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Sydney Prime Residential Review

Q3 2020

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SYDNEY PRIME RESIDENTIAL

Many of Sydney's ultra-wealthy population have spent the winter months at home, for the first time in many years, as international borders remain closed for travel to curb the spread of COVID-19. What impact has this had on the local prime residential market?

Sydney's prime property market was more resilient than expected in the second quarter of 2020. The volume of prime sales was down, but buyer enquiries were strong, with price growth being recorded for the quarter.

The thin number of prime listings certainly influenced this result, with properties being tightly held amidst the uncertainty which has come with the pandemic. But vendors are also mindful they could struggle to buy a suitable next property for themselves.

Over the past year, those in this position have rented until their ideal home becomes listed and consequently, there's been an uptick in rents for prime properties in Sydney.

Wealth trends

At the end of 2019, Australian **ultra-high-net-worth individuals** were expected to grow by 5.2% per annum, by the end of 2024.

According to the Knight Frank **City Wealth Index** for 2020 based on wealth, investment and lifestyle, Sydney ranked 15th, from 100 global cities.

Prime sales performance

Across Sydney's prime regions, the **volume of sales** in the second quarter of 2020 tallied to 359 prime properties.

This was 8% below the first quarter volume, however annually, up 42% over the past year.

The **average days on market** for a prime property in Sydney was 82 days in the June 2020 quarter. This was 72 days one quarter ago.

Prime price performance

Capital growth for prime property rose 3.0% over the past year to June 2020, with 0.3% growth in the last quarter. Globally, Sydney ranked equal 11th from 45 cities for annual price growth.

At the end of June 2020, those buying with the New Taiwan Dollar were ranked most advantaged for a **currency** play when buying Sydney prime property, with a 4% discount.

In terms of **relative value** at this time, one could buy 51 sqm of internal luxury floorspace in Sydney for US\$1 million, compared to 34 sqm in London or 22 sqm in Hong Kong.

Prime rental performance

Gross rental yields for Sydney prime property trended down 1 bps to 2.21% over the June 2020 quarter. A year ago this yield was also recorded at 2.21%.

Over the quarter ending June 2020, **rental growth** fell 0.2% for prime

property in Sydney. Over the past year, rental growth increased by 2.2%.

New prime development pipeline

In mid-2020, there had been 35,220 medium- and high-density **new apartments and townhouses** completed in Sydney's prime regions since 2015. There are 13,625 more forecast by the end of 2024 in the pipeline; currently under construction or being marketed with DA approval.

In this pipeline, the **distribution of bedrooms** have been weighted towards 2-bed configured apartments with 48% of the total share, followed by studio & 1-bed (35%) then 3-bed+ (17%).

Sydney **new prime apartment prices** have increased 17.5% since 2015 to an indicative \$47,000/sqm at the end of the first half of 2020; to range between an average of \$42,000/sqm and \$57,000/sqm.

Outlook

The average days on market for Sydney prime property listings is likely to be extended in the next quarter as result of finance taking longer to obtain, despite entering the ideal spring selling season. As the new supply pipeline continues to diminish in prime regions, Sydney's prime property is well-positioned to face a challenging economic year ahead.

City Wealth Index 2020 Sydney

100 global cities ranked

CATEGORY	RANKING
WEALTH	22
INVESTMENT	8
LIFESTYLE	33
OVERALL	15

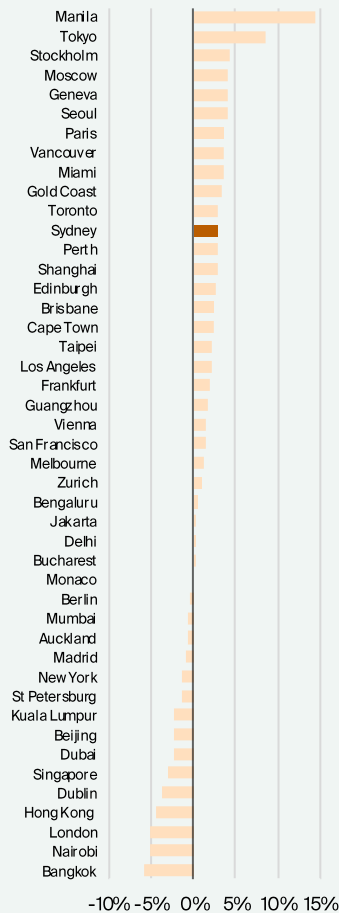
Source: Knight Frank Research



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

Prime property price performance

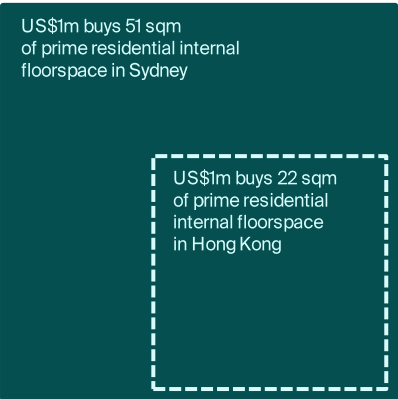
% annual capital growth, as at 30 June 2020



Source: Knight Frank Research

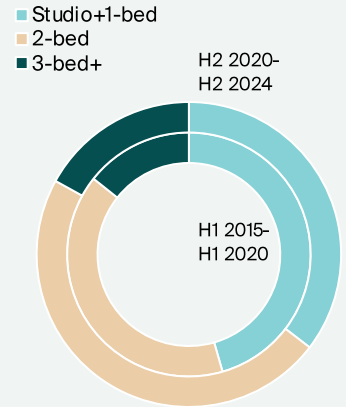


“There was a 4% discount for Sydney prime property when purchased with New Taiwanese Dollar in Q2 2020”



Distribution of bedrooms in new apartments

% portion, Sydney prime regions

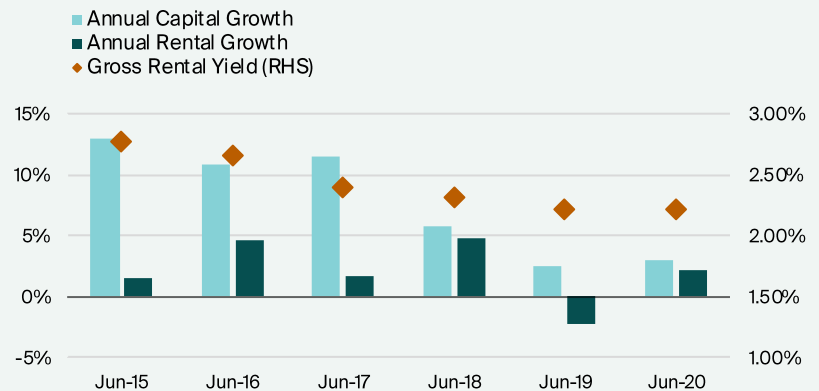


Source: Knight Frank Research



“In prime regions of Sydney, there are 61% less new apartments and townhouses forecast to be built over the next five years”

Sydney prime residential price and rental performance



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.

Front cover image: 7 Milson Road, Cremorne Point, NSW | Price on request

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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