

Regional NSW Residential Insight

Q4 2023

Knight Frank's quarterly analysis of mainstream sales and rental housing markets in Regional New South Wales (NSW)

knightfrank.com.au/research

Quarterly rental growth stable for the first time since June 2020

▲ Regional NSW average house rents remain higher than the same time last year, although for the past three months, rental growth has been steady as more homes became available for rent as total residential vacancy is on the rise.

THE ECONOMY

The New South Wales (NSW) economy grew by an estimated 2.2% in 2022, with a forecast of 2.4% in 2025 (Oxford Economics). While unemployment in September 2023 was 3.2% across Regional NSW (ABS).

LENDING ENVIRONMENT

New household loan commitments across NSW were down by 22.6% in the year to September 2023, lower than the 4.0% change recorded the previous year.

The number of lending commitments to owner occupier first home buyers in NSW fell by 12.9% in September 2023, compared to 4.0% a year earlier. This first home buyer group represented 19.5% of all NSW owner occupier loans in September 2023 (ABS).

The official cash rate was last set by the Reserve Bank of Australia at 4.35% on 5 December 2023.

Oxford Economics forecast the official cash rate towards an average rate of 3.85% by the end of 2025.

NEW BUILDS

Annual building approvals in September 2023 fell by 12.4% to total 46,826 additional dwellings in NSW, compared to a fall of 16.8% a year ago (ABS).

POPULATION

Regional NSW total population saw 0.9% growth to 2.9 million persons in the year to June 2022. The projected population growth to 2032, is higher, at 1.3% per annum.

The inner regional areas of NSW saw annual population change of 0.9% in 2022, while outer regional NSW recorded 0.2% (ABS).

TOTAL RESIDENTIAL VACANCY

The total residential rental vacancy was recorded at 2.1% in September 2023, rising 18 bps over the past year across Regional NSW (Knight Frank Research).

Generally, 3% vacancy is considered a balanced rental market between supply and demand.

2.2%

NSW annual economic growth in 2022 with forecast of 2.4% in 2025

3.2%

Regional NSW unemployment rate in September 2023

4.35%

Official cash rate target in December 2023 with forecast of 3.9% in 2025

-22.6%

The annual change in NSW new household loan commitments in September 2023

-12.9%

Yearly change in number of lending commitments to owner occupier first home buyers in Q3 2023

0.9%

Regional New South Wales annual population change in 2022 to an estimated 2.9 million persons, with 1.3% annual forecast in 2025

Regional NSW Established Houses

- ▲ The average time to sell a home across the Regional NSW market has been extended again this quarter, but still well-below pre-pandemic levels, whilst house prices remain lower than a year ago.

\$835,500

Regional NSW average house value at the end of September 2023

-6.5%

The change in Regional NSW's average house values in the year to September 2023

3.7%

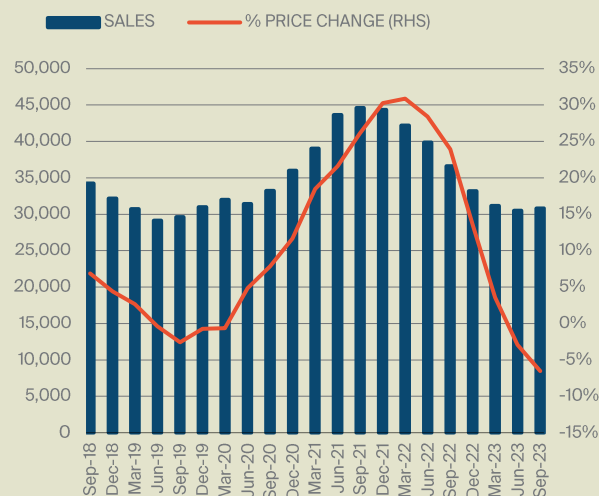
Annual average weekly rental growth in September 2023 across Regional NSW houses

SALES & PRICE PERFORMANCE

- ▲ Sales volume trended down 15.9% in the year ending September 2023, with 30,776 houses across Regional NSW.
- ▲ The average days on market for a house was 86 days in September 2023. This was 78 days three months earlier, and 50 days one year ago.
- ▲ House values fell 6.5% in the year to September 2023, while falling by 1.6% over the last quarter to \$835,500.
- ▲ Looking forward, average prices are forecast to change -5% at the end of 2023, with -3% in 2024 and -1% in 2025, according to Knight Frank Research.

Regional NSW Houses Sales Market

No. annual sales & % annual price growth



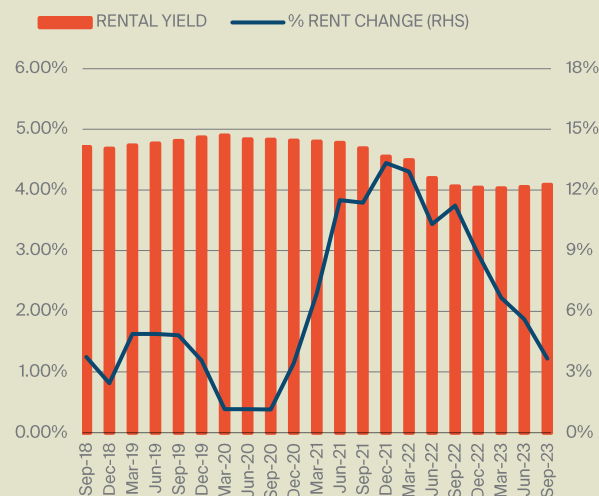
Source: Knight Frank Research

RENTAL MARKET

- ▲ Gross rental yields across Regional NSW rose 2 bps in the past year, with houses averaging 4.08% in September 2023.
- ▲ House rents saw no change in the September 2023 quarter, while being up 3.7% annually, to stand at \$565 per week.
- ▲ Knight Frank Research forecast rents to rise 3% at the end of 2023, with 2% likely in 2024, and 3% in 2025.

Regional NSW Houses Rental Market

Gross rental yield & % annual rental change



Source: Knight Frank Research

Regional NSW 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%

Source: Oxford Economics

Regional NSW Residential Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Price Performance	30%	14%	-5%	-3%	-1%	-3%
Rental Market	13%	9%	3%	2%	3%	3%

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.

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Residential Research

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