

The Outer Adelaide land market has seen elevated levels of dwelling supply over 2015/16 and 2016/17.

However, this has coincided with weakening population growth and soft economic conditions, tipping the market into oversupply from 2015/16. This has alleviated upwards pressure on prices and kept price growth in check over this period.

This paper profiles the various indicators relating to demand, dwelling and lot supply, and prices, in the Outer Adelaide land market, with a focus on the Growth Area corridors. The regions are defined as follows:

- **North** (Gawler, Playford, Port Adelaide Enfield (part) and Salisbury LGAs),
- **East** (Adelaide Hills, Campbelltown, Mitcham and Tea Tree Gully LGAs),
- **South** (Marion and Onkaparinga LGAs).

STOCK DEFICIENCY

Annual underlying demand for new dwellings steadily declined from 8,600 dwellings in 2008/09 to 6,150 dwellings in 2016/17 reflecting the lower level of net overseas migration and rising net interstate migration outflows. This level is 29% below the peak in 2008/09.

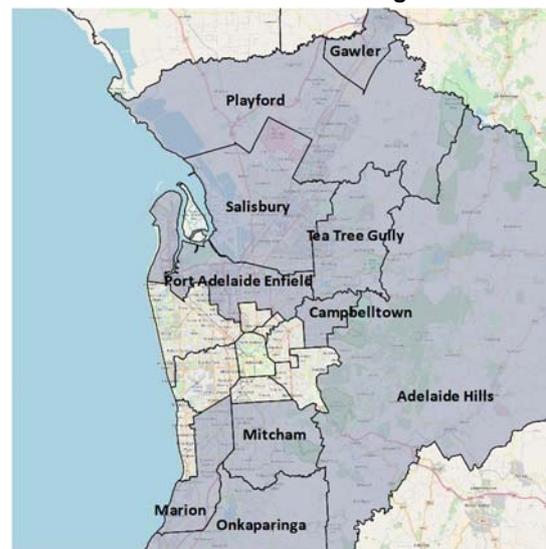
From a balanced market position in 2010/11 and 2011/12, underlying demand outpaced dwelling completions, resulting in an estimated stock deficiency of 2,000 dwellings emerging at June 2014. The deficiency drove escalating completions to 8,800 dwellings the following year, 8000 dwellings in 2015/16 and an estimated 8,000 dwellings in 2016/17. With underlying demand subsequently contracting, the Adelaide market has rapidly moved to a dwelling oversupply, estimated at 2,700 dwellings at June 2017.

DETACHED HOUSE APPROVALS

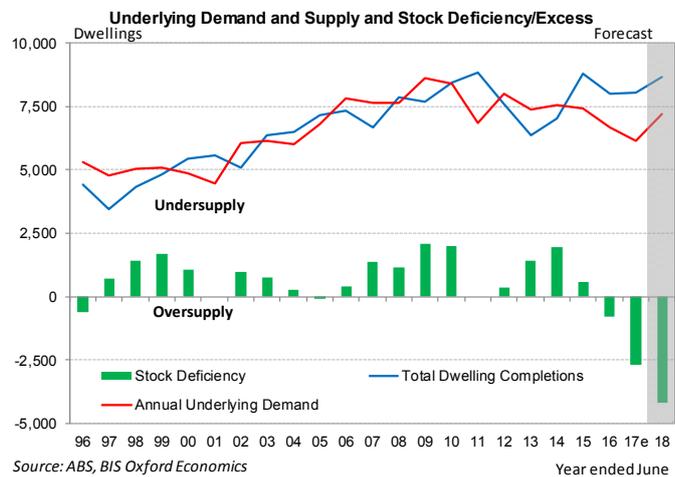
As a house is typically constructed on a vacant block of land, house approvals normally reflect the demand for land in the Growth Areas. In Inner and Middle Adelaide in particular, and Remainder Outer Adelaide to a lesser extent, houses are more likely to be built as knock downs or as part of an infill development on a brownfield site.

The proportion of total new detached house approvals occurring in Outer Adelaide peaked at 66% in 2008/09. It has since fallen back to 40% in 2016/17 as the affordability of vacant land compared to an established house became less attractive. An average of 4,540 detached houses have been approved annually within Outer Adelaide over the ten years to 2016/17.

Adelaide Land Market Regions



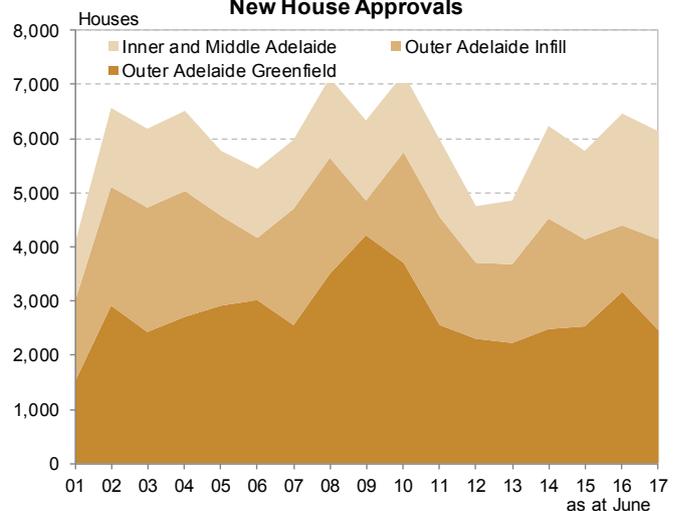
Source: OpenStreetMap



Source: ABS, BIS Oxford Economics

Year ended June

New House Approvals



Source: ABS



LOT PRODUCTION

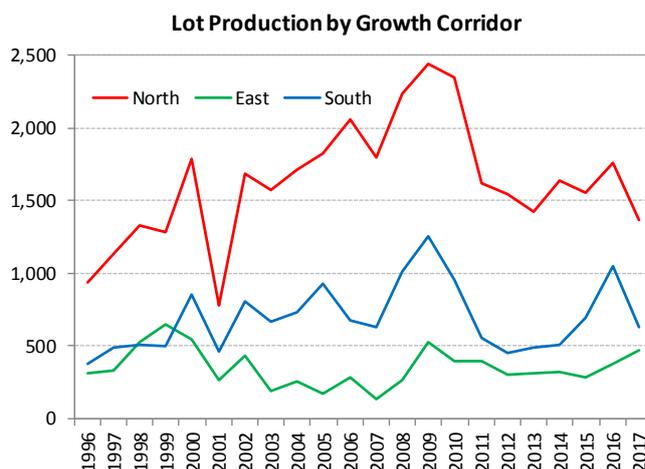
Vacant residential land releases in Outer Adelaide rose by 43% over the three years to reach an estimated 3,100 lots in 2015/16, although have since reduced to 2,800 lots in 2016/17 (-23%).

The distribution of broadhectare land activity that the Outer Adelaide regions produces was remarkably stable from 1996 through to 2009. The North region attracts the greatest level of Outer Adelaide lot production, averaging 60%, the South with around a quarter and the East remaining 14%. There has been a shift since then, with the North region accounting for a smaller share of lot production, while the South and East have seen their share rising. This may reflect increased economic pressure in the North, which has greater exposure to the closure of the automotive sector.

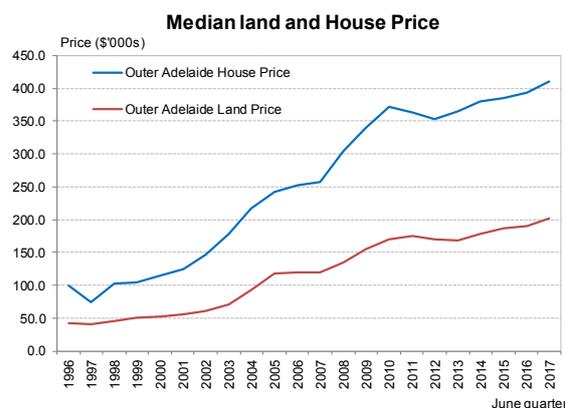
MEDIAN PRICES

Outer Adelaide's median lot price rose over the four years to 2016/17, up by 21% to \$202,500 at June 2017. Median house price growth in Outer Adelaide over this period was below median land price growth, rising by 12% to reach \$410,000.

This resulted in land (and therefore new housing) becoming less affordable relative to established houses. The median land to house price ratio has risen to 49%, above its previous worst levels reached in 2005 and 2011. This will place increased pressure on new land demand.



Source: ABS



Source: PriceFinder, BIS Oxford Economics

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