

BDO REAL ESTATE SERVICES

REI FORMS TREND

DECEMBER 2019 QUARTER





ABOUT THE AUTHOR

INSIGHTS FROM MATT LAMING, PARTNER, BDO

With more than 20 years' experience advising small, medium and large businesses and private clients, my expertise spans the accounting, taxation, business advisory, finance broking and superannuation sectors.

In my current role as Business Services Partner and National Head of Business Services, I am responsible for driving business growth for my clients and providing expert advice on compliance, management reporting requirements, cash flow, superannuation, finance and group structuring needs.

My passion is in assisting real estate businesses grow and reach their full potential. By using cloud software, innovative solutions and an eye on data, I can bring forward thinking to the industry.

Most recently, I led the development of a unique set of digital benchmarking tools and dashboards to help real estate agents and professionals harness the power of data to build their businesses.

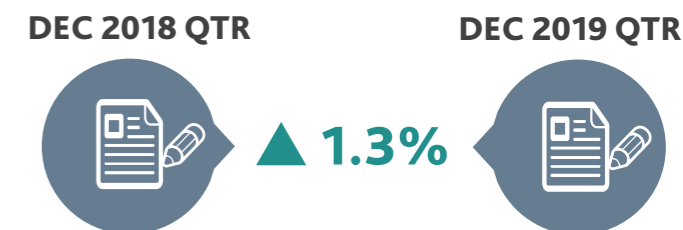
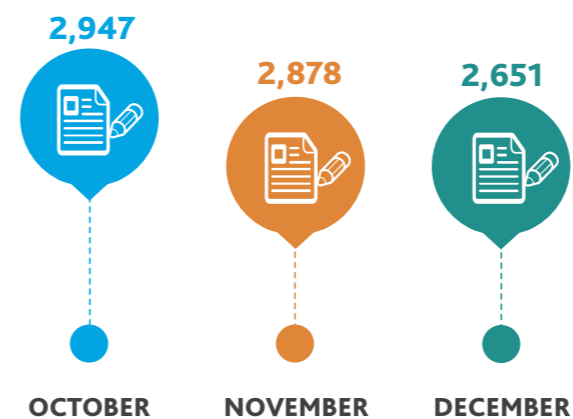
REach Agent Dashboard is a cloud-based platform designed to measure and monitor business performance in real time to help agent principals make informed business decisions.

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The month of October showed the highest amount of Tenancy Agreements written at 2,947, with Woodforde and Adelaide suburbs showing strong performance.

TENANCY AGREEMENTS WRITTEN



18-19 DECEMBER QUARTER COMPARISON

The month of October showed the highest number of tenancy agreements written at 2,947 agreements. There was a continuous decline in tenancy agreements written over the quarter, with November delivering 2,878 agreements written and December having 2,651.

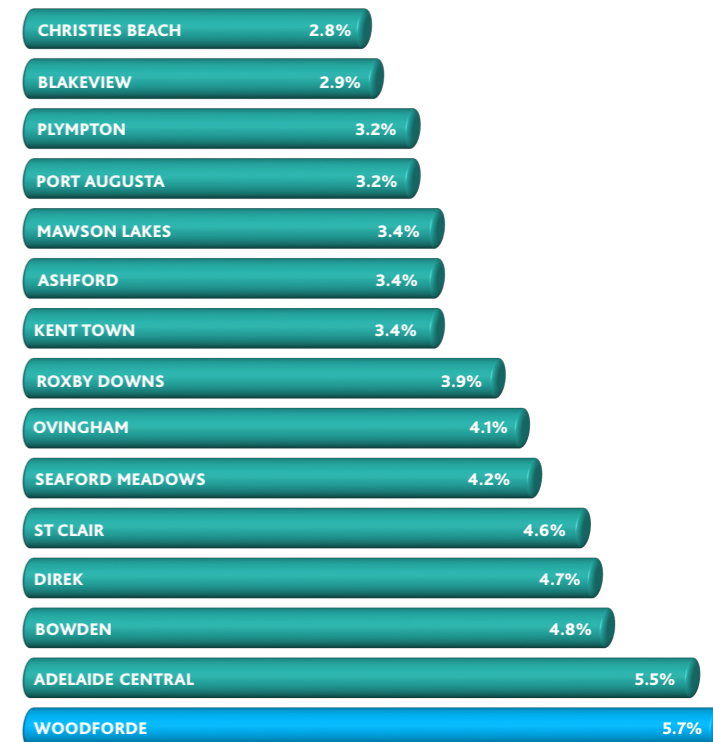
The first month of the quarter provided a slight decline of 0.7% which was vastly different to 12 months prior where a 13.3% increase was experienced on the month of September 2018. There was, however, a reasonable decline in December of 7.9% on agreements written from November.

The December 2019 Quarter provided a decline of 9.1% less tenancy agreements written than that in the September 2019 Quarter. This decline was significantly more than last year, with a 2.8% decline from September 2018 to December 2018.

There was, however, an uplift on the same period from 2018, with 1.3% more tenancy agreements written in the December 2019 Quarter than the December 2018 Quarter.

When apportioning tenancy agreements written against the number of households for each suburb, we find the highest performing suburbs include Woodforde (5.7%), Adelaide (5.5%), Bowden (4.8%), Direk (4.7%) and St Clair (4.6%).

In considering the major areas of the state, the Adelaide Central and Adelaide Hills was the strongest with 24.5% of the total agreements written, followed by Adelaide North (19.7%), Adelaide South (18.9%) and Adelaide West (14.0%).



TOP 15 SUBURBS WRITTEN AGREEMENTS

MEDIAN WEEKLY RENT PAID

The median weekly rent paid during the December 2019 quarter was \$350 per week, with no increase on the previous quarter.

Median weekly rent paid showed a constant uplift throughout the quarter with median in October being \$340 and growing to \$350 in December.

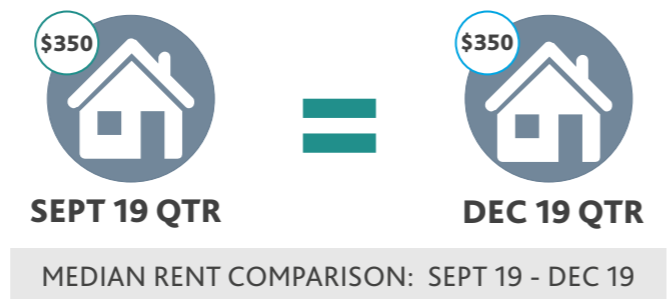
There was no growth on the September 2019 Quarter with the median for the September 2019 Quarter also being \$350. This trend was also shown with that of average management fees which was fairly stagnant at an increase of 0.4% on the September 2019 Quarter.

The flat trend in the median weekly rent paid for the December 2019 Quarter from the September 2019 Quarter correlates with the fact that fairly similar tenancy agreements were written throughout both quarters. Interestingly, the month of December, which had a decline in written agreements demonstrated the higher median rent paid per week of \$350. This trend in the month of December followed last year's trend.

The December 2019 Quarter provided a reasonable range in the result for the median weekly rent paid compared to previous quarters with the highest result being \$510 and the lowest \$180. It was noted that 15 of the bottom 20 results were from rural suburbs.

Suburbs that recorded the highest average weekly rental amount for the December 2019 Quarter (more than 10 agreements) were Felixstow, Fullarton, Mile End, Hyde Park and Kent Town.

It is noted that all but one of the top five suburbs showed a reasonable increase on their average from the previous quarter, with Felixstow showing the highest increase of 42% on the previous quarter.



MEDIAN WEEKLY RENT PAID

BY SUBURB

Felixstow	\$510	▲	\$360 last quarter
Fullarton	\$480	▲	\$400 last quarter
Mile End	\$475	▲	\$435 last quarter
Hyde Park	\$460	▲	\$360 last quarter
Kent Town	\$456	▼	\$480 last quarter

BY REGION

Adelaide Central	\$404
Adelaide Hills	\$404
Adelaide West	\$380
Adelaide South	\$370
Adelaide North	\$335

All regions showed growth on the same period last year, with Adelaide Central and Adelaide Hills demonstrating growth of 3.6%.

Agents suggest the early slowdown of listings leading into the Christmas period has led to a **downward trend in residential sales agreements** written in the December 2019 quarter.



RESIDENTIAL SALES AGREEMENTS FIXED PROFESSIONAL FEE



OCT19
1,683
AGREEMENTS



NOV 19
1,375
AGREEMENTS



SEP19
988
AGREEMENTS



20.4%
OF SALES CONTRACTS WRITTEN IN
THE DECEMBER 2019 QUARTER
WERE ON A FIXED FEE

RESIDENTIAL SALES AGREEMENTS

Similar to 12 months ago, sales agreements trended downwards through the December 2019 Quarter, with 42% of the total quarter's agreements being written in October. The lowest month of December produced 988 agreements, or 24% of the quarter's total written agreements which is understandable given the short trading month and the trend towards properties delaying listing until the new year.

There was a decline of 3.9% in sales agreements written compared to the September 2019 Quarter. In comparison to the same period last year, the December 2019 Quarter recorded 1.8% less agreements written than that of the December 2018 Quarter.

This downward trend during the quarter correlates with feedback from agents regarding the early slowdown of listings leading into the Christmas break. It is expected that this will result in a stronger January period.

When looking at the regions, the regions showed some reasonable differences in sales agreements written in the December 2019 Quarter compared to the same period last year. Adelaide Central and Adelaide Hills, Barossa/Mid-North and South East all showed increases of between 7.3% and 25.5%, whilst declines were seen in Adelaide North (10.1%), Adelaide South (3.2%) and Adelaide West (2.1%).

A reasonable proportion of sales agreements have been from rural areas, with 72% of the top 25 suburbs in number of agreements written being rural suburbs. The top 25 suburbs account for 25.4% of the total sales agreements written.

FIXED PROFESSIONAL FEES

We continue to see various circumstances where agents see value in providing vendors with a fixed professional fee arrangement to deliver certainty for their costs in selling their property. This is generally evident through properties sold in the low value ranges. In this context, it was interesting to note a slight increase in the use of professional fees in the most recent quarter.

This increase through the December 2019 Quarter follows a relatively similar trend through the September 2019 Quarter, however the most recent quarter is slightly higher than that of the December 2018 Quarter.

The December 2019 Quarter demonstrated a decrease on the previous quarter with 20.4% of sales contracts written utilising fixed professional fees.

The September 2019 Quarter highlighted 21.6% of sales contracts using fixed professional fees, whilst the same period 12 months ago demonstrated 20.1% of sales contracts written using fixed professional fees.

PREFERRED SETTLEMENT DAYS AGENT ESTIMATE VS VENDOR PRICE

PREFERRED SETTLEMENT DAYS

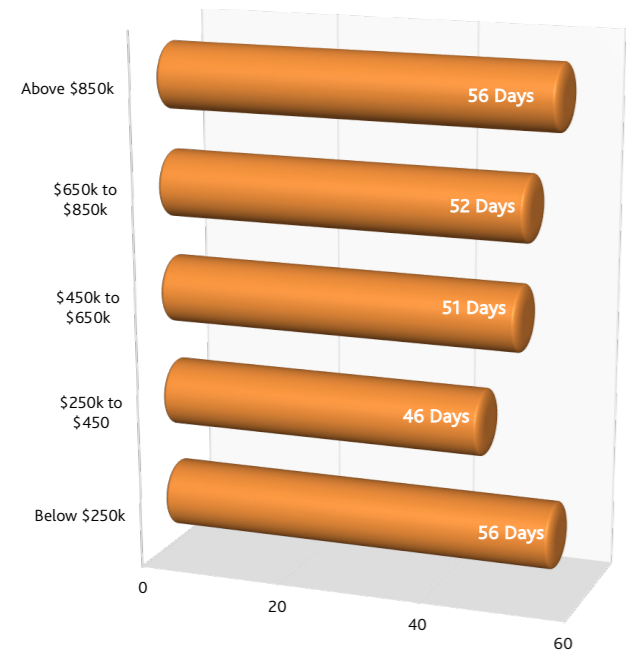
Vendor expectations have improved in the last quarter in respect of their preferred settlement timeframes, with the December 2019 Quarter average being 51 days, improving from the September 2019 Quarter average at 55 days. The preferred timeframes improved from October to November, with an average of 49 days for the month of November, however the slower month of December with agency agreements also experienced an increase to 54 days.

While the average for the December 2019 Quarter was 51 days, there is some variance when looking at the average preferred days across the different regions and also the sale price ranges.

Adelaide North showed the lowest preferred days at approximately 48 days, which is an improvement on the September 2019 Quarter (58 days), whilst the Adelaide West region was the highest at 55 days.

The lowest preferred days at approximately 46 days came in the price range of \$250K to \$450K, with the Adelaide Median House Price range remaining fairly consistent in and around the 45 day mark. The price range of below \$250K showed the highest preferred settlement days being approximately 59, which was considerably lower than last quarter at 76 days. Interestingly, the price ranges of \$650K to \$850K and the above \$850K range both recorded decreases from last quarter also.

The preferred settlement days across the price ranges are:



PREFERRED SETTLEMENT DAYS

AGENT ESTIMATE VS VENDOR PRICE

**AGENT'S BEST ESTIMATE
EQUATED TO
107.5%
OF THE VENDOR'S ACCEPTABLE PRICE
DURING THE DECEMBER 2019 QUARTER**

The agent's best estimate has fluctuated over the course of the December 2019 Quarter, largely increasing over the quarter. The quarter average of 107.5% suggests that competition in the market for listings could be impacting agent pricing positions, which has again increased slightly on the previous quarter, with the September 2019 Quarter at 106.6%.

However, there has however not been any consistency throughout the December 2019 Quarter, with this measure being lowest during October at 105.8% and highest in November at 109.1%. Interestingly, the lowest month being October correlates with the best month of the quarter for sales agency agreements written.

When considering the type of pricing, the December 2019 Quarter suggests similar confidence when estimating single pricing (107%) compared to range pricing (107%) for property sales, which differs from the majority of the quarters over the last 2 years.

It would seem there is some significant variances when looking at the different areas of the State, with only Adelaide West (98%) below vendor expectations compared to Adelaide Central and Hills (103%), Adelaide North (103%), Adelaide South (114%) and South East (114%) that were well above vendor expectations.

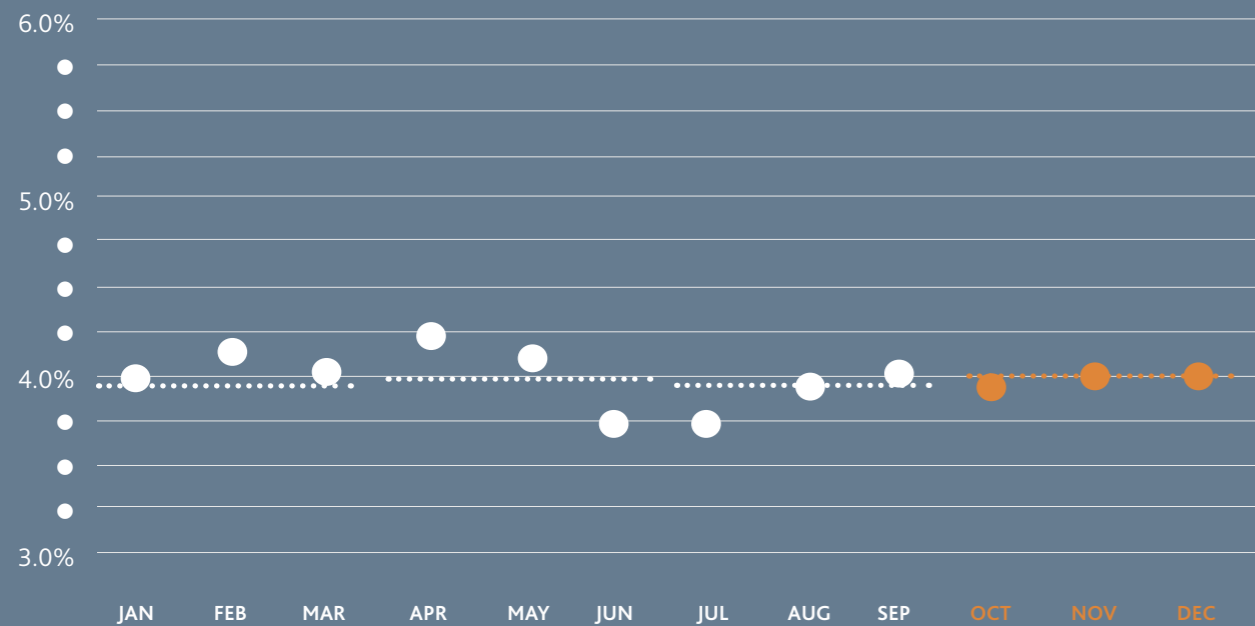
The agent's best estimate fluctuated over the course of the December 2019 Quarter with an average of 107.5%, while preferred settlement days increased to 54 days.



AVERAGE DEPOSIT SIZE

The biggest spread of 10.3% from smallest to highest deposit amounts was in the sale price bracket of below \$250K, which suggests the low end range may be experiencing the highest amount of competition in offers in the market.

AVERAGE DEPOSIT SIZE PREVIOUS 12 MONTHS



AVERAGE DEPOSIT SIZE

Despite the "general rule of thumb" for deposits on purchase of a property being 5% or 10% and sufficient deposit to cover commissions, the average deposit size for the December 2019 Quarter was 4.0%, which showed an increase on the September 2019 Quarter which was 3.9%. Across the quarter, there was a minor variance between the months, with December and November being the highest months at 4.0% and the month of October being 3.9%.

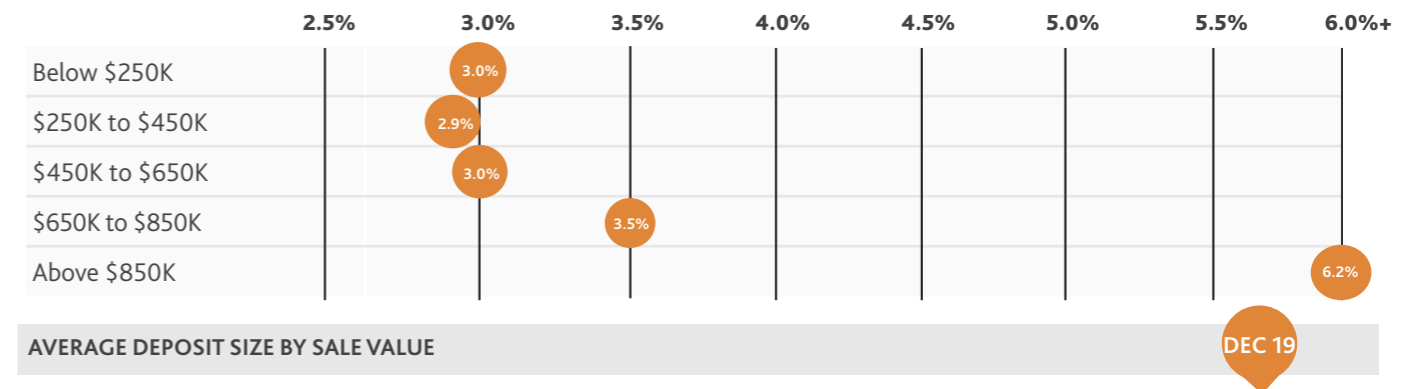
Interestingly, the Adelaide North region again demonstrated the lowest average deposit size across the December 2019 Quarter at 2.9%. Adelaide West and Adelaide Central and Hills both recorded the highest average deposit size at 4.7% and 4.8% respectively.

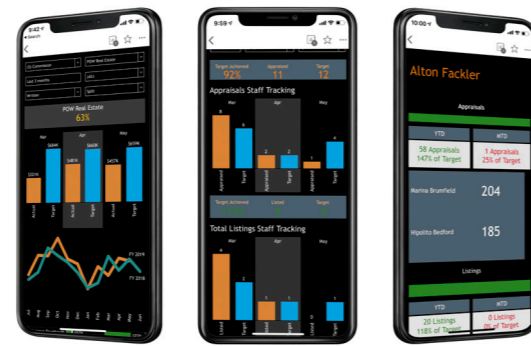
However, the percentage spread in deposits again varied between house price brackets. The smallest spread of 3.7% between the lowest and highest deposit amounts was in the sale price range of \$650K to \$850K.

The biggest spread of 10.3% from smallest to highest deposit amounts was in the sale price bracket of below \$250K, which suggests the low end range may be experiencing the highest amount of competition in offers in the market. In the sale price bracket of below \$250K, the highest deposit amount paid was 11.4% of the sale price.

2.9%
ADELAIDE NORTH REGION
 DEMONSTRATED THE LOWEST AVERAGE DEPOSIT SIZE - DECEMBER 2019 QUARTER

The average deposit percentage across the price ranges are:





AGENT DASHBOARD

REAL TIME INSIGHT INTO YOUR BUSINESS... ANYTIME, ANYWHERE

To improve your revenue and achieve your goals, you must actively respond to the insights and trends generated from your CRM data. BDO's real estate specialists have developed a real time cloud based agent dashboard accessible anywhere and on any device to monitor your agencies performance.

API INTEGRATION

Custom built integration with REX and Agentbox (additional platforms on the 2020 development roadmap)

DAILY INSIGHTS

Graphical and tabular reports highlighting key performance indicators by each agent, providing insight on activity and the underlying impacts on business profitability and cashflow

ACCOUNTABILITY TRANSPARENCY

Non financial indicators to capture key information influencing sales execution, along with providing a coaching and accountability tool for the team.

DATA VISUALISATION

Tools to assist and gain insights into patterns or trends in your business, along with tracking information by team or location

FOCUS

Keep your office focused on achieving their goals!

PRICE

\$330 inc GST per month



For more information on BDO's powerful real estate intelligence tools or how you can keep your office growth on track, contact the BDO Real Estate Team.



BDO KNOWS REAL ESTATE

BDO helps real estate clients to identify business growth opportunities and maximise potential, providing strategic advice across the full scope of audit, tax and advisory services.

Integrated service delivery is the key element — providing both value and growth to our clients. We identify opportunities and implement solutions in a connected and considered way, so that we deliver value where it makes the biggest difference to the growth of your business.

At BDO, we work with you using cloud systems to design and implement solutions to provide accurate and real time financial data and intuitive insights to assist with decision making and implementing changes to enhance performance.

This includes:

- ▶ Graphical and tabular reports highlighting trends and relationships between sales, settlements and commissions and impacts on cashflow and other key metrics
- ▶ Non financial indicators to capture key information influencing listings, conversions and sales such as sales calls, days on market, etc
- ▶ Budgeting and forecasting based on historical data pattern
- ▶ Cost analysis and benchmarking to ensure efficient use of resources
- ▶ Data visualisation tools to assist and gain insights into patterns or trends in your business.

To improve your revenue you must actively respond to the insights generated. BDO's real estate specialists will regularly meet with your management team to discuss the changes being implemented and the resulting performance enhancement and revenue growth.

REAL ESTATE EXPERTISE

BDO's Real Estate specialists provide a wide range of financial and consulting services to the Real Estate sector throughout Australia.

Working with BDO's Real Estate experts gives you direct access to experienced local real estate advisers who bring a depth of knowledge within the sector.

Our partner-led approach delivers the highest quality of service by using short, functional chains of communication to aid decision-making. Clients benefit from our fresh thinking, constructive challenges and practical understanding of the issues they face.

Developing strong, personal relationships with our clients is at the forefront of our service. The BDO approach is designed to focus on key issues and areas and provide clients with constructive ideas for improving their operations - with the ultimate aim of adding value to businesses.

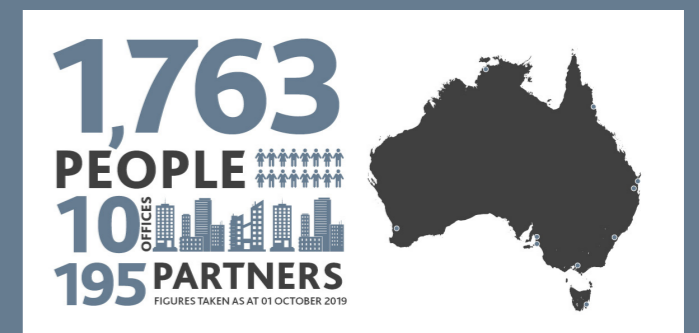
The difference in the BDO approach can be found within our people and their dedication to tailoring our service to ensure that we meet your requirements. At BDO, our partner-led service teams are committed to meeting your specific business needs.

OUR SERVICES

Our real estate services provide sensible options and alternatives for continuing the growth of your business. The following is a summary of our real estate services.

- ▶ Tax advice and compliance services
- ▶ Business intelligence dashboards
- ▶ Trust account administration and audits
- ▶ Book-keeping
- ▶ Monthly advisory services
- ▶ Cloud accounting solutions
- ▶ Business review
- ▶ Leadership and development training
- ▶ Strategic Planning

At BDO, we focus on delivering a value-driven service that is based on long term relationships. We constantly strive to demonstrate this in everything we do with the ultimate outcome of this approach being solid growth and benefit to all stakeholders.





RESTATS

INNOVATIVE APPROACH TO COLLECTING AND UTILISING BIG DATA

The Real Estate Institute of South Australia, REI Forms Live and BDO are pleased to collaborate on this industry insights initiative.

Harnessing the data collected through REI Forms Live, monthly insights on property management and property sales are available through subscribing to this service.

Real Estate Benchmarks that help identify gaps and trends in your business and the wider industry.

The demands of running a busy real estate agency are many. Generating enquiries, converting listings and selling are key to a healthy sustainable business.

REstats provides access to sales and property management data from the time the agreements or contracts are signed and has the type of data that no other provider can capture. The insights gained will empower business owners and agents with valuable measures and trends to assist in the day-to-day operations and future profitability of their business.

The added value with REstats is also in the type of data to which no other provider can capture. This is also data that real estate agents and property managers are continually seeking and wanting to benchmark their operations on.

To register and start receiving these actionable insights to help improve your business please register at www.restats.com.au

To discuss your business needs and how BDO can help guide your strategy and boost your agency performance, contact BDO Partner Matt Laming to arrange an obligation-free appointment at matt.laming@bdo.com.au or **+61 8 7421 1441**.

COMPILATION REPORT

We have prepared this analysis based on data supplied for South Australia by REI Forms Live for the December 2016, March 2017, June 2017, September 2017, December 2017, March 2018, June 2018, September 2018, December 2018, March 2019, June 2019, September 2019 and December 2019 Quarters and the 2016 ABS Census of Population and Housing.

OUR APPROACH

We have consolidated data received from FM6100, FM6200, FM2100 and FM1110 during the Period. Our procedures use accounting expertise to consolidate, cleanse, calculate and summarise information provided but do not include verification or validation processes. No audit or review of this information has been conducted and accordingly no assurance is expressed.

INTENDED AUDIENCE

The purpose of this analysis is to provide useful and up to date information to REISA Members on key measures and trends in residential tenancy and residential sales transactions occurring in South Australia. As a new initiative, we welcome feedback on the usefulness of this analysis together with any thoughts on additional measures that could be incorporated.

DISCLAIMER

While we have exercised due care and professional skill to cleanse data and compile this analysis, any errors, omissions or irregularities presented in the source data may have carried through to this analysis. We do not accept responsibility to any person for the content of this analysis. To the extent permitted by law, neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person in respect of this analysis, including any errors or omissions therein. No person should rely on the report without having a review or audit conducted.

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