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Sydney Prime Residential Review

Q2 2021

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SYDNEY PRIME RESIDENTIAL

Sydney's prime luxury residential market has now experienced three consecutive quarters of record sales volume and still holds the title of having the sharpest number of days on market across the country. With a further contraction ahead in the new supply pipeline, how high will prices go before the end of the year?

Wealth trends

Australian **ultra-high-net-worth individuals** (UHNWIs) grew by 10.9% in 2020, to 3,124 people with net wealth of US\$30m+. This UHNW population is **forecast to grow** annually by 3.8% over the next five years. Sydney had the highest share (33%) with 1,024 UHNWIs.

The Australian **stock market** has continued a stellar run and saw gains of 3.1% in the first quarter of 2021, taking annual growth to 33.8% (S&P Dow Jones Indices). **Business conditions** strengthened, moving 23.3 percentage points above the average (NAB).

Total **new private investment** was down 3.6% at the end of 2020, but is forecast to rebound to 12.3% annual growth in 2021 (Oxford Economics). Sydney ranked 31st place in 2021 on the Knight Frank **City Wealth Index**, based on factors such as wealth, investment and lifestyle.

Prime sales performance

Across Sydney's prime regions, the **volume of sales** in Q1 2021 tallied at 696 prime properties (\$3m-\$10m); the highest quarter on record. This was 8% higher than Q4 2020, and up 58% in the year ending March 2021. The number of super-prime (\$10m+) sales was slightly lower, down by 16% in Q1 2021

recording 38 sales, although with total growth of 52% over the past year. The **average days on market** for a prime property in Sydney was 86 days in Q1 2021. This was 83 days one quarter ago.

Prime price performance

Globally, Sydney ranked 25th from 46 cities for annual price growth. **Capital growth** for prime property rose 1.9% over the past year to March 2021, up 2.0% in the last quarter. Knight Frank Research **forecast** Sydney prime prices to further increase by a minimum of 3% by the end of 2021.

Over the year ending March 2021, those buying with the Indonesian Rupiah (at an additional 12%) were ranked most advantaged for major **currencies** when buying Sydney prime property.

In terms of **relative value** at this time, one could buy 45 sqm of internal luxury floorspace in Sydney for US\$1 million, compared to 30 sqm in London or 23 sqm in Hong Kong SAR.

Prime rental performance

Gross rental yields for Sydney prime property trended down 4 bps to 2.18% in Q1 2021. A year ago, this yield was recorded at 2.22%. In Q1 2021, **rental growth** was down 0.1% for prime properties in Sydney. Over the past year, rental growth has fallen slightly by 0.6%.

New prime development pipeline

A total of 6,325 medium- and high-density **new apartments and townhouses** were completed in Sydney's prime regions in 2020. This was 14% below the number built in 2019 and below the 3-year average of 8,025 new apartments and townhouses.

Compared to 2020, there are 55% less apartments and townhouses forecast to be completed in 2021, with 2,825 currently under construction.

In 2021, the greatest distribution of new apartments and townhouses will be in found in Inner Sydney (725), Eastern Suburbs (700) and the Upper North Shore (575). This is followed by the Lower North Shore (350), Southern Suburbs (200), Inner West (150) and Northern Beaches (125).

Collectively across the prime regions 3-year pipeline, the **distribution of bedrooms** being built have been weighted towards 2-bed configured apartments with 47% of the total share, followed by studio & 1-bed (32%) then 3-bed+ (21%).

Sydney **new prime apartment prices** have increased 10.6% in 2020 to an indicative \$52,000/sqm; to range between an average of \$45,000/sqm and \$65,000/sqm.

**SYDNEY
PRIME RESIDENTIAL**
31 March 2021

Capital Growth - Annual	1.9%
Sales Volume - Annual	2,298
Sales Turnover - Annual	58%
Ave. Days on Market	86
Gross Rental Yield	2.18%
Rental Growth - Annual	-0.6%

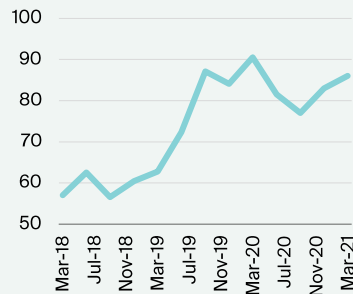
Source: Knight Frank Research

86
Average days on market for prime residential properties in Sydney in Q1 2021

“Q1 2021 saw the highest number of prime sales on record across the prime regions of Sydney”

-0.6%
Growth in Sydney prime rents between Q1 2020 and Q1 2021

Sydney prime residential average days on market



Source: Knight Frank Research

**CITY WEALTH INDEX 2021
SYDNEY**
100 global cities ranked

CATEGORY	RANKING
WEALTH	52
INVESTMENT	15
LIFESTYLE	29
OVERALL	31

Source: Knight Frank Research

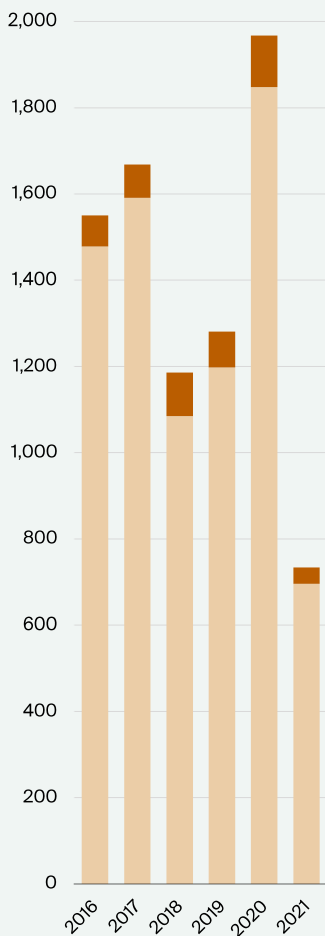
58%

Increase in the number of Sydney prime properties sold over the past year

Sydney prime sales

Number of sales, prime regions
At end of Q1 2021

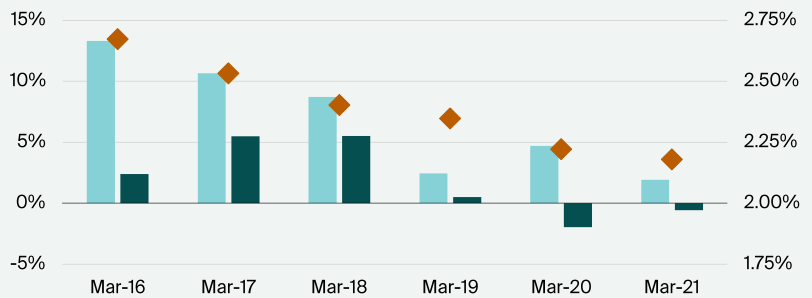
■ \$3m<\$10m ■ \$10m+



Source: Knight Frank Research

Sydney prime residential price and rental performance

■ Annual Capital Growth
■ Annual Rental Growth
◆ Gross Rental Yield (RHS)



Source: Knight Frank Research

DATA DIGEST

Prime (luxury) residential property is the most desirable and most expensive property in a given location, generally defined as the top 5% of each market by value. Prime markets often have a significant international bias in terms of buyer profile.

Prime residential sales hold a threshold of AU\$3 million in Sydney prime regions.

Ultra-high-net-worth individual (UHNWI) is someone with a net worth of over US\$30 million including their primary residence. Otherwise known as ultra-wealthy.

Prime regions cover postcodes in Inner Sydney: 2000, 2006-2011; Eastern Suburbs: 2021-2031; Inner West: 2037-2050, 2110, 2137; Lower North Shore: 2060-2069, 2088-2090; Upper North Shore: 2070-2077, 2079-2087; Northern Beaches: 2092-2097, 2099-2108; Southern Suburbs: 2219, 2221, 2224, 2229, 2230.

Currency reference to dollars or \$ refers to 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.



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