



Wealth trends



Prime sales, price and rental performance



Prime development pipeline & outlook



Sydney Prime Residential Review

Q4 2020

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SYDNEY PRIME RESIDENTIAL

Prolonged international travel restrictions are encouraging Sydney's ultra-wealthy to review, rebalance and grow residential property portfolios to maximise and enhance their lifestyle. How is this impacting the Sydney prestige market?

Wealth trends

Coming into 2020, Australian **ultra-high-net-worth individuals** were projected to grow by 5.2% per annum, by the end of 2024. From 1 April to 30 September 2020, the Australian **stock market** saw gains of 14.6%, driven by health care, technology, materials (commodity related manufacturing) and telecommunication sectors.

Prime sales performance

Across Sydney's prime regions, the **volume of sales** in the third quarter of 2020 tallied to 510 prime properties. This was 40% higher than the second quarter volume, and up 73% over the past year. The **average days on market** for a prime property in Sydney was 77 days in the September 2020 quarter. This was 82 days one quarter ago.

Prime price performance

Capital growth for prime property rose 2.3% over the past year to September 2020, although down 1.5% in the last quarter. Globally, Sydney ranked 16th from 45 cities for annual price growth.

At the end of June 2020, those buying with the euro were ranked most advantaged for major **currencies** when buying Sydney prime property. In terms of **relative value** at this time, one could buy 49 sqm of internal

luxury floorspace in Sydney for US\$1 million, compared to 32 sqm in London or 23 sqm in Hong Kong.

Prime rental performance

Gross rental yields for Sydney prime property trended up 6 bps to 2.21% over the September 2020 quarter. A year ago this yield was recorded at 2.26%. Over the quarter ending September 2020, **rental growth** was up 1.3% for prime properties in Sydney. Over the past year, rental growth increased by 2.3%.

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

Sydney prime property listings were shallow coming into the pandemic, so when confidence subsided during lockdown it was the volume of sales which took a greater hit than prices—with no indication of distress in sales.

Although a handful of new prestige projects will come online in 2021, most have already been absorbed via pre-sales, so new listings to the market are likely to ramp up as more certainty returns to the economy.

As a result, the Sydney prime residential market is likely to recover to record 3% growth by the end of 2021.

SYDNEY PRIME RESIDENTIAL PROPERTY as at 30 September 2020

ANNUAL CAPITAL CHANGE	2.3%
ANNUAL CAPITAL CHANGE 2021 FORECAST	3.0%
AVERAGE DAYS ON MARKET	77 days
ANNUAL RENTAL CHANGE	2.3%
GROSS RENTAL YIELD	2.27%

Source: Knight Frank Research

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“The third quarter of 2020 saw the highest number of prime sales on record across the prime regions of Sydney”
 ◆ ◆

◆ ▲
73%

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

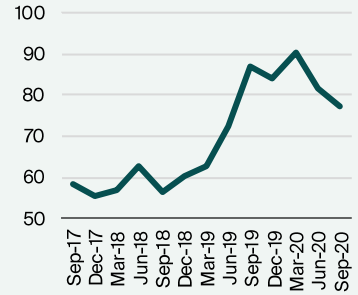
◆
77
 Average days on market for prime residential properties in Sydney in Q3 2020

€1m buys 58 sqm of prime residential internal floorspace in Sydney

US\$1m buys 4.9 sqm of prime residential internal floorspace in Sydney

As at 30-Sep-20

Sydney prime residential average days on market

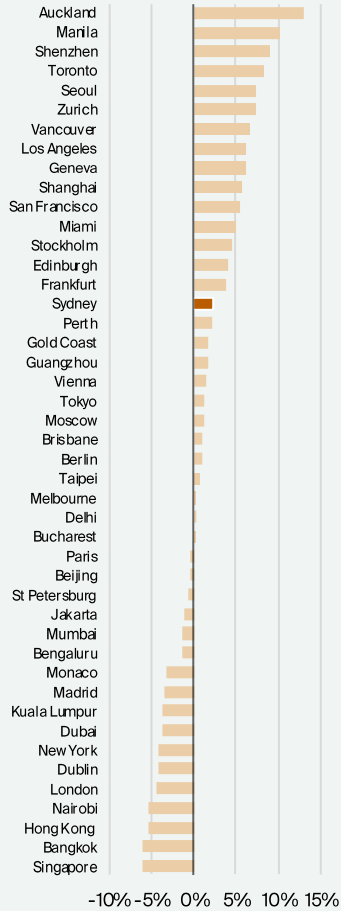


Source: Knight Frank Research

◆ ◆
2.3%
 Growth in Sydney prime rents between Q3 2019 and Q3 2020
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Prime property price performance

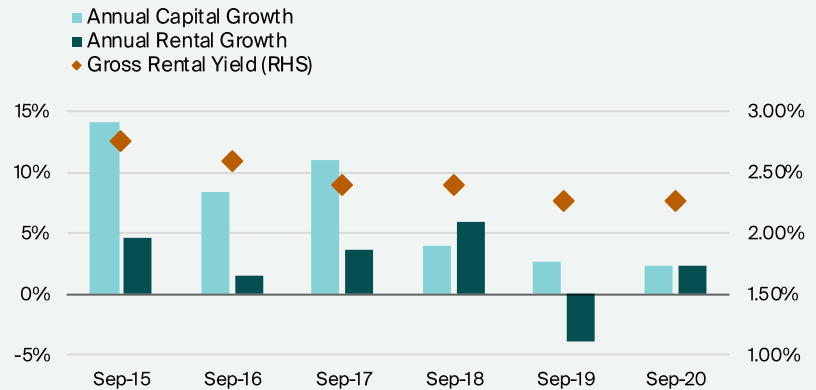
% annual capital growth, as at 30 September 2020



Source: Knight Frank Research

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“Sydney prime residential prices have increased by 2.3% over the year ending September 2020 and forecast to grow by a further 3% by the end of 2021”
 ◆ ◆

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.

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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