

Sydney Prime Residential Insight

Q4 2023

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

knightfrank.com.au/research

Sydney price growth leads Australian luxury home market

◆ Pent-up demand drives prime residential prices and rents.

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 UHNWI growth of 40.9%.

THE ECONOMY

New South Wales (NSW) recorded economic growth of 2.2% in 2022, while Greater Sydney's unemployment rate stood at 3.3% in September 2023, being 6 bps higher than the year earlier (ABS). Oxford Economics forecast economic growth to taper to 1.4% at the end of 2023, 0.3% in 2024 and 2.4% in 2025.

Australia's stock market performance on the S&P/ASX 200 fell in the third quarter of 2023 by 1.9%, arriving at total change of 8.8% over the past year. The stock market is forecast to record 2.2% by the end of 2023, and 1.0% in 2024 and 6.0% in 2025.

Business conditions trended down 1.0 pts in the September 2023 quarter to +7.5 index points in the NAB business sentiment survey. By comparison, business conditions were +20.3 index points one year ago.

Company profits across Australia fell by 19.3% in 2022, after recording 5.3% growth in 2021. Annual company profits are forecast to fall by 0.3% in 2023, before falling by 4.2% in 2024, with 1.7% growth in 2025 (Oxford Economics).

New private business investment grew by 8.0% in the year to September 2023 (ABS). This was higher than 6.8% annual growth recorded a year earlier.

7.8%

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

+8 pts

Business conditions index points in September 2023

8.0%

Annual growth in September 2023 of new private business investment

LENDING ENVIRONMENT

The official cash rate was last set by the Reserve Bank of Australia at 4.35% on 5 December 2023. This rate was 3.10% a year ago. Oxford Economics forecast the official cash rate towards an average rate of 3.85% by the end of 2025.

Over the year to September 2023, average mortgage lending rates to owner occupiers increased by 51 bps to 6.56% for a 3-year fixed term loan and rose by 175 bps to 8.52% for a standard variable loan.

For investors, a 3-year fixed term increased by 64 bps to 6.65%, and a standard variable loan rose by 175 bps to 9.10%.

Sydney Prime Established Residential

- ◆ When ranking 10 key markets dotted around the world over the past year, Sydney claims the top spot for the increase in luxury rent, with significant growth continuing in the last quarter.

-19%

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

4.2%

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

17.8%

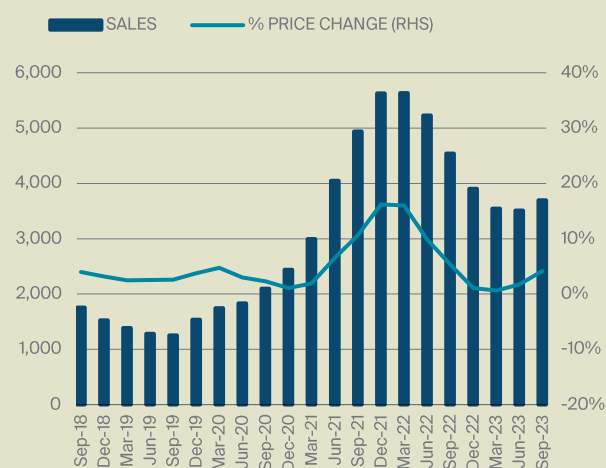
Annual prime residential rental growth in September 2023 in Sydney

SALES & PRICE PERFORMANCE

- ◆ Sales volume trended 5% lower in the September 2023 quarter with 1,014 prime residential homes sold in Sydney, while the 3,696 annual sales volume was 19% lower than a year ago.
- ◆ The average days on market for a luxury home was 81 days in September 2023. This was 74 days three months earlier, and 62 days one year ago.
- ◆ Prime residential property prices increased 4.2% in the year to September 2023, while rising 0.5% in the last quarter.
- ◆ Looking forward, average prime prices are forecast to rise 3% at the end of 2023, with 5% in 2024 and 7% in 2025, according to Knight Frank Research.

Sydney Prime Residential Sales & Prices

No. annual sales & % annual price growth



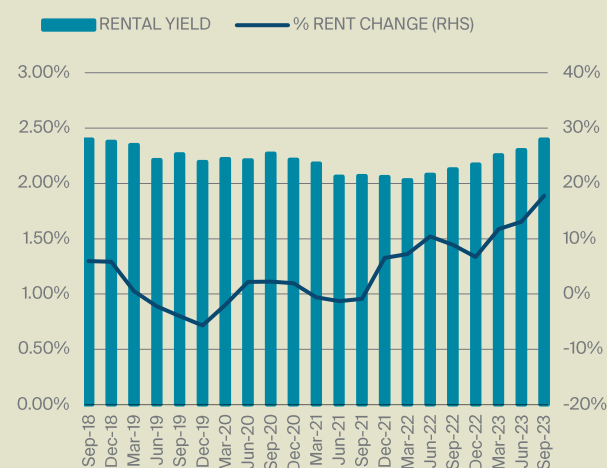
Source: Knight Frank Research

RENTAL MARKET

- ◆ Gross rental yields rose 27 bps in the year ending September 2023, as Sydney prime residential property averaged 2.40%.
- ◆ Prime residential rents increased 4.5% in the September 2023 quarter, while increasing by 17.8% over the past year.
- ◆ Knight Frank Research forecast prime rents to rise 18% at the end of 2023, with 12% likely in 2024, and 7% in 2025.

Sydney Prime Residential Rents & Yields

Gross rental yield & % annual rental change



Source: Knight Frank Research

Sydney Prime Residential Forecast

Key Drivers Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
NSW Economic Growth	4.4%	2.2%	1.4%	0.3%	2.4%	1.4%
Unemployment Rate	5.1%	3.7%	3.7%	4.3%	4.3%	4.1%
Cash Rate Target	0.1%	1.2%	3.9%	4.6%	3.9%	4.1%
Stock Market	18%	-2%	2%	1%	6%	3%
Company Profits	5%	19%	0%	-4%	2%	-1%

Source: Oxford Economics

Sydney Prime Residential Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Price Performance	16%	1%	3%	5%	7%	5%
Rental Market	7%	7%	18%	12%	7%	12%

Source: Knight Frank Research

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



Australian Prime Residential Review



Global Branded Residences Report



The Wealth Report 2023 Wealth Population Edition



The Wealth Report 2023



Residential Research

Michelle Ciesielski

+61 2 9036 6659

michelle.ciesielski@au.knightfrank.com



Residential Site Sales

Grant Bulpett

+61 415 558 226

grant.bulpett@au.knightfrank.com



Residential

Erin van Tuil

+61 409 325 700

erin.vantuil@au.knightfrank.com



Franchise Partnerships

Sally Edvardsen

+61 2 9036 6845

sally.edvardsen@au.knightfrank.com



Valuations

Chris Hill

+61 438 807 249

chris.hill@au.knightfrank.com