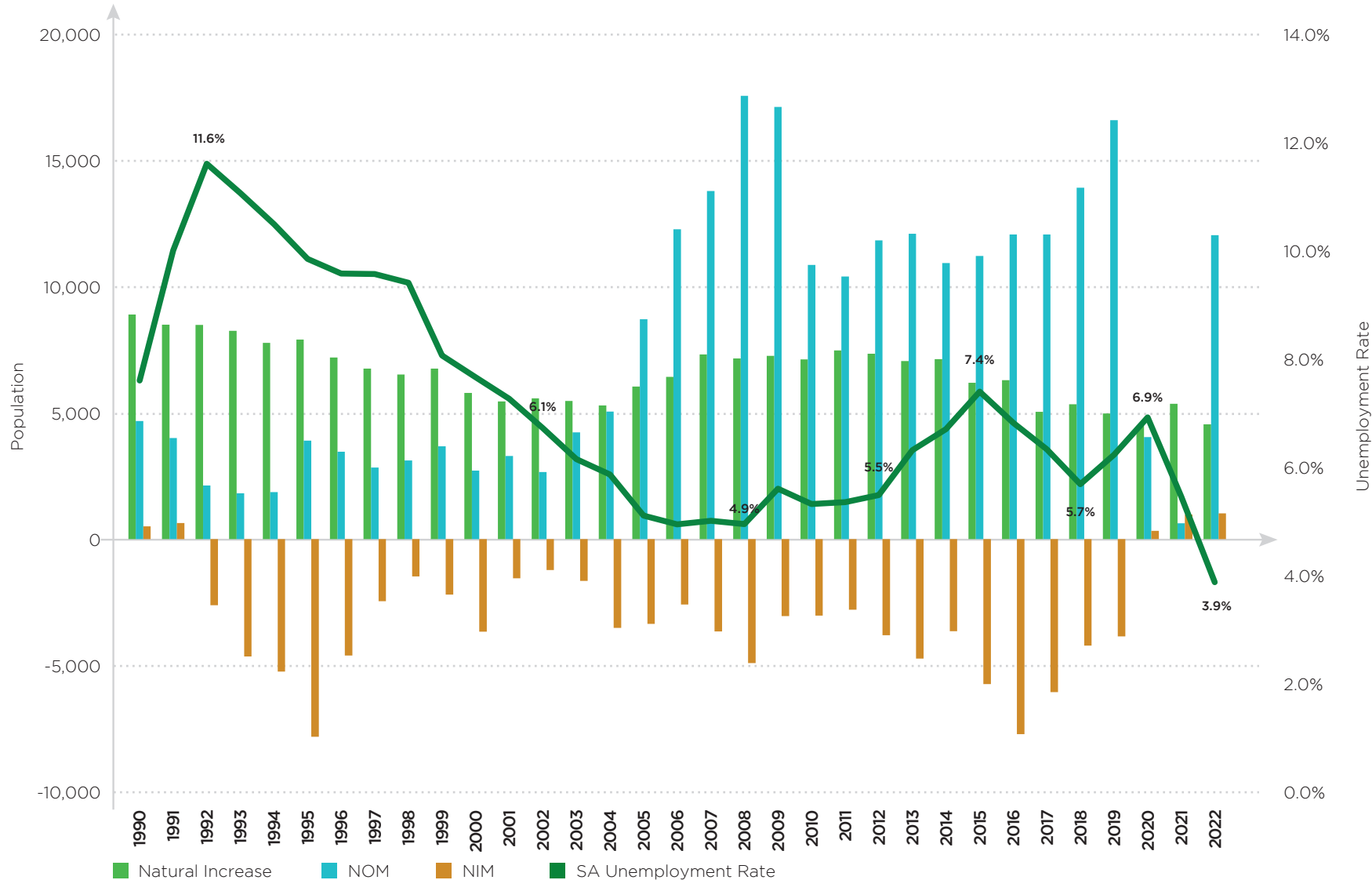
SLIGHTLY
NEGATIVE

SOUTH AUSTRALIAN POPULATION MOVEMENT TYPE

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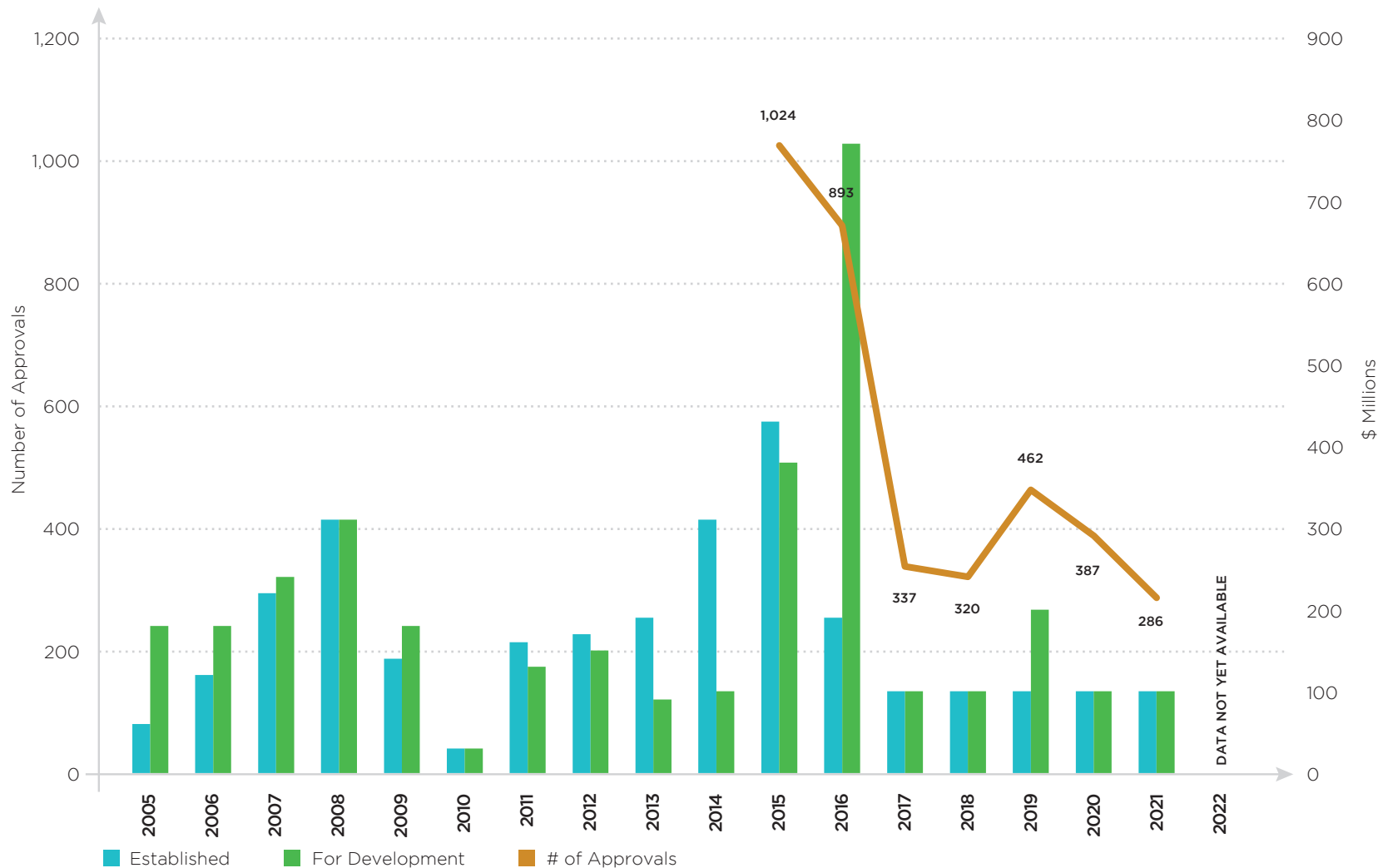
This graph demonstrates the breakdown of Natural Increase, Net Overseas Migration (NOM) and Net Interstate Migration (NIM) for the state.



POSITIVE

FOREIGN INVESTMENT APPROVALS - NEW V. ESTABLISHED PROPERTY

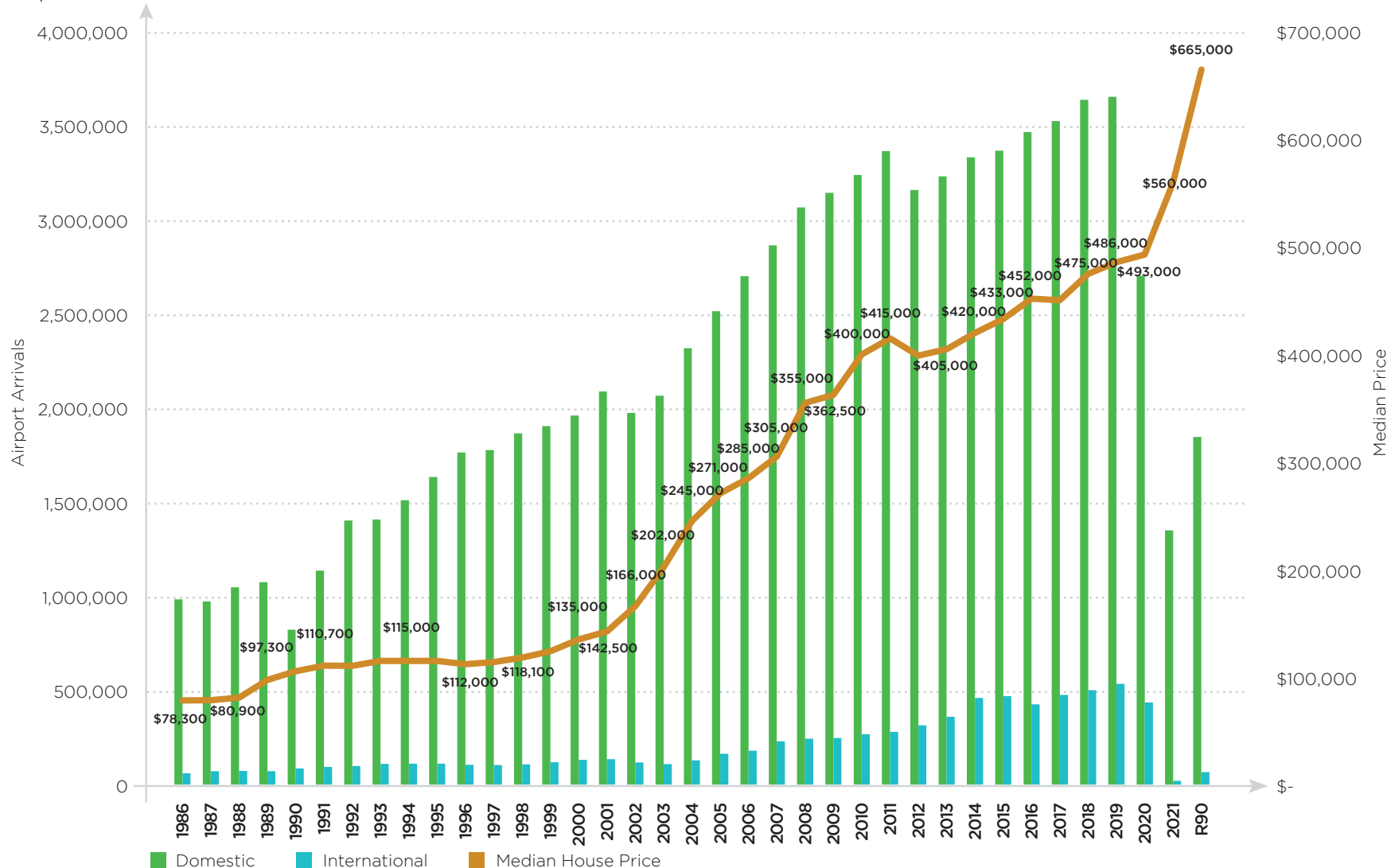
This graph shows the amount of foreign investment approvals for the state's residential market since 2005. Approvals are broken down into established property and developed/for development.



POSITIVE

AIRPORT ARRIVALS V. MEDIAN HOUSE PRICE

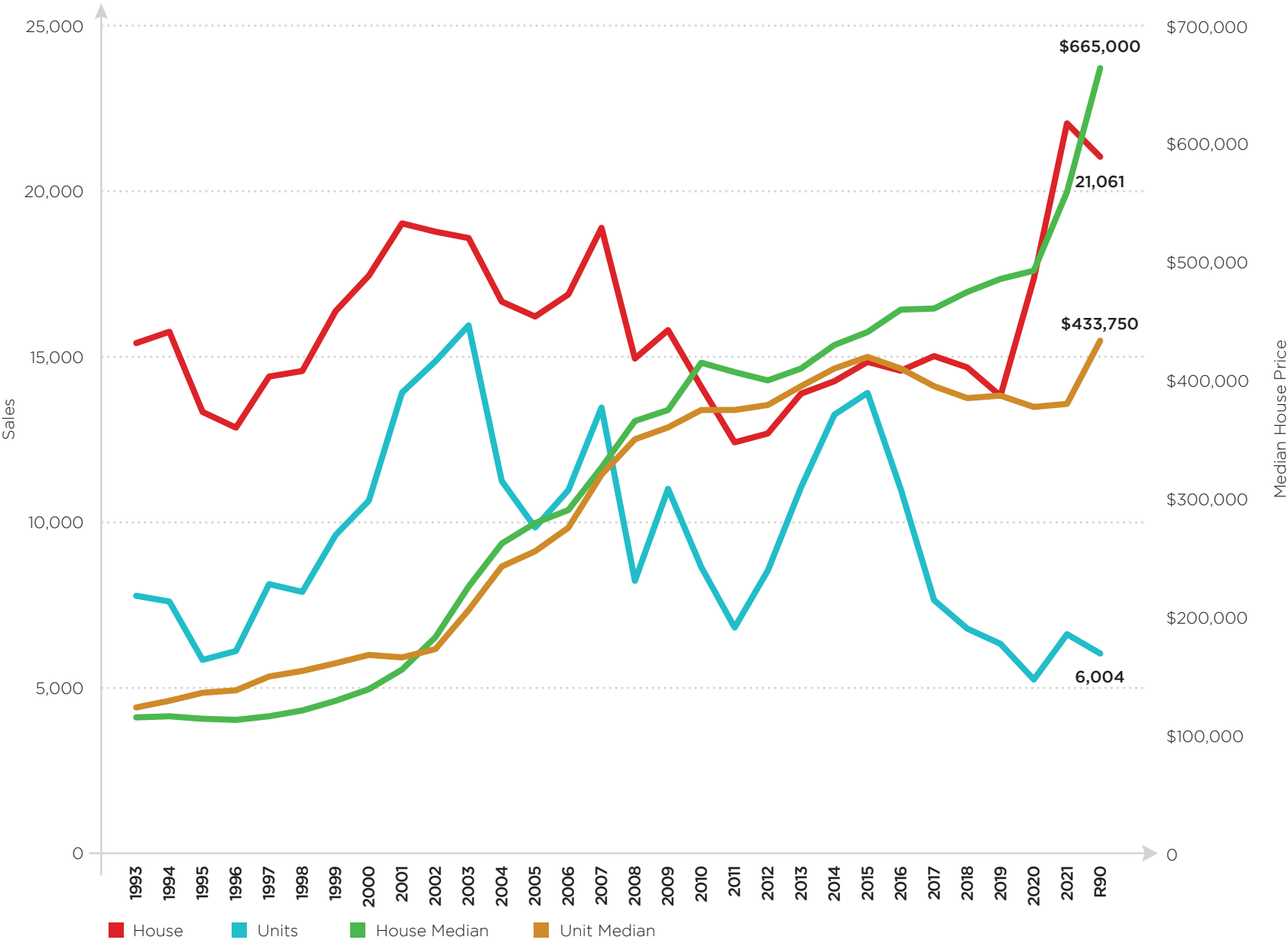
This graph shows the numbers for International and Domestic arrivals into the city's airport from 1986 plotted against the median house price. For the current year 2021, the rolling 90 days (R90) depicted with dotted line, is specifically shown to give emphasis on current house median movement.



NEGATIVE

DWELLING SALES

This graph displays the number of unit and house sales.



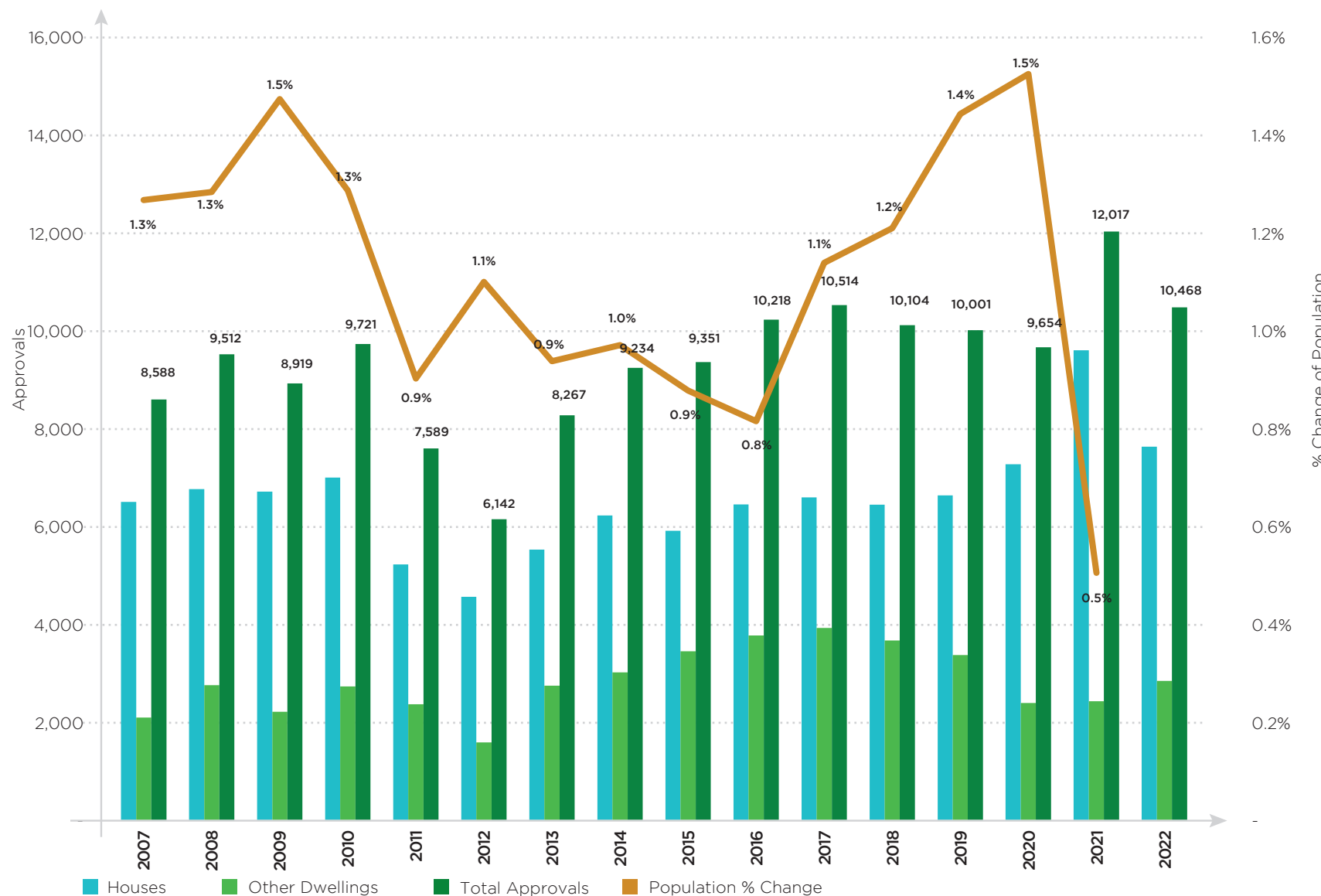
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DWELLING APPROVALS V. POPULATION % CHANGE

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This graph shows the relationship between population growth and dwelling approvals in the Greater City region.



SLIGHTLY
NEGATIVE

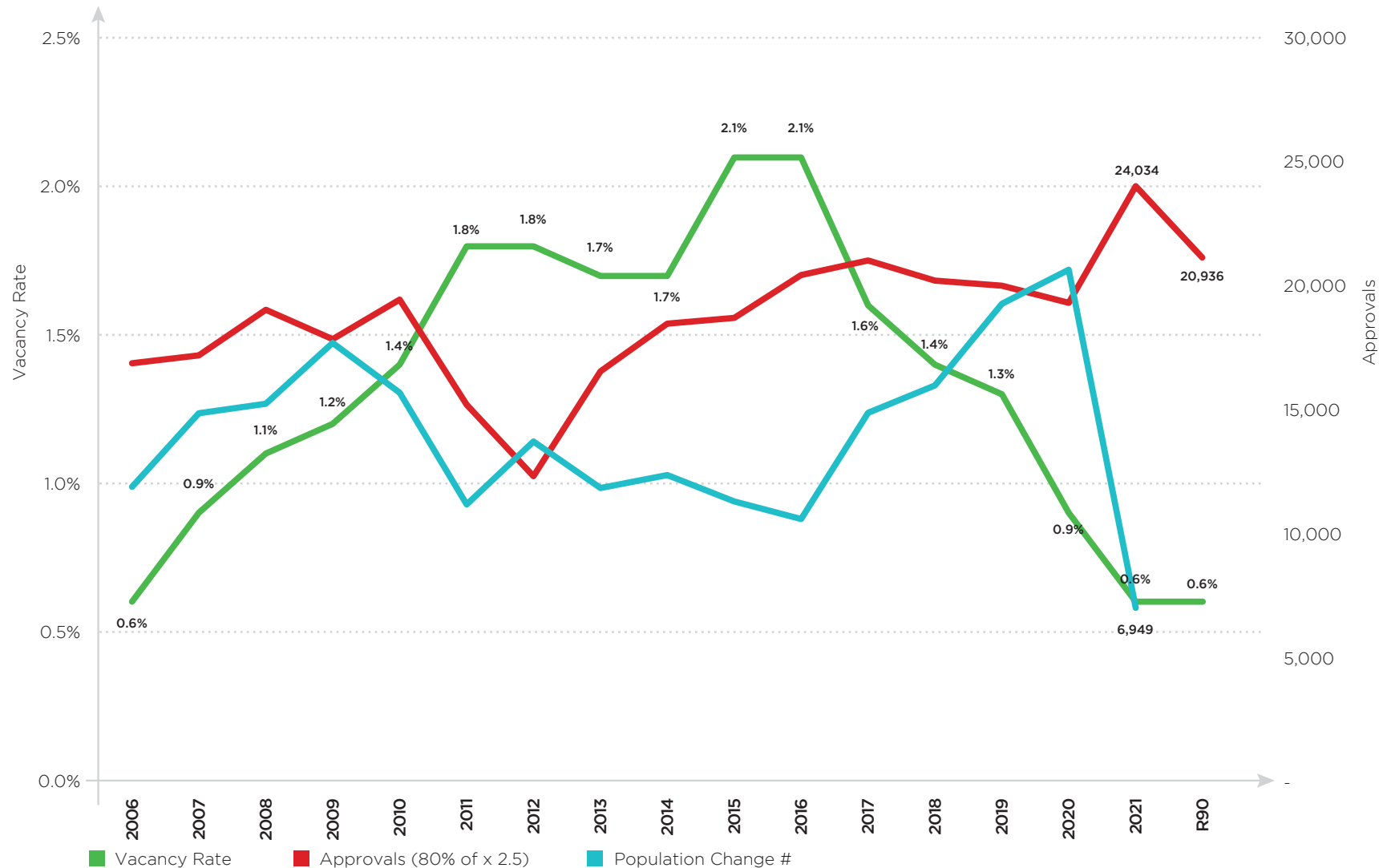
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BEDROOM APPROVALS V. POPULATION CHANGE

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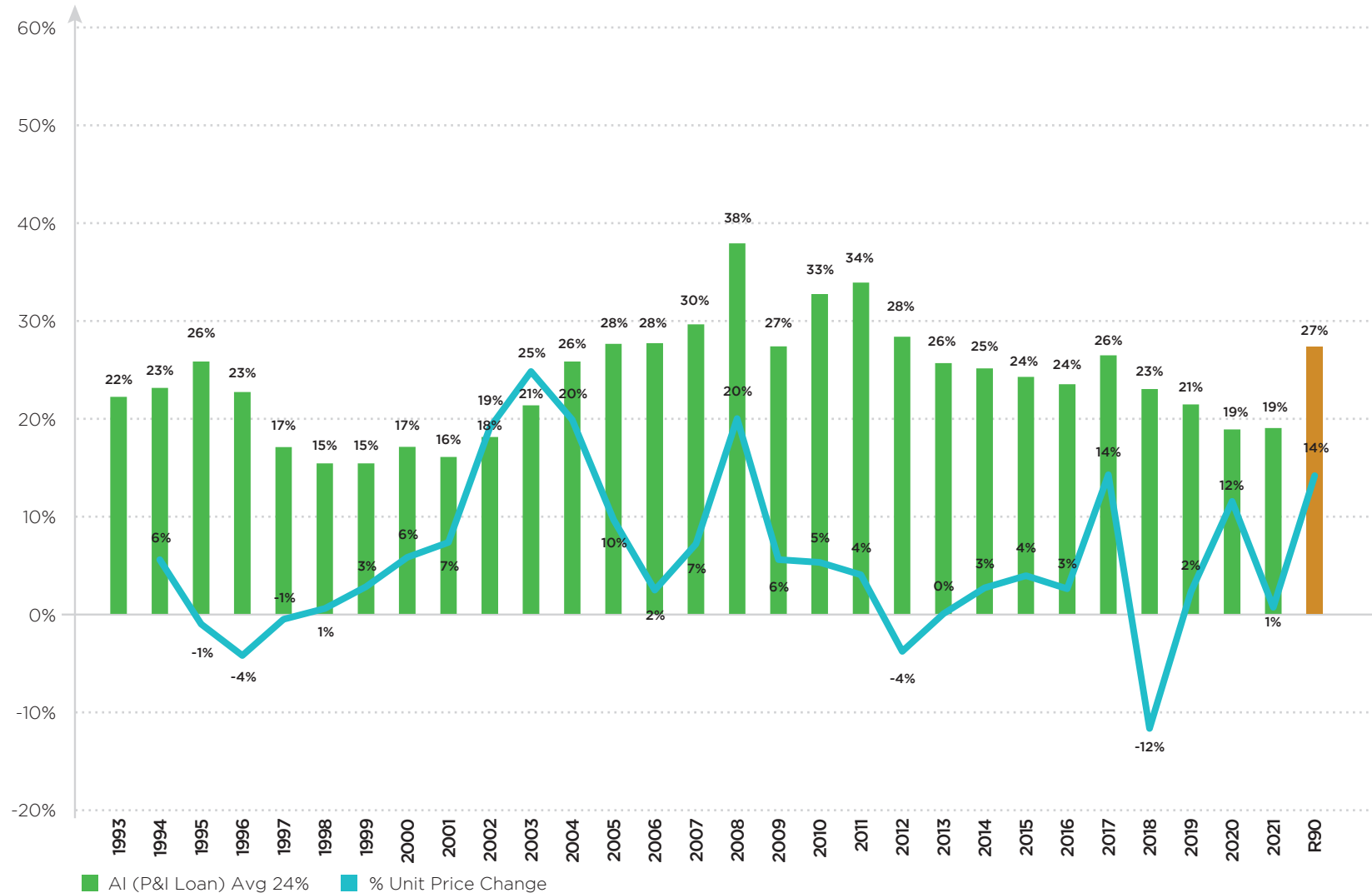
This graph shows the relationship between the assumed number of bedrooms being commenced, the change in population numbers and the vacancy rate. PPA calculates this assuming 80% of approvals commence, and multiplying by the average household size of the city.



NEGATIVE

AFFORDABILITY INDEX V. PRICE MOVEMENT - UNIT

This graph displays the impact interest rates have on unit price movements. PPA's Gross Affordability Index (AI) is a measure of the average mortgage repayments versus the average income. The AI is calculated using the median price, average wage (before tax), assumes a 20% deposit, the current variable interest rate and Principle & Interest repayments over a 30 year loan term.



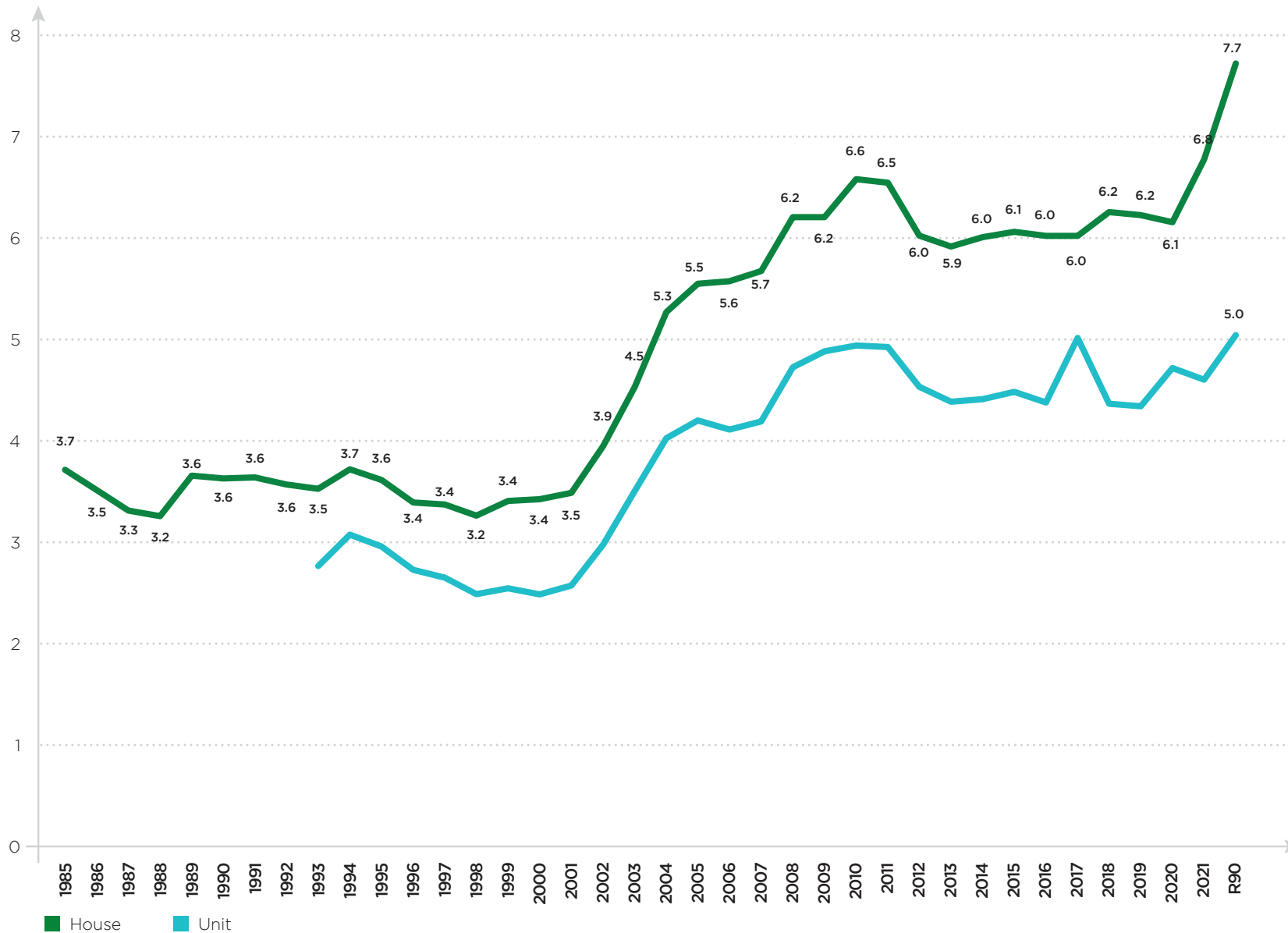
NEGATIVE

PRICE TO INCOME RATIO

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This graph displays the price to income ratio which is the relationship between the median house price and the average annual income. This also represents the average time taken to save a 20% deposit when assuming 20% of the average wage is saved.



NEGATIVE

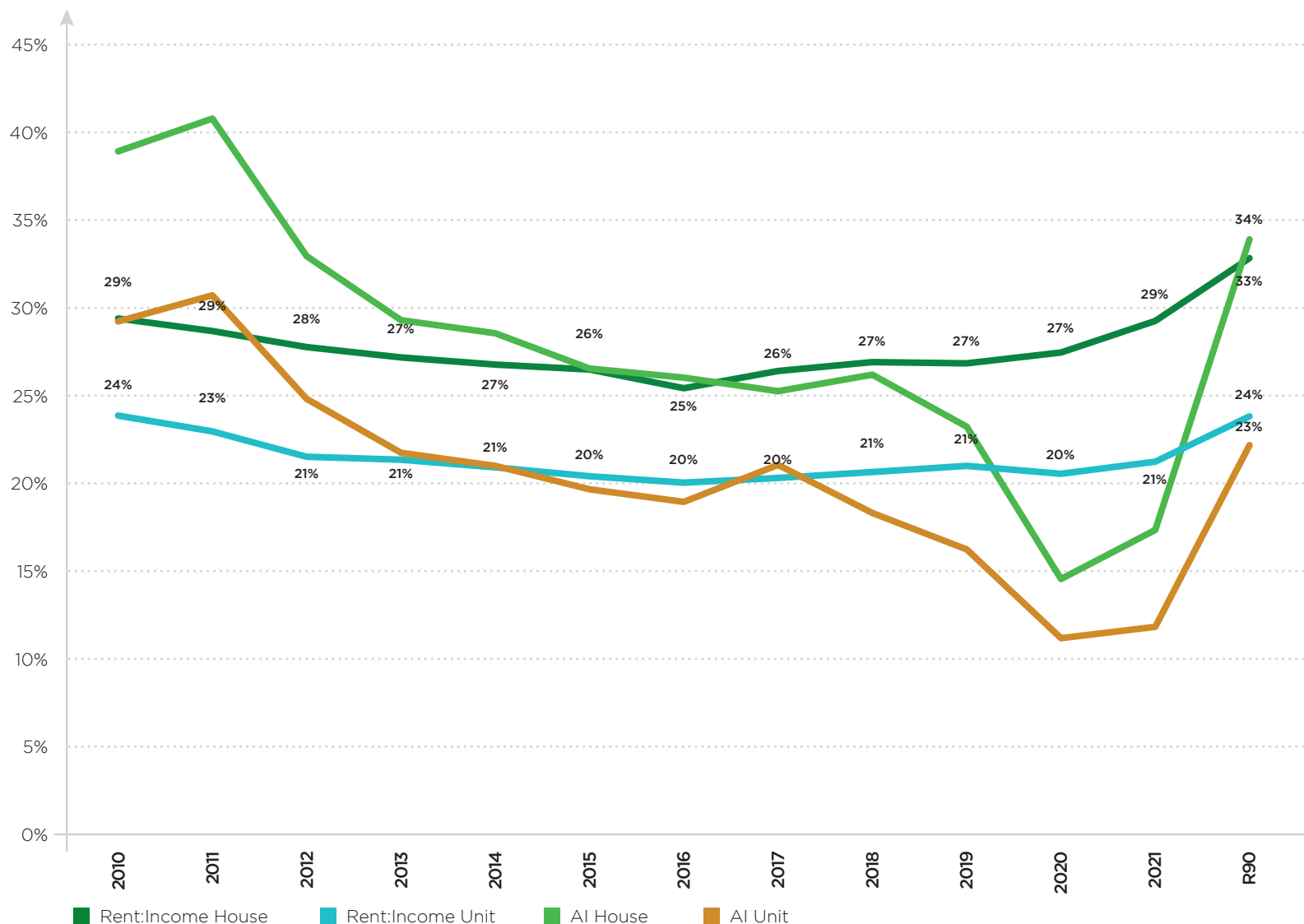
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INCOME TO RENT V. AFFORDABILITY INDEX

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This graph displays the percentage of the average wage that pays the median rent versus the PPA Affordability Index using an Interest Only Loan.



SLIGHTLY
NEGATIVE

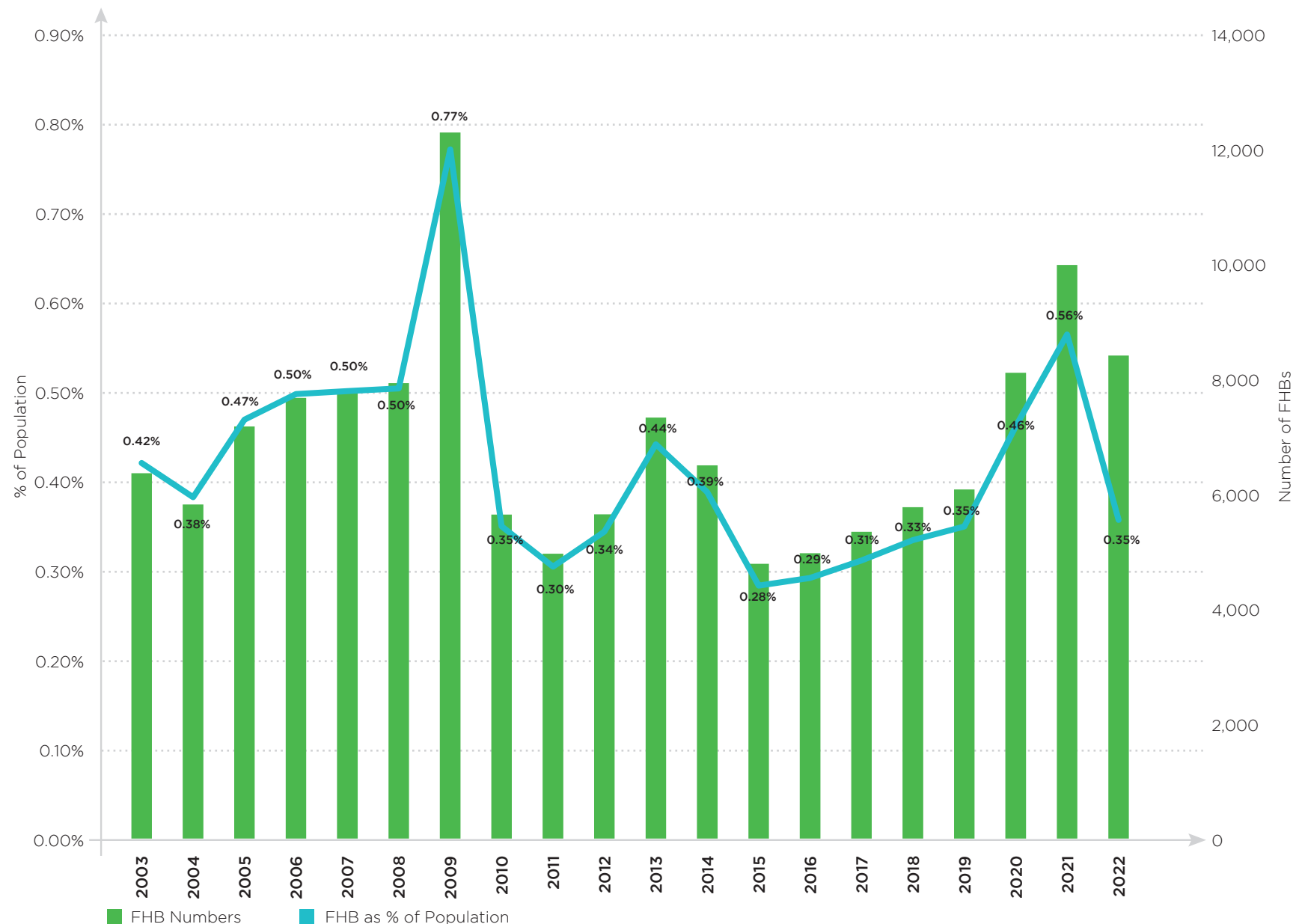
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FHBS AS A % OF POPULATION

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This graph shows the percentage of first home buyers (FHB) relative to the state population.

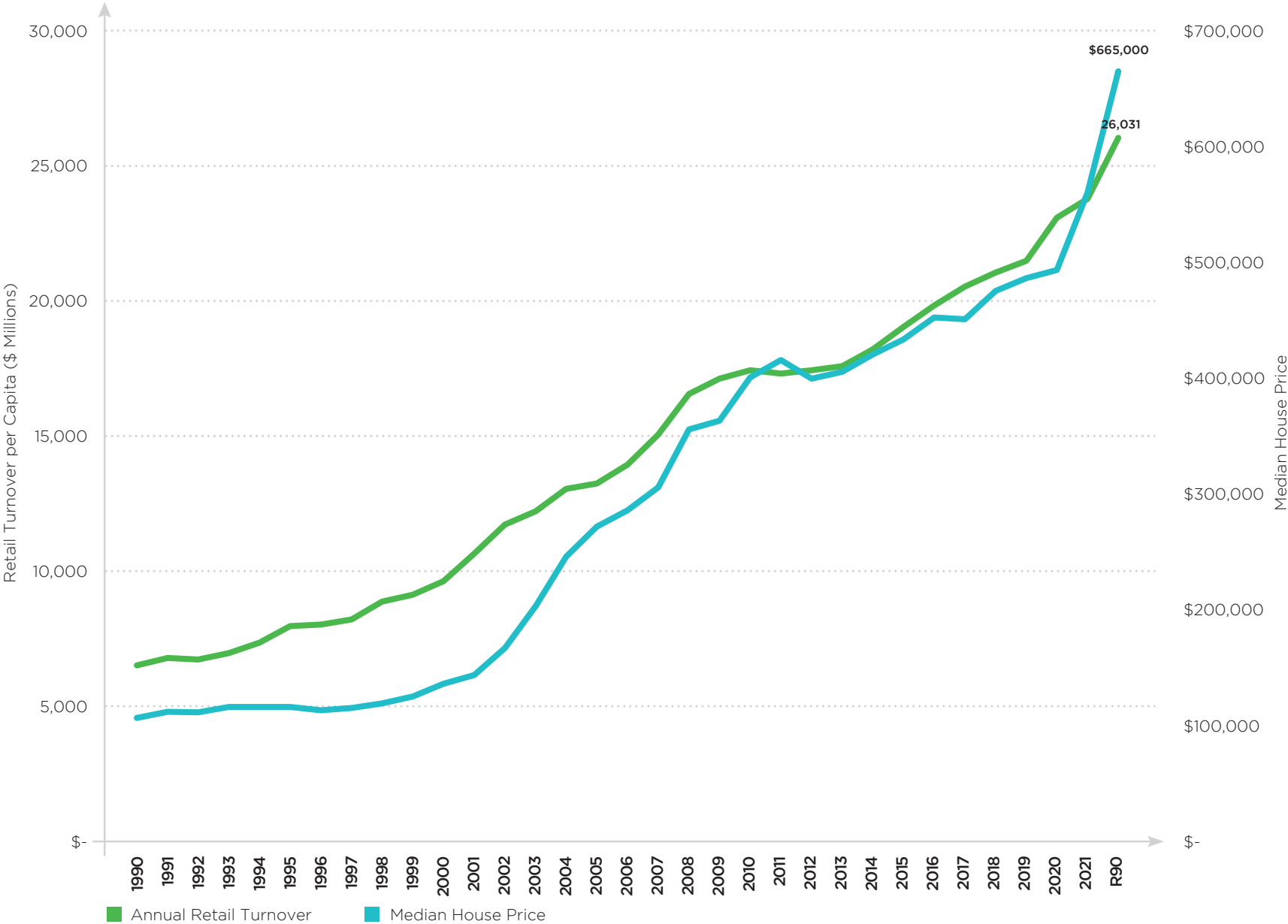


SLIGHTLY
NEGATIVE

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RETAIL TURNOVER GROWTH

This graph displays levels of retail turnover for the state charted against the median house price.



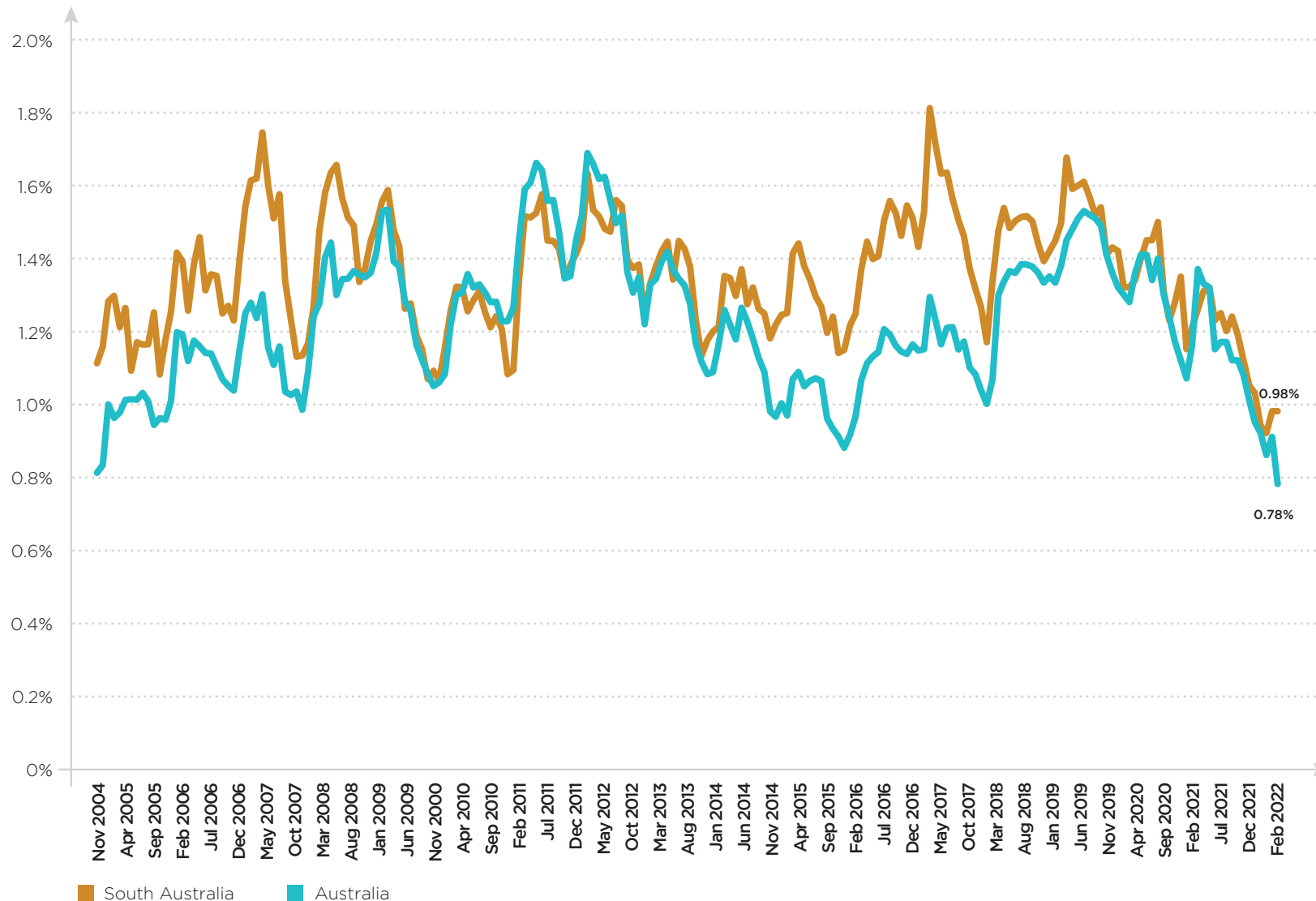
SLIGHTLY
POSITIVE

SOUTH AUSTRALIAN MORTGAGE ARREARS

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This graph displays the percentage of mortgages that are 30+ days in arrears in the state and Nationally. Supplied by Standard and Poor's Global Ratings.



SLIGHTLY
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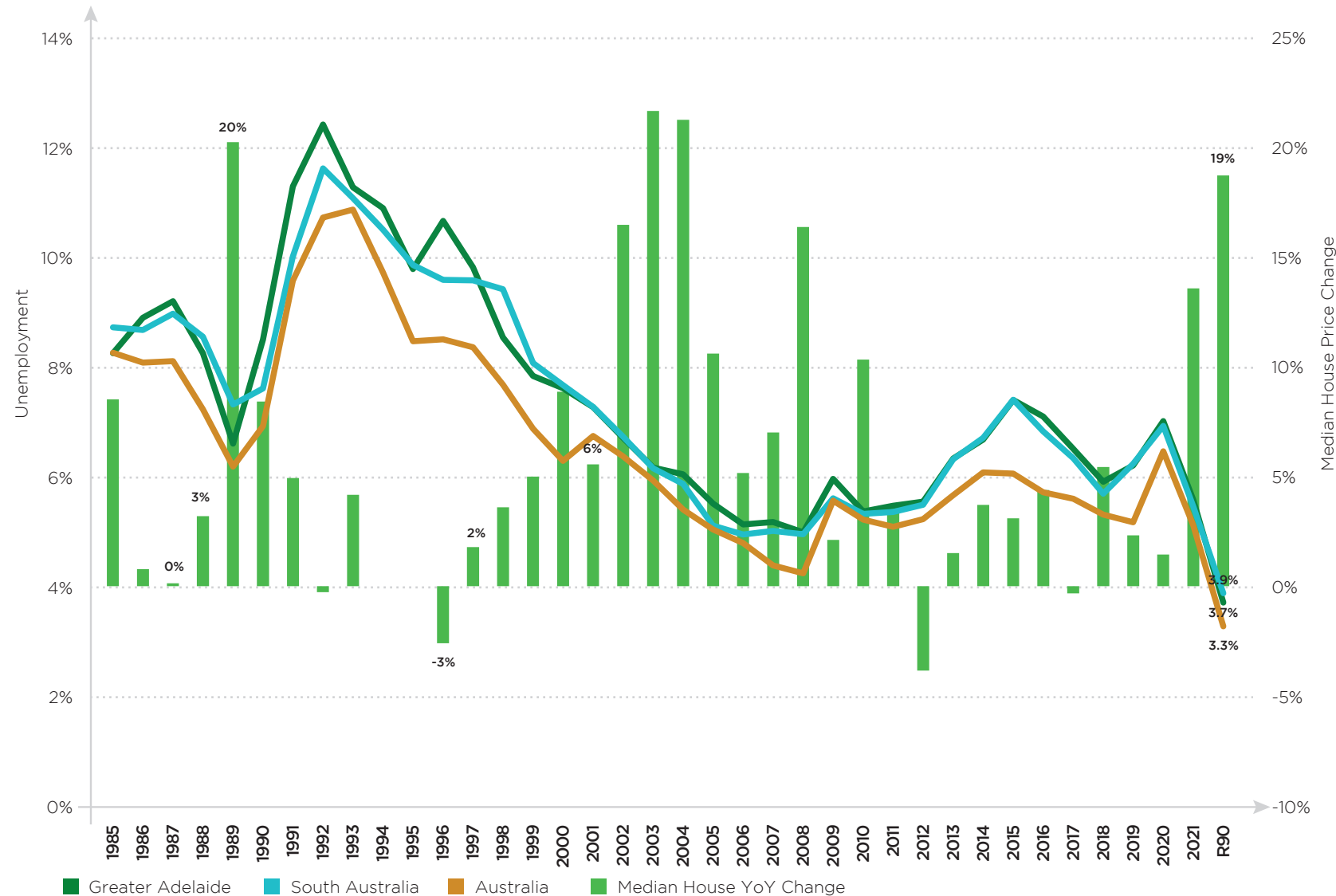
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UNEMPLOYMENT V. MEDIAN HOUSE PRICE CHANGE

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This graph shows the relationship between the state and national unemployment rate as a yearly average from 1980 and the current, most recent rate.

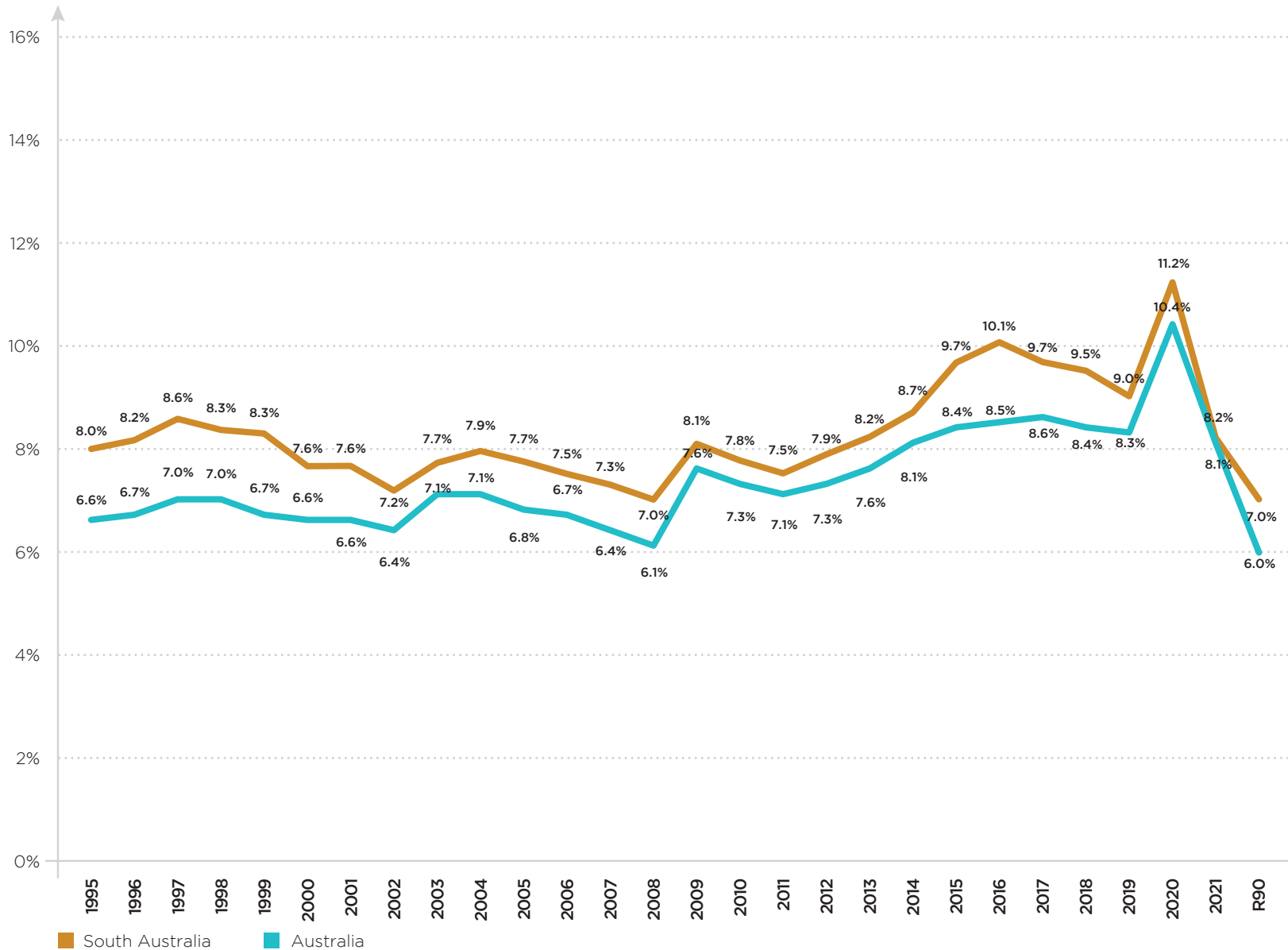


POSITIVE

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UNDEREMPLOYMENT

This graph shows the relationship between the state and national underemployment rate as a yearly average from 1995 and the current, most recent rate.



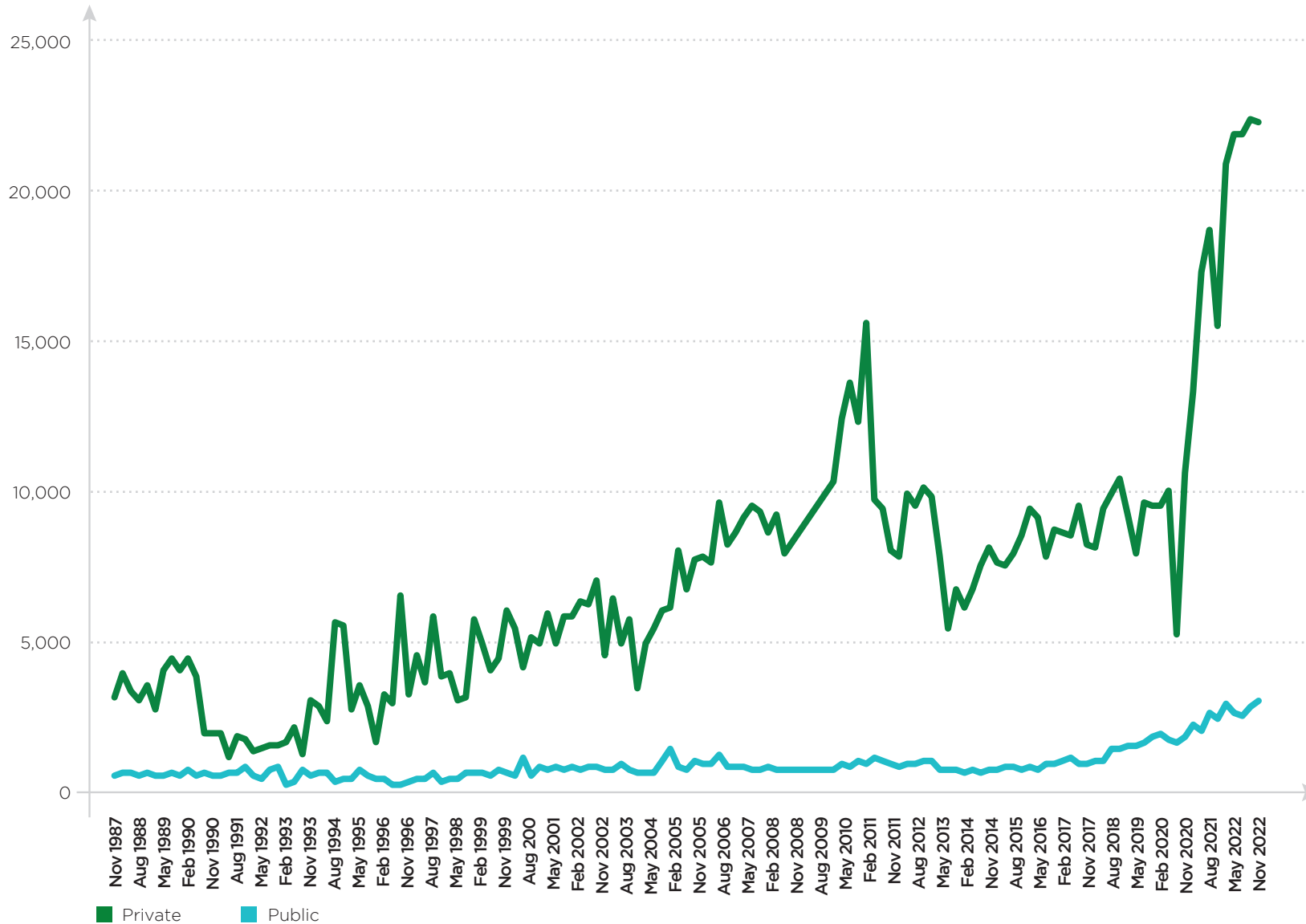
SLIGHTLY
POSITIVE

JOB VACANCIES PRIVATE & PUBLIC - SOUTH AUSTRALIA

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This graph displays the ABS figure for the number of jobs created in the private and public sectors state wide.



POSITIVE

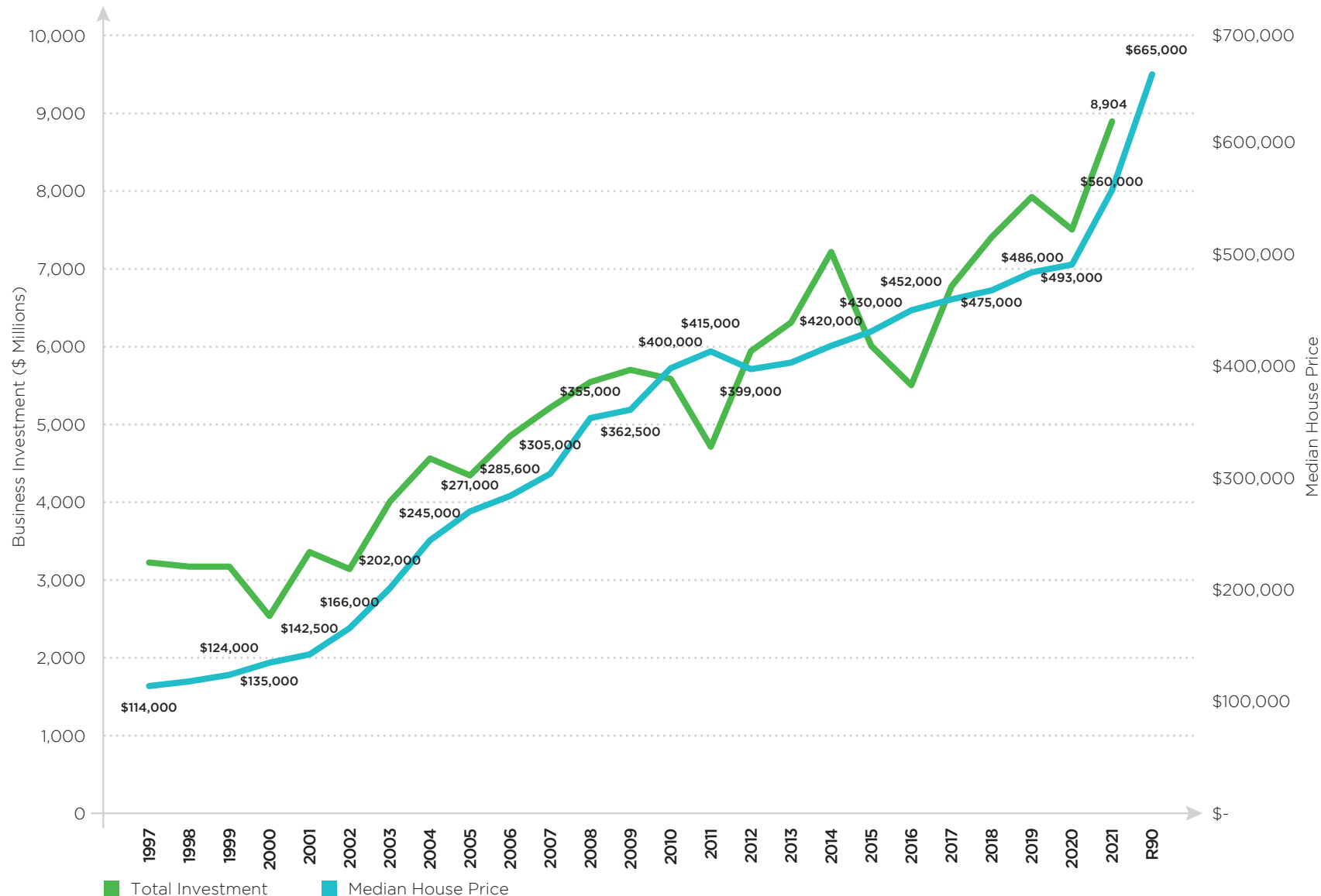
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SOUTH AUSTRALIAN PRIVATE BUSINESS INVESTMENT

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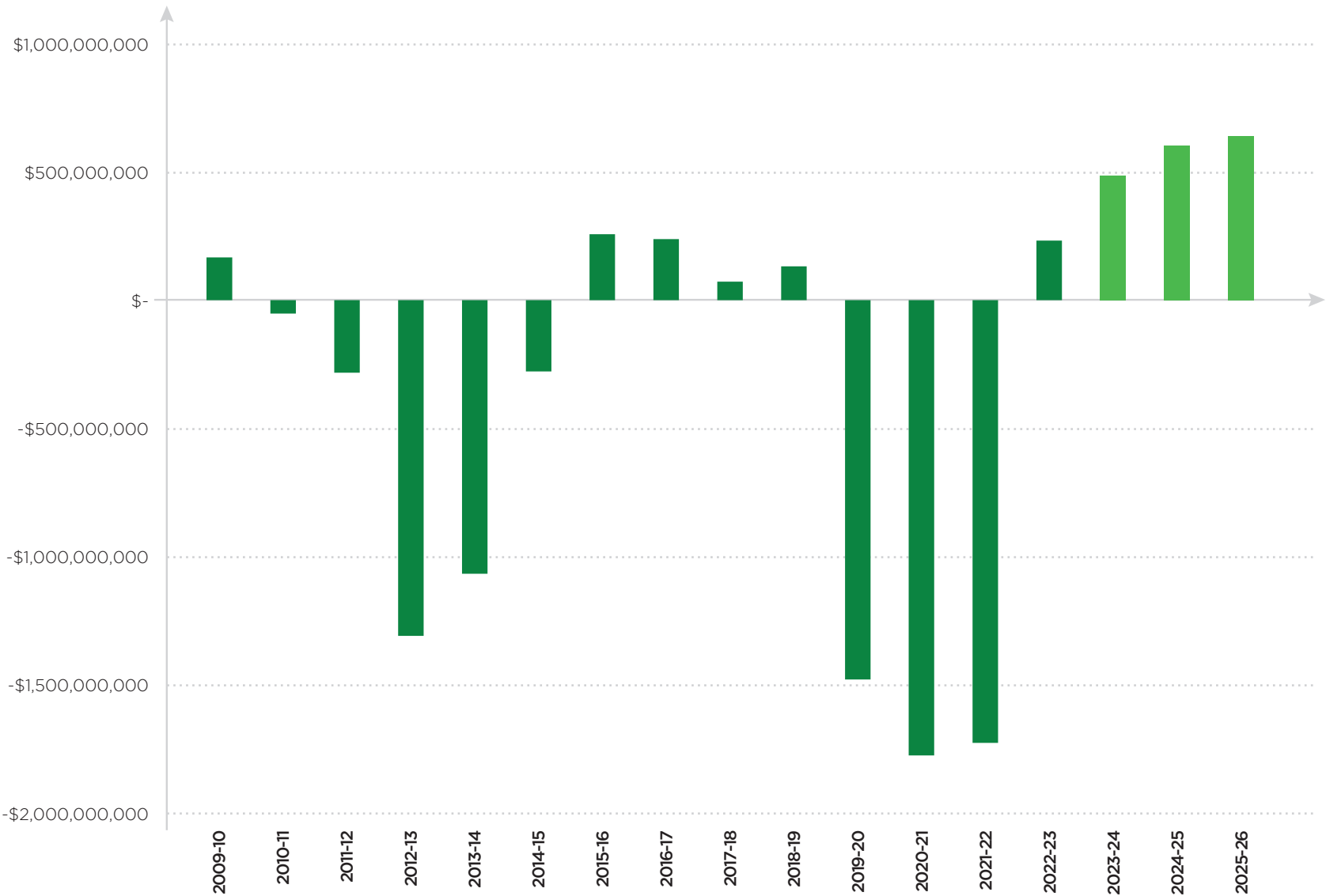
This graph displays private business investment into the state charted against the median house price.



POSITIVE

SOUTH AUSTRALIA STATE BUDGET

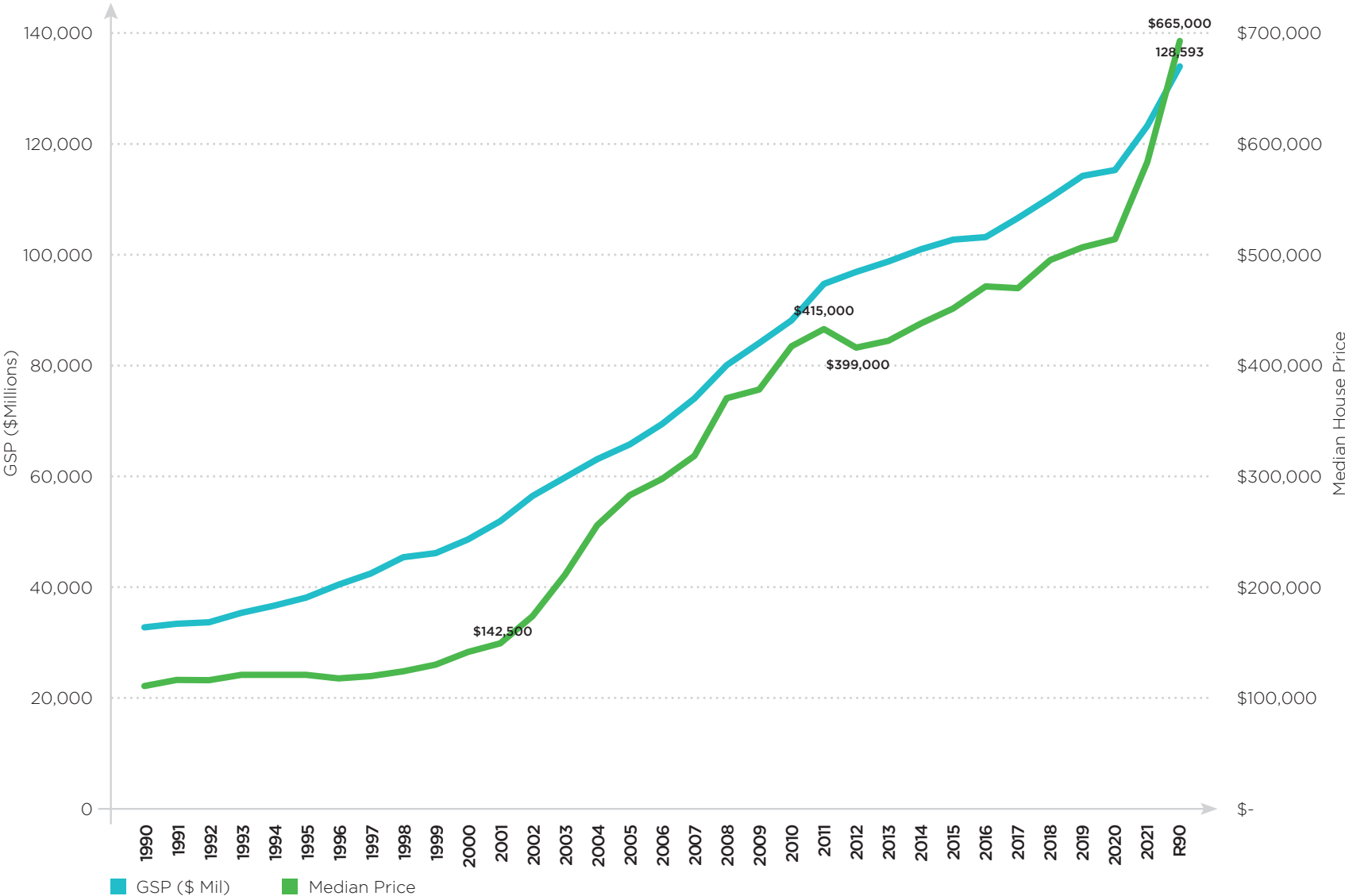
This graph displays the State Government position of either a surplus or deficit.



POSITIVE

GROSS STATE PRODUCT V. MEDIAN PRICE

This graph displays Gross State Product charted against the median house price. Gross State Product is the measure of final goods and services produced in the state in a period of time.



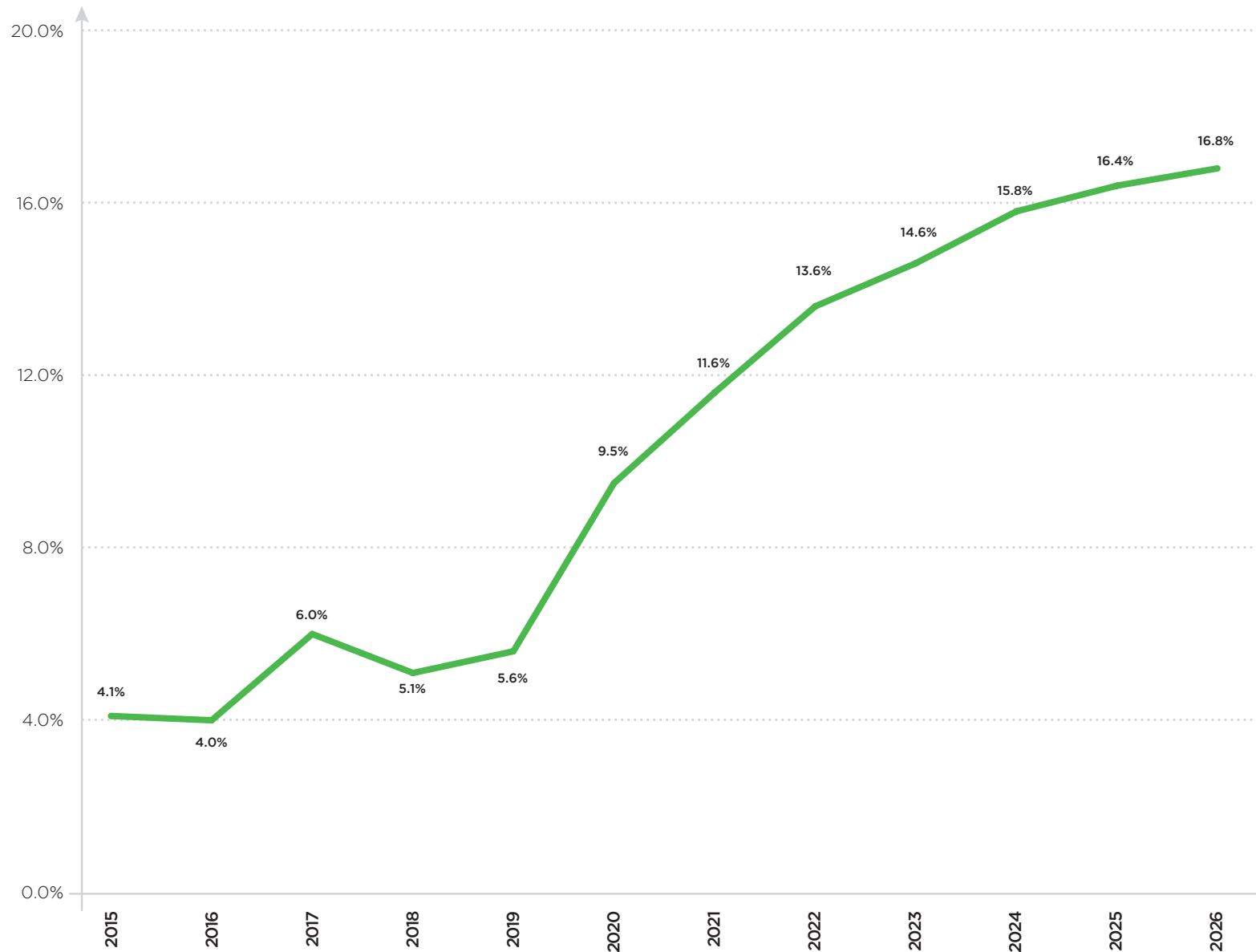
SLIGHTLY
NEGATIVE

NET DEBT AS % OF GSP

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This graph displays the state's net debt as a proportion of Gross State Product.



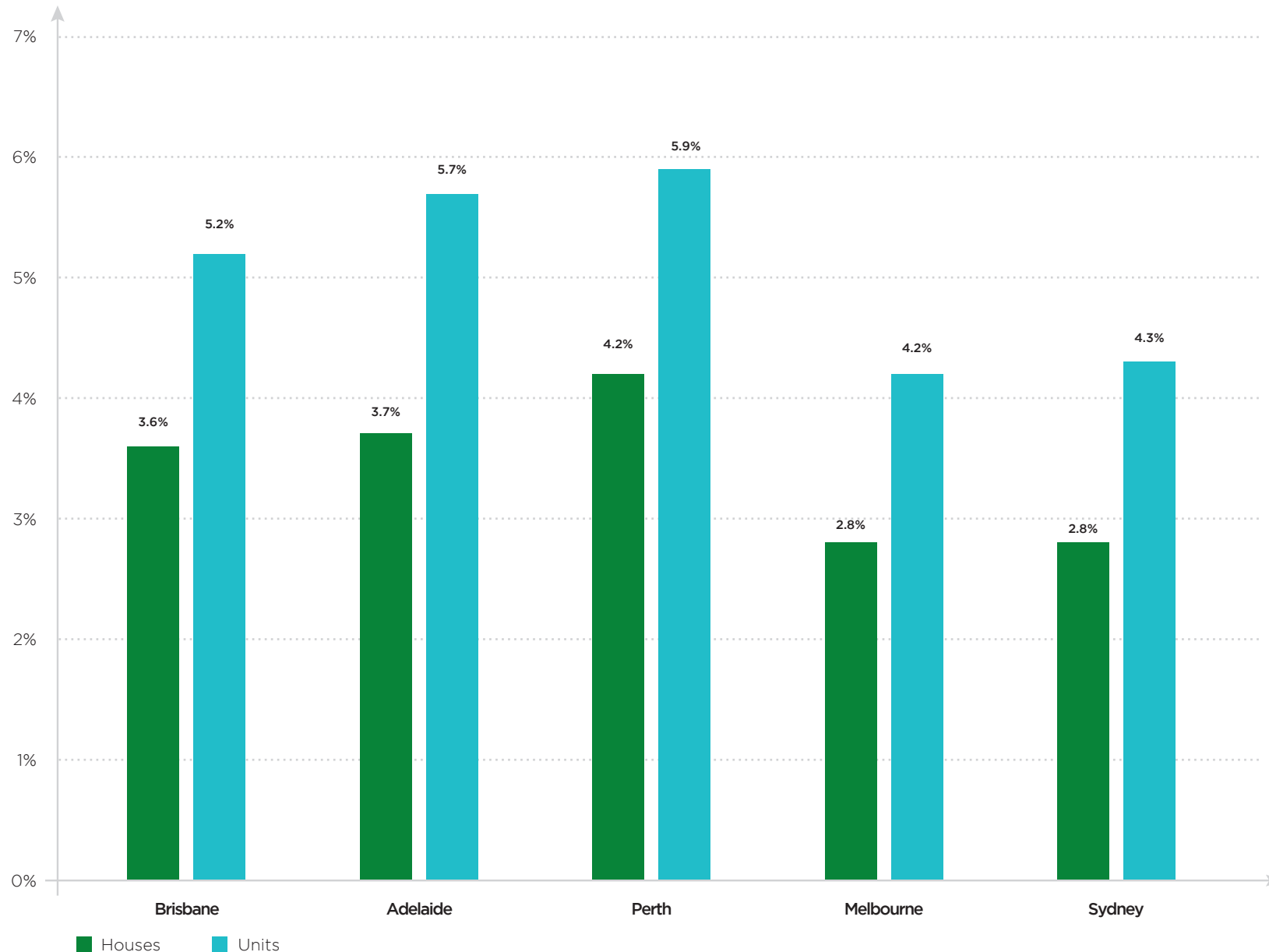
NEGATIVE

CURRENT INVESTMENT VALUE

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This graph compares the gross yield for houses and units in each of the five major capital cities.



**SLIGHTLY
POSITIVE**

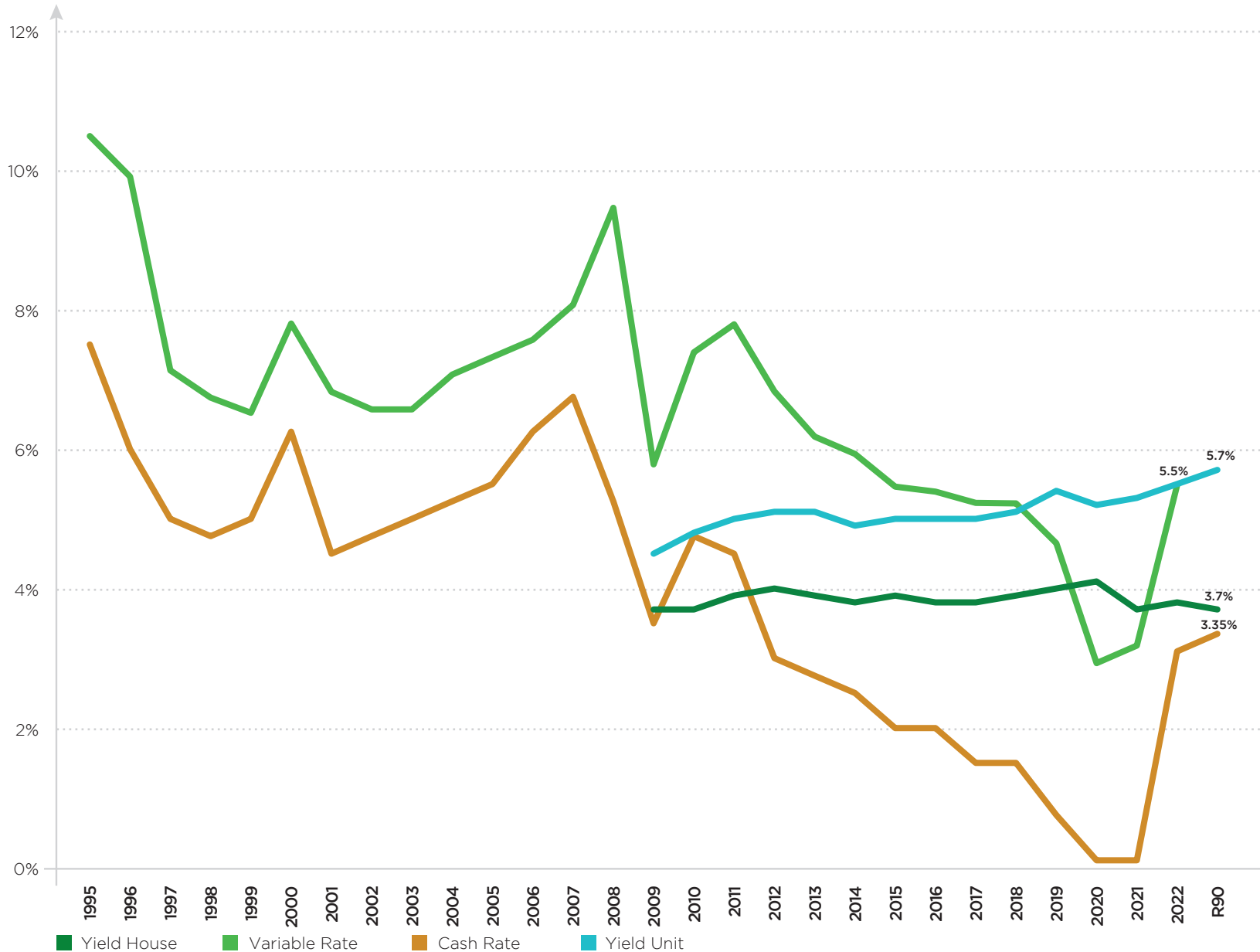
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YIELD V. INTEREST RATES

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This graph displays house and unit yields against the variable and cash rates.

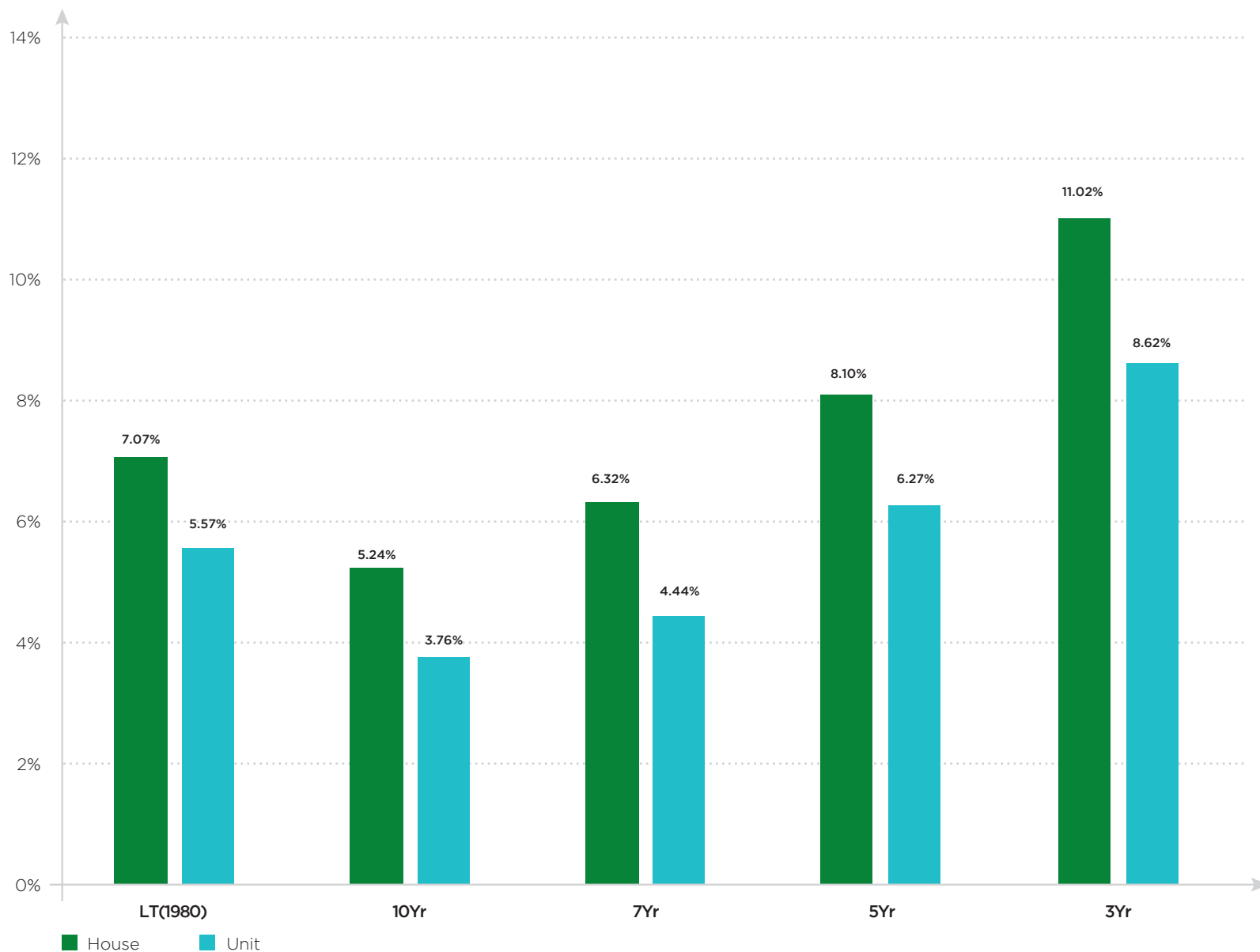


NEGATIVE

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LONG TERM TRENDS

This graph displays the annual compounded growth rates for houses and units over the long term, and the last 10 years, 7 years, 5 years and 3 years.



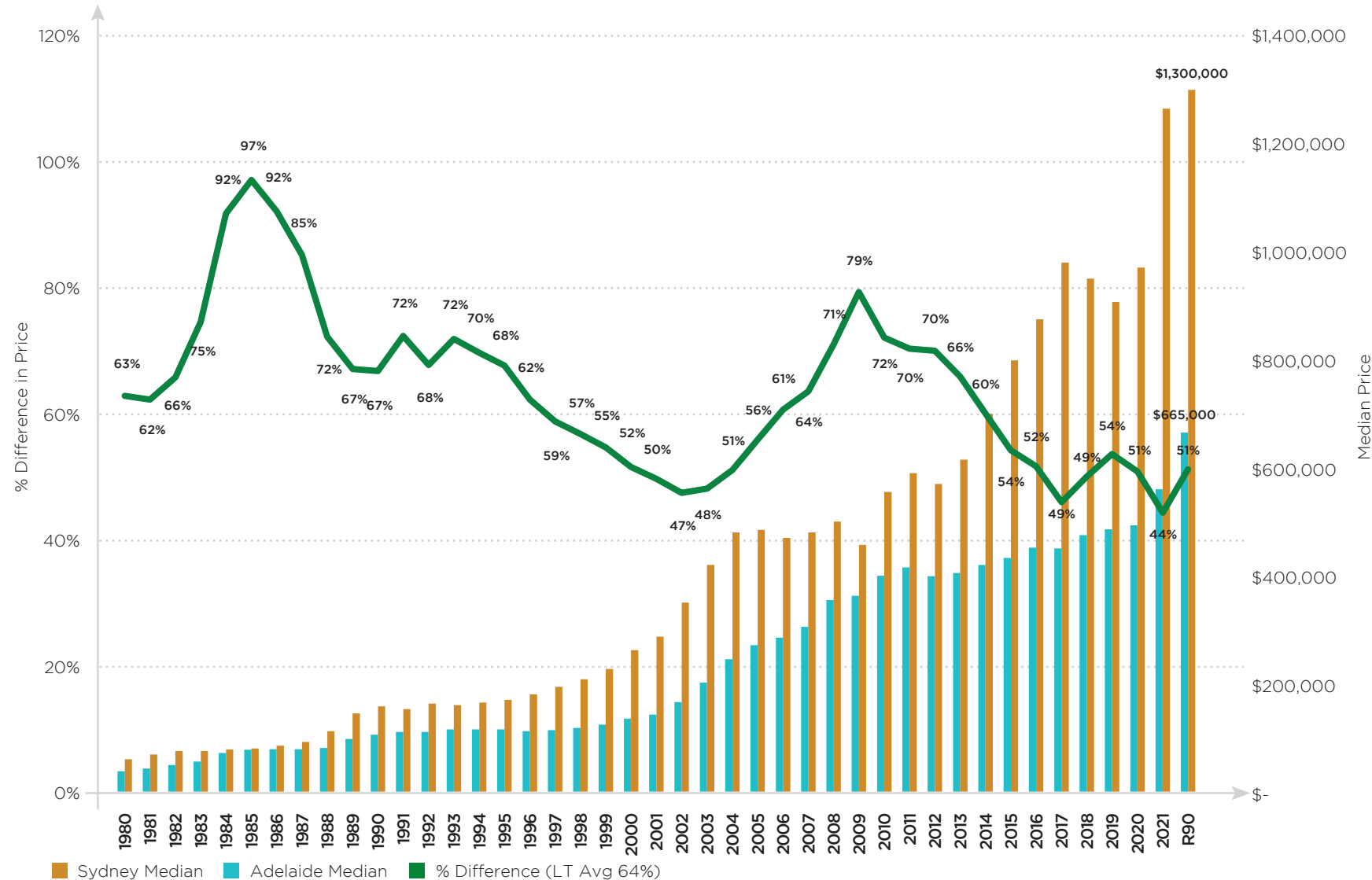
SLIGHTLY
NEGATIVE

ADELAIDE V. SYDNEY PRICE MOVEMENT

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This graph shows a relationship between the Adelaide median and the Sydney median and the percentage difference between them for each year.

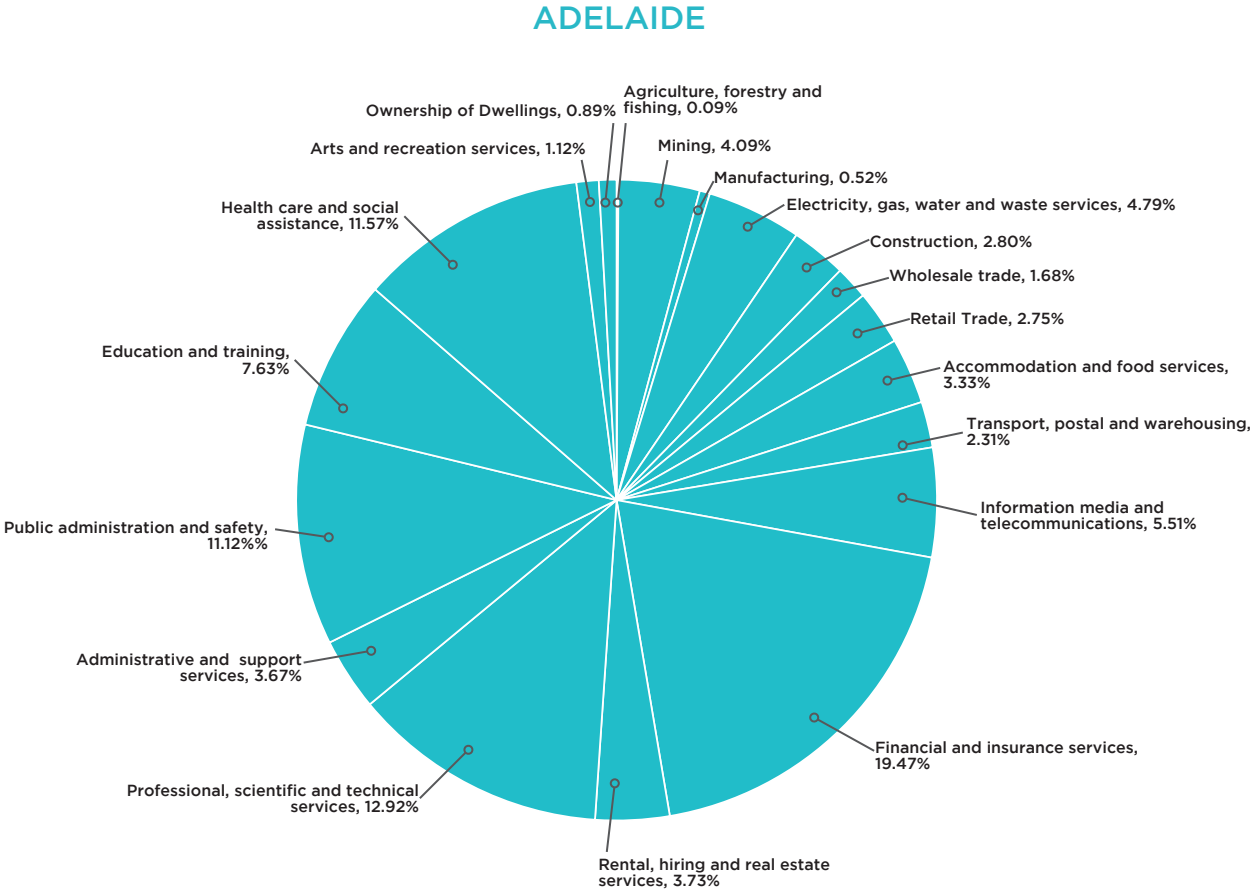


SLIGHTLY
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INDUSTRY VALUE ADDED

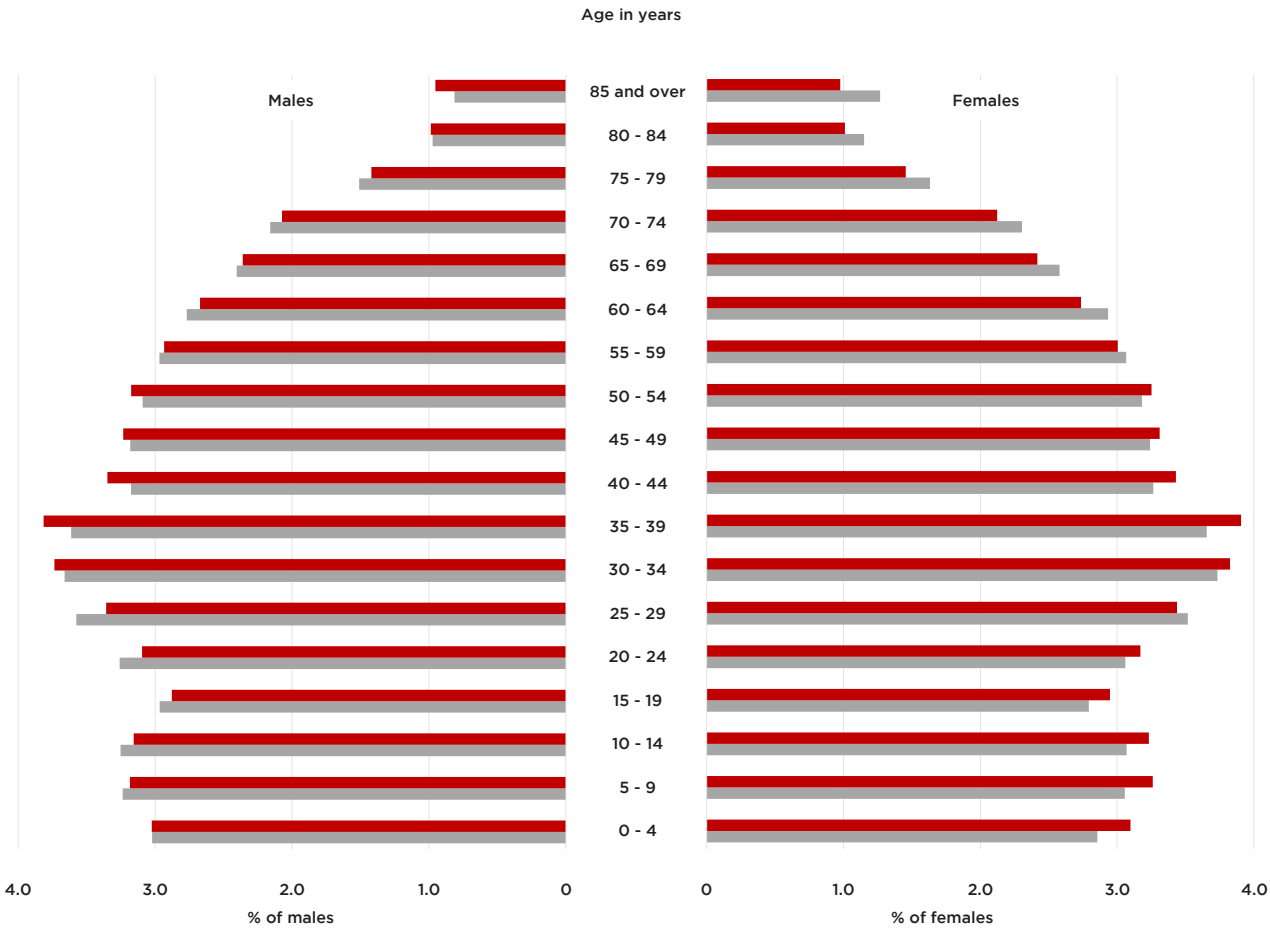
Industry Value Added is the total value of goods and services produced by an industry after deducting production costs.



NEGATIVE

POPULATION PYRAMID

The population pyramid demonstrates the breakdown of the different ages and sex percentages of the population. The dominant consumer base of a population is the 35 to 49 age brackets and ideally we like to see the preceding age brackets larger as they age to replace the existing group.



Source: Australian Bureau of Statistics, Census of Population and Housing, 2021 (Usual residence data).

■ Greater Adelaide ■ Australia

POSITIVE

INVESTMENT PHILOSOPHY

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OUR PROCESS

RESEARCH

Macro Micro Property

ACQUIRE

Find Assess Negotiate

MANAGE

Property Management

REVIEW

Annual Portfolio Review

ADVISE

Hold Improve Dispose

PERFORMANCE PROPERTY ADVISORY SERVICES

- Property Acquisition
- Property Management
- Portfolio Review
- Sales Advisory / Vendor Advocacy

DATA SOURCES:

- Australian Bureau of Statistics
- BIS Shrapnel
- Residex
- SQM Research
- CoreLogic RP Data
- Foreign Investment Review Board
- Australian Trade & Investment Commission

IMPORTANT INFORMATION



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Capital Cities and Regions Median House Price

