

HAS THE SYDNEY RESIDENTIAL MARKET REACHED THE TIPPING POINT?

Despite overall capital values and rental growth continuing an upward trajectory in September, signs are emerging with a fall in the weekly auction clearance rates and home loan interest rates being raised by lending institutions independently of the RBA in recent weeks.

Key facts November 2015

Capital growth for houses in the month of September was up 1.0% (up 21.9% YoY); while apartments witnessed monthly growth of 1.7% (up 15.6% YoY)

Sales volumes were down 3.5% for houses and down 1.8% for apartments YoY to September

Annual **rental growth** was recorded at 9.8% for houses and 5.7% for apartments over the year to September

Gross **rental yields** currently average 3.36% for houses and 4.30% for apartments

- The cash rate remained at an historic low of 2.00% in November after falling 25 basis points in May. (down 3.5% on previous year) and 45,854 apartments (down 1.8% on prior year).
- 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 September 2015 stood at 5.2% for Greater Sydney (SA4), trending equal to the 5.2% recorded in September 2014.
- Building approvals in the three months to September totalled 4,299 houses and 8,501 apartments approved in Greater Sydney. This is trending 19.3% higher for houses and 63.5% higher for apartment approvals compared to the same period in 2014.
- Sales transacted in the year to September tallied 46,399 houses (rising 1.0% in the month of September (total 21.9% over the last year) to a median of \$1,047,500. Apartments rose 1.7% over the month (up 15.6% over the year) to record a median of \$677,000.
- Over the year to September, rental growth was recorded at a very strong 9.8% for houses and 5.7% for apartments. Weekly median rents are currently achieving \$675 for houses and \$560 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 September 2015, gross rental yields across Greater Sydney compressed 39bps (to 3.36%) for houses and 42bps (to 4.30%) for apartments compared to the previous year.

FIGURE 1
Greater Sydney Capital Growth
12-month rolling

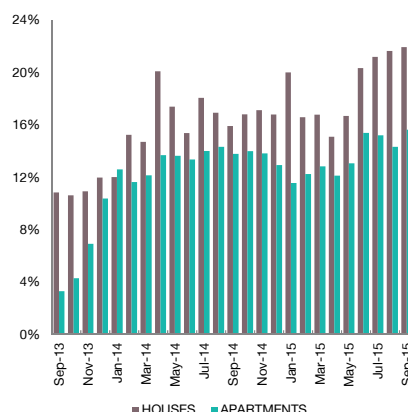
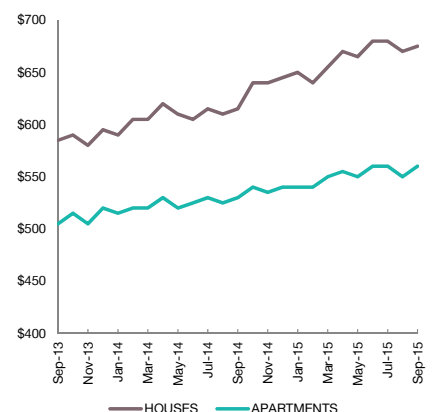


FIGURE 2
Greater Sydney Rents
Median, weekly



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



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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
Sep-14	256	15.9%	8.0%	4.1%	0.8%
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%

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
Sep-14	239	13.8%	6.6%	3.0%	0.5%
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%

Source: Knight Frank Research, Residex

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