

SYDNEY RESIDENTIAL MARKET UPDATE

LEADING INDICATORS FOR THE SYDNEY RESIDENTIAL MARKET SUGGEST FURTHER EASING

Overall capital values and rental growth have continued an upward trajectory in October. However, sales volumes and building approvals are not witnessing the heights experienced in previous months, moving towards a more sustainable level of growth.

Key facts December 2015

Capital growth for houses in the month of October was up 1.1% (up 20.9% YoY); while apartments witnessed monthly growth of 1.1% (up 15.1% YoY)

Sales volumes were down 3.6% for houses and down 1.2% for apartments YoY to October

Annual **rental growth** was recorded at 3.9% for houses and 2.8% for apartments over the year to October

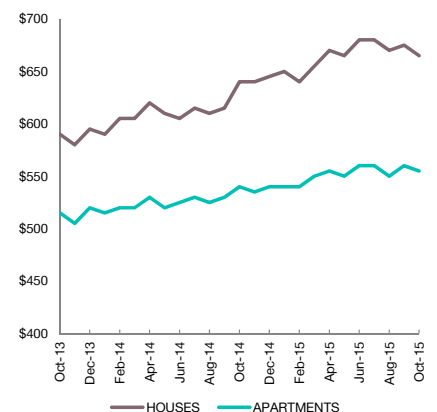
Gross **rental yields** currently average 3.27% for houses and 4.23% for apartments

- The cash rate remained at an historic low of 2.00% in December after falling 25 basis points in May.
- Greater Sydney experienced 1.8% population growth in the year to June 2014; led by the Cobbitty-Leppington SA2 (18.5%) with the largest increase in the number of people being in Parklea-Kellyville Ridge (2,472 persons).
- Population growth is set to continue for Greater Sydney, with an annual 1.7% growth projected out to 2021.
- Unemployment as at October 2015 stood at 4.5% for Greater Sydney (SA4), trending 60 bps lower than the 5.1% recorded in October 2014.
- Building approvals in the three months to October totalled 4,078 houses and 7,889 apartments approved in Greater Sydney. This is trending 10.5% higher for houses and 36.8% higher for apartment approvals compared to the same period in 2014.
- Sales transacted in the year to October tallied 46,296 houses (down 3.6% on previous year) and 46,056 apartments (down 1.2% on prior year).
- House values continued to gain pace, rising 1.1% in the month of October (total 20.9% over the last year) to a median of \$1,058,500. Apartments rose 1.1% over the month (up 15.1% over the year) to record a median of \$684,500.
- Over the year to October, rental growth was recorded at 3.9% for houses and 2.8% for apartments. Weekly median rents are currently achieving \$665 for houses and \$555 for apartments.
- Greater Sydney total vacancy was last recorded at 1.9% in September 2015; with 2.0% for the inner ring (0-10km), 1.9% for the middle ring (10-25km) and 1.7% for the outer ring (25km+).
- In October 2015, gross rental yields across Greater Sydney compressed 54bps (to 3.27%) for houses and 51bps (to 4.23%) for apartments compared to the previous year.

FIGURE 1
Greater Sydney Capital Growth
12-month rolling



FIGURE 2
Greater Sydney Rents
Median, weekly



Source: Knight Frank Research, Residex, NSW Planning and Environment, RBA, ABS, REINSW



MICHELLE CIESIELSKI
Knight Frank Residential Research

Follow Michelle at @MCiesielski_AU

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Knight Frank House Price Index, Greater Sydney Mainstream

	KF House Price Index January 2000=100	12-month % change	6-month % change	3-month % change	Monthly % change
Oct-14	261	16.8%	6.6%	4.3%	1.9%
Nov-14	264	17.1%	7.5%	3.9%	1.1%
Dec-14	268	16.8%	9.1%	4.8%	1.7%
Jan-15	271	20.0%	8.6%	4.1%	1.2%
Feb-15	273	16.6%	7.6%	3.6%	0.6%
Mar-15	276	16.8%	8.1%	3.2%	1.3%
Apr-15	281	15.1%	8.0%	3.7%	1.8%
May-15	286	16.7%	8.5%	4.8%	1.6%
Jun-15	296	20.4%	10.3%	6.9%	3.4%
Jul-15	303	21.2%	11.6%	7.6%	2.4%
Aug-15	309	21.6%	13.1%	7.9%	1.9%
Sep-15	312	21.9%	12.8%	5.4%	1.0%
Oct-15	315	20.9%	12.0%	4.0%	1.1%

Source: Knight Frank Research, Residex

Knight Frank Apartment Price Index, Greater Sydney Mainstream

	KF Apartment Price Index January 2000=100	12-month % change	6-month % change	3-month % change	Monthly % change
Oct-14	243	14.0%	6.1%	2.2%	1.5%
Nov-14	244	13.8%	6.2%	2.5%	0.4%
Dec-14	248	12.9%	6.7%	3.6%	1.6%
Jan-15	250	11.6%	5.3%	3.0%	1.0%
Feb-15	250	12.3%	5.3%	2.8%	0.2%
Mar-15	253	12.8%	5.9%	2.2%	1.1%
Apr-15	257	12.1%	5.7%	2.6%	1.4%
May-15	259	13.1%	6.4%	3.6%	1.1%
Jun-15	268	15.4%	8.2%	5.8%	3.2%
Jul-15	273	15.2%	9.4%	6.6%	2.1%
Aug-15	272	14.3%	8.6%	4.8%	-0.6%
Sep-15	276	15.6%	9.2%	3.2%	1.7%
Oct-15	279	15.1%	8.9%	2.2%	1.1%

Source: Knight Frank Research, Residex

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RESIDENTIAL RESEARCH

Michelle Ciesielski

Director
+61 2 9036 6659
Michelle.Ciesielski@au.knightfrank.com

Bradley Rehn

Assistant Analyst
+61 2 9036 6656
Bradley.Rehn@au.knightfrank.com

Matt Whitby

Head of Research and Consulting
+61 2 9036 6616
Matt.Whitby@au.knightfrank.com

RESIDENTIAL PROJECT MARKETING

Erin Van Tuil

Director, Sydney (NSW)
+61 2 9036 6699
Erin.VanTuil@au.knightfrank.com

Michael Robinson

Head of Project Marketing, Australia
+61 3 9604 4775
Michael.Robinson@au.knightfrank.com

RESIDENTIAL PROJECT MARKETING INTERNATIONAL

Erin Van Tuil

Director
+61 2 9036 6699
Erin.VanTuil@au.knightfrank.com

NEW SOUTH WALES

Richard Horne

Managing Director
+61 2 9036 6622
Richard.Horne@au.knightfrank.com



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