RESIDENTIAL RESEARCH

SYDNEY RESIDENTIAL MARKET UPDATE

DOUBLE-DIGIT ANNUAL RENTAL GROWTH AS VACANCY TRENDS BELOW EQUILIBRIUM

As investors continue to drive the market, capital value growth grew considerably once again in July as both the Greater Sydney housing and apartment markets reached the highest median value on record.

Key facts September 2015

Capital growth for houses in the last month was up 2.4% (up 21.2% YoY); while apartments witnessed monthly growth of 2.1% (up 15.2% YoY)

Sales volume was down 2.7% for houses and down 3.8% for apartments YoY to July

Annual **rental growth** was recorded at 10.6% for houses and 5.7% for apartments over the year to July

Gross **rental yields** currently average 3.52% for houses and 4.38% for apartments

- The cash rate remained stable at 2.00% in September after falling 25 basis points in May, to an all-time historic low.
- 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 August 2015 stood at 5.2% for Greater Sydney (SA4), trending higher than the 4.8% recorded in August 2014.
- Building approvals in the three months to July totalled 4,513 houses and 8,747 apartments approved in Greater Sydney. This is trending 30.9% higher for houses and 58.9% higher for apartment approvals compared to the same period in 2014.
- Sales transacted in the year to July tallied 46,398 houses (down 2.7% on previous year) and 44,560 apartments (down 3.8% on prior year).
- House values continued to gain pace, rising 2.4% in the month of July (total 21.2% over the last year) to a median of $1,017,500. Apartments followed suit increasing 2.1% over the month (total 15.2% over the year) to record a median of $670,000.
- Over the year to July, rental growth was recorded at 10.6% for houses and 5.7% for apartments. Weekly median rents are currently achieving $680 for houses and $560 for apartments.
- Greater Sydney total vacancy was last recorded at 1.9% in July 2015; with 2.1% for the inner ring (0-10km), 1.7% for the middle ring (10-25km) and 1.6% for the outer ring (25km+).
- In July 2015, gross rental yields across Greater Sydney compressed 31bps (to 3.52%) for houses and 38bps (to 4.38%) for apartments compared to the previous year.

FIGURE 1
Greater Sydney Capital Growth
12-month rolling

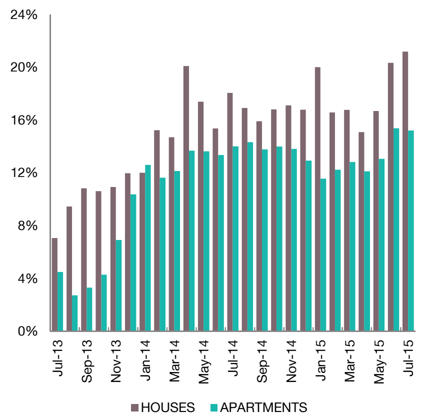
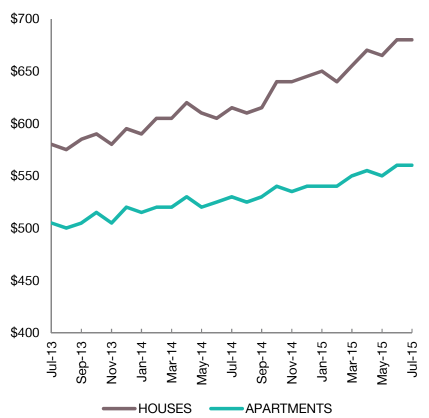


FIGURE 2
Greater Sydney Rents
Median, weekly



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

MICHELLE CIESIELSKI
Knight Frank Residential Research

Follow Michelle at @MCiesielski_AU

For the latest news, views and analysis on the world of residential property, visit knightfrank.com.au/research or Global Briefing or @kfglobalbrief

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
Jul-14	250	18.1%	10.5%	2.2%	1.7%
Aug-14	254	16.9%	8.4%	3.5%	1.5%
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%**

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
Jul-14	237	14.0%	5.9%	3.7%	2.3%
Aug-14	238	14.3%	6.6%	3.6%	0.2%
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%**

Source: Knight Frank Research, Residex

Knight Frank Residential Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.

RECENT MARKET-LEADING RESEARCH PUBLICATIONS

Australian Residential Market Apartments Overview Q3 2015

Melbourne Residential Market Update September 2015

Brisbane Residential Market Update September 2015

Perth Residential Market Update September 2015

Knight Frank Research Reports are available at **KnightFrank.com.au/Research**

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
Madelaine Lundgren
Senior Director, Sydney (NSW)
+61 2 9036 6831
Madelaine.Lundgren@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