

RENTAL GROWTH CONTINUES WITH STRONG RESULTS

Annual capital value growth for both houses and apartments was recorded at more than double the rates experienced in other capital cities, as Sydney prices continue to climb. Sydney also achieved the highest annual rental growth in the country, cementing the strong demand through rising prices and rents.

Key facts July 2015

Capital growth for houses in the last month was up 1.6% (up 16.7% year-on-year); while apartments witnessed growth of 1.1% (up 13.1% year-on-year)

Sales volume was down 0.8% for houses and down 5.4% for apartments year-on-year to May

Annual **rental growth** was recorded at 9.0% for houses and 5.8% for apartments over the year to May

Gross **rental yields** currently average 3.62% for houses and 4.53% for apartments

- The cash rate remained stable at 2.00% in June after falling 25 basis points in May - a new historic low.
- Sydney experienced negative net interstate migration in the year to December 2014, likely to be predominantly due to housing affordability issues in the city. Notwithstanding this, population growth is set to continue for the Sydney metropolitan area, with an annual 1.7% growth projected out to 2021.
- The unemployment rate as at May 2015 stands at 4.3% for the metropolitan region (SA4), trending lower than the 5.3% rate of May 2014.
- Building approvals in the three months to May totalled 4,089 houses and 7,475 apartments approved in the Sydney metropolitan area. This is trending 31.1% higher for houses and 21.3% higher for apartment approvals compared to the same period in 2014.
- Sales transacted in the twelve months to May tallied 47,127 houses (down 0.8% on previous year) and 43,762 apartments (down 5.4% on prior year).
- House values continued to gain pace, rising 1.6% in the month of May (total 16.7% over the last year) to a median \$961,000. Apartments followed suit increasing 1.1% over the month (total 13.1% over the year) to record a median of \$635,500.
- Over the year to May rental growth was recorded at 9.0% for houses and 5.8% for apartments. Weekly median rents are currently achieving \$665 for houses and \$550 for apartments.
- Total vacancy was last recorded at 1.9% in April 2015; with 1.7% for the inner ring (0-10km), 2.1% for the middle ring (10-25km) and 2.0% for the outer ring (25km+).
- In May 2015, gross rental yields across the metropolitan area compressed 23bps for houses and 31bps for apartments compared to the year prior.

FIGURE 1
Sydney Capital Value Growth
12-month rolling

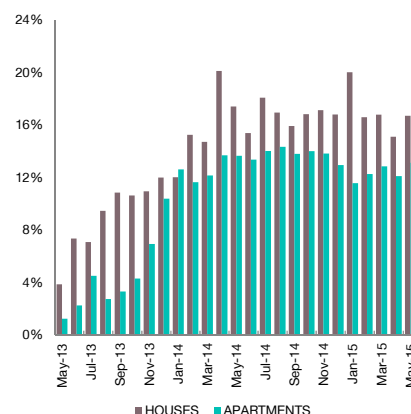
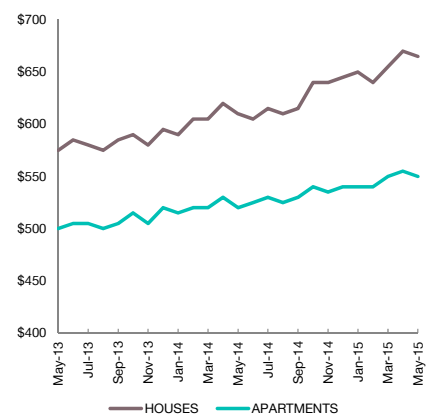


FIGURE 2
Sydney Rents
Median, weekly



MICHELLE CIESIELSKI
Knight Frank Residential Research

Follow Michelle at @MCiesielski_AU

For the latest news, views and analysis on the world of residential property, visit knightfrank.com.au/research or [Global Briefing](https://twitter.com/kfglobalbrief) or [@kfglobalbrief](https://twitter.com/kfglobalbrief)



Knight Frank House Price Index, Sydney Mainstream

	KF House Price Index January 2000=100	12-month % change	6-month % change	3-month % change	Monthly % change
May-14	245	17.4%	8.9%	4.7%	0.2%
Jun-14	246	15.4%	7.1%	3.8%	0.2%
Jul-14	250	18.1%	10.5%	2.2%	1.7%
Aug-14	254	16.9%	8.4%	3.5%	1.5%
Sep-14	256	15.9%	8.0%	4.1%	0.8%
Oct-14	261	16.8%	6.6%	4.3%	1.9%
Nov-14	264	17.1%	7.5%	3.9%	1.1%
Dec-14	268	16.8%	9.1%	4.8%	1.7%
Jan-15	271	20.0%	8.6%	4.1%	1.2%
Feb-15	273	16.6%	7.6%	3.6%	0.6%
Mar-15	276	16.8%	8.1%	3.2%	1.3%
Apr-15	281	15.1%	8.0%	3.7%	1.8%
May-15	286	16.7%	8.5%	4.8%	1.6%

Source: Knight Frank Residential Research, Residex

Knight Frank Apartment Price Index, Sydney Mainstream

	KF Apartment Price Index January 2000=100	12-month % change	6-month % change	3-month % change	Monthly % change
May-14	229	13.7%	7.1%	2.8%	0.3%
Jun-14	232	13.4%	5.9%	3.5%	1.2%
Jul-14	237	14.0%	5.9%	3.7%	2.3%
Aug-14	238	14.3%	6.6%	3.6%	0.2%
Sep-14	239	13.8%	6.6%	3.0%	0.5%
Oct-14	243	14.0%	6.1%	2.2%	1.5%
Nov-14	244	13.8%	6.2%	2.5%	0.4%
Dec-14	248	12.9%	6.7%	3.6%	1.6%
Jan-15	250	11.6%	5.3%	3.0%	1.0%
Feb-15	250	12.3%	5.3%	2.8%	0.2%
Mar-15	253	12.8%	5.9%	2.2%	1.1%
Apr-15	257	12.1%	5.7%	2.6%	1.4%
May-15	259	13.1%	6.4%	3.6%	1.1%

Source: Knight Frank Residential Research, Residex

Knight Frank Residential Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.

RECENT MARKET-LEADING RESEARCH PUBLICATIONS



Global House Price Index Q1 2015



Melbourne Residential Market Update July 2015



Brisbane Residential Market Update July 2015



Perth Residential Market Update July 2015

Knight Frank Research Reports are available at KnightFrank.com.au/Research

RESIDENTIAL RESEARCH

Michelle Ciesielski

Director

+61 2 9036 6659

Michelle.Ciesielski@au.knightfrank.com

Bradley Rehn

Assistant Analyst

+61 2 9036 6656

Bradley.Rehn@au.knightfrank.com

Matt Whitby

Head of Research and Consulting

+61 2 9036 6616

Matt.Whitby@au.knightfrank.com

PROJECT MARKETING

NEW SOUTH WALES

Madeline Lundgren

Senior Director

+61 2 9036 6831

Madeline.Lundgren@au.knightfrank.com

PROJECT MARKETING

INTERNATIONAL

Erin Van Tuil

Director

+61 2 9036 6699

Erin.VanTuil@au.knightfrank.com

NEW SOUTH WALES

Richard Horne

Managing Director

+61 2 9036 6622

Richard.Horne@au.knightfrank.com



© Knight Frank 2015 This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not permitted without prior consent of, and proper reference to Knight Frank Research.