

Sydney Prime Residential Insight



Q2 2023

Knight Frank's quarterly analysis of the Sydney prime luxury residential sales and rental markets

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► Significant growth in the number of high-net-worth and ultra-high-net-worth individuals living in Sydney with strong economic outlook by 2025

7.8%

Growth in Sydney's ultra-high-net-worth individuals in 2022

+14 pts

Business conditions index points in March 2023

6.6%

Annual growth in March 2023 of new private business investment

Key drivers

WEALTH TRENDS

Sydney's high-net-worth individual (HNWI) population, otherwise known as the millionaire population, grew by 7.7% in 2022, to 482,946 people with net wealth of more than US\$1 million according to the Knight Frank Wealth Sizing Model.

This population in Sydney comprises 21.8% of the total Australian HNWI population, after being a 22.7% proportion five years ago.

Since this time, Sydney's millionaire population has grown by 23.2%, slightly lower than the Australian 28% growth.

The HNW population is forecast to grow by a further 51.4% in Sydney by the end of 2027, lower than the Australian growth of 71.1% when Sydney is expected to hold a 19.3% share of all Australian millionaires.

The ultra-high-net-worth (UHNW) population in Sydney grew by 7.8% in 2022, to 6,132 people with net wealth of more than US\$30 million.

From 2017, the Sydney ultra-wealthy population has expanded by 23.7%, although behind the Australian growth of 31.3%, where the Sydney share of the Australian UHNW population has diminished from 37.2% to 35.1%.

This ultra-wealthy population is forecast to grow by a further 9.0% over the next five years, slower than the Australian UHNW population growth of 40.9%.

THE ECONOMY

New South Wales (NSW) recorded economic growth of 1.8% in 2022 while Sydney's unemployment rate stood at 3.7%, trending 29 bps lower than the year earlier. Oxford Economics forecast economic growth to taper back to 0.3% at the end of 2023, 0.7% in 2024 and 2.6% in 2025.

Australia's stock market performance on the S&P/ASX 200 rose in the first quarter of 2023 by 2.0%, to arrive at total annual change of -4.5% over the past year. The stock market is forecast to improve 2.4% by the end of 2023, before rising by a further 4.2% in 2024 and 3.0% in 2025.

Business conditions improved 2.5 pts in the March 2023 quarter to +14 index points in the NAB business sentiment survey. This was trending slightly higher than the +13.9 pts a year ago.

Company profits across Australia grew 19.2% in 2022, after recording 5.6% growth in 2021.

Annual company profits are forecast to fall by 3% in 2023, before falling a further 3.8% in 2024, although company profits are expected to recover by 2.4% in 2025.

New private business investment grew by 6.6% in the year to March 2023. This was higher than 4.6% annual growth six months earlier, and higher than 3.2% growth recorded a year ago.

LENDING ENVIRONMENT

The official cash rate on 6 June 2023 had been raised 50 bps over the past three months, to a target of 4.10% by the Reserve Bank of Australia. The Oxford Economics forecast for the official cash rate is to be reduced towards an average target of 3.94% by the end of 2024.

In the March 2023 quarter, average mortgage lending rates to owner occupiers increased by 3 bps to 6.27% for a 3-year fixed term loan and rose by 50 bps to 8.02% for a standard variable loan. For investors, a 3-year fixed term decreased by 1 bps to 6.32%, and a standard variable loan rose by 50 bps to 8.60% (RBA).

Established prime residential

- ▶ Rental yields continue an upward trajectory for prime residential properties, as annual rental growth now the highest in five years

-37.8%

Sydney prime residential sales volume in March 2023 compared to a year ago

0.6%

The change in Sydney's prime residential values in the year to March 2023

11.7%

Annual prime residential rental growth in March 2023 in Sydney

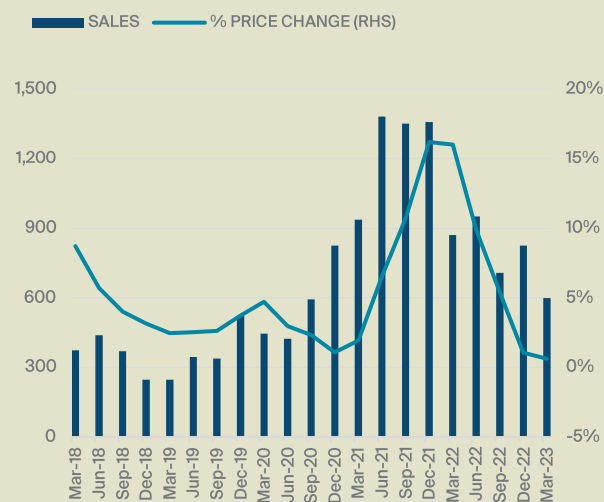
Prime Sydney

PRIME SALES & PRICE PERFORMANCE

- ▶ Sales volume trended down 27.4% in the March 2023 quarter with 599 prime residential homes sold in Sydney, while the 3,083 annual sales volume was 37.8% lower than a year ago.
- ▶ The average days on market for prime residential home stood at 65 days in the March 2023 quarter. One quarter ago, this was 64 days.
- ▶ Over the year ending March 2023, prime residential prices increased 0.6%, although was up 1.4% in the past quarter.

Sydney Prime Residential Sales Market

No. prime sales per quarter & % annual prime price change



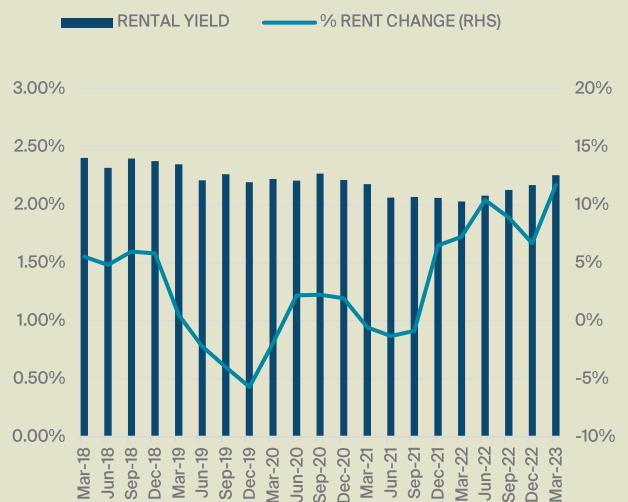
Source: Knight Frank Research

PRIME RENTAL MARKET

- ▶ Gross rental yields for Sydney prime residential properties increased by 8 bps, to 2.25%, in the first quarter of 2023.
- ▶ Rents rose 5.3% for prime residential homes in the quarter to March 2023, and over the past year were up 11.7%.

Sydney Prime Residential Rental Market

Prime gross rental yield & % annual prime rental change



Source: Knight Frank Research

Sydney prime residential forecast

Key Drivers Forecast

| | 2021 | 2022 | 2023f | 2024f | 2025f | 2023-2025f AVE |
|-------------------|-------|-------|---------|---------|--------|----------------|
| Economic Growth | 4.4% | 2.0% | 🔻 0.3% | 🔻 0.7% | 🔼 2.6% | 🔻 1.2% |
| Unemployment Rate | 5.1% | 3.7% | 🔼 3.9% | 🔼 4.2% | 🔼 4.1% | 🔼 4.1% |
| Cash Rate Target | 0.1% | 1.2% | 🔼 3.8% | 🔼 3.9% | 🔼 2.9% | 🔼 3.6% |
| Stock Market | 17.5% | -1.7% | 🔼 2.4% | 🔼 4.2% | 🔼 3.0% | 🔼 3.2% |
| Company Profits | 5.6% | 19.2% | 🔻 -3.0% | 🔻 -3.8% | 🔻 2.4% | 🔻 -1.5% |

Source: Oxford Economics

Sydney Prime Residential Forecast

| | 2021 | 2022 | 2023f | 2024f | 2025f | 2023-2025f AVE |
|-------------------------|------|------|-------|-------|-------|----------------|
| Prime Price Performance | 16% | 1% | 🔻 0% | 🔼 3% | 🔼 6% | 🔼 3% |
| Prime Rental Market | 7% | 7% | 🔼 18% | 🔼 12% | 🟦 7% | 🔼 12% |

Source: Knight Frank Research

All references made to dollars or \$ is Australian Dollars (AUD), unless stated.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

Recent Research



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Global Branded Residences Report 2023



The Wealth Report 2023 Wealth Population Edition



The Wealth Report 2023



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