

# Sydney New Apartments Insight

Q3 2023

Knight Frank's quarterly analysis of high-density residential sites and new apartment market for build-to-sell (BTS) product across Greater Sydney

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## Early signs building high-density apartments is back on the agenda

- Lifting the density around transport hubs has been earmarked by the NSW Government as one way to combat Sydney's expensive apartment prices and rents, with some developers preparing to rebalance their portfolio of sites.

### DEVELOPER ACTIVITY

The volume share of residential development sites being purchased for high-density development in Greater Sydney has grown to 87.3% in the year to June 2023, rising from 79.8% five years earlier, and was higher than 86.1% recorded a year ago.

Building approvals across Greater Sydney trended 5.9% higher between June 2022 and June 2023 with 22,232 apartments approved as recorded by the Australian Bureau of Statistics.

The appetite of developers remains significantly lower than the 36,583 apartments approved in the same period five years ago.

### COST OF CONSTRUCTION

The cost of construction in Greater Sydney increased by an estimated 5.6% in the year to June 2023 according to Rawlinsons.

To build apartments to a standard finish, with a balcony, estimated costs ranged from \$2,850/sqm to \$3,385/sqm (plus GST) in 2022. At the same time, to construct new apartments to a prestige finish was estimated at \$3,745/sqm to \$4,400/sqm.

### ESTABLISHED APARTMENTS PERFORMANCE

In the June 2023 quarter, sales volume trended up by 19.8% to 9,147 established apartments, while annual sales volume trended 23.9% lower. The average days on market for an established apartment was 80 days in the June 2023 quarter. This was 90 days one quarter ago.

Capital values for established apartments fell by 0.7% over the year to June 2023, although rising by 2.7% in the last quarter to a median value of \$774,000 according to APM.

### RENTAL MARKET

Gross rental yields for apartments trended up 19 bps, to 4.58%, over the June 2023 quarter. Rents increased 8.1% for over the quarter to June 2023, and rose 27.6% over the past year with a median rent of \$670 per week (APM).

Total residential rental vacancy was 1.5% in Greater Sydney at the end of June 2023 according to the REINSW, recording 2.1% in the Inner Suburbs (0-10km from the CBD), 1.5% in the Middle Suburbs (10-25km) and 1.5% in the Outer Suburbs (25km+).

**87%**

Share of Greater Sydney site sales volume purchased for high-density residential development in the year to June 2023

**5.9%**

Building approval for apartments change from June 2022 to June 2023 for Greater Sydney

**5.6%**

Change in the cost of construction in Greater Sydney in the year ending June 2023

**-0.7%**

The change in Greater Sydney median established apartment values in the year to June 2023

**9.2%**

Portion of new property sales to international buyers in New South Wales (NSW) in June 2023

**1.5%**

Total residential rental vacancy in June 2023 across Greater Sydney

**4.10%**

Official cash rate target in September 2023 with forecast of 3.40% in 2025 by Oxford Economics

**2.2%**

NSW annual economic growth in 2022 with forecast by Oxford Economics of 2.5% in 2025

**0.8%**

Greater Sydney population change in 2022 to an estimated 5.3 million persons, with 1.6% annual forecast in 2025

# New apartments in Greater Sydney

- Although increasingly more volume of high-density residential sites have been sold over the past year, compared to each year throughout the pandemic, falling site values have begun to stabilise.

**-29%**

Greater Sydney annual change in high-density residential development site sales volume at the end of June 2023

**-2.1%**

The change in Greater Sydney's high-density development site prices in the year to June 2023

**7.4%**

Greater Sydney's annual price change in June 2023 for new apartments

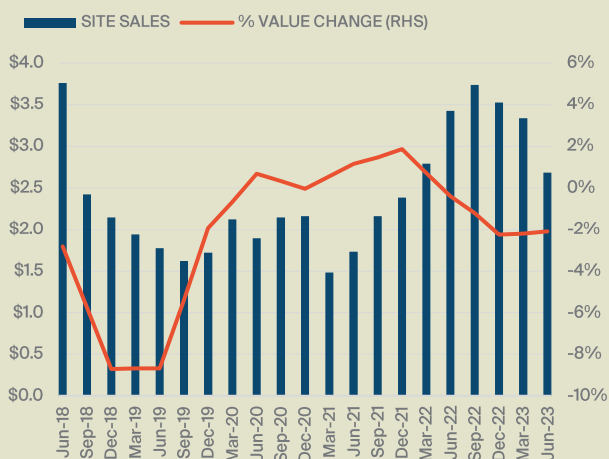
New apartments located in Greater Sydney represent a geographical area designed by the Australian Bureau of Statistics as being the functional area of the capital city which includes populations who regularly socialise, shop or work within the city.

## SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$2.34 billion in the year to June 2023, 29.2% lower than a year ago.
- For a raw apartment site, average values ranged from \$35,000/apartment to \$575,000/per apartment in June 2023, with an indicative rate of \$247,800/apartment.
- Site values for apartment developments fell 2.1% over the past year, with a -0.8% change in the June 2023 quarter.

### Greater Sydney Site Sales & Values

High-density residential rolling annual major site sales volume (\$ billion) & % annual change in site values



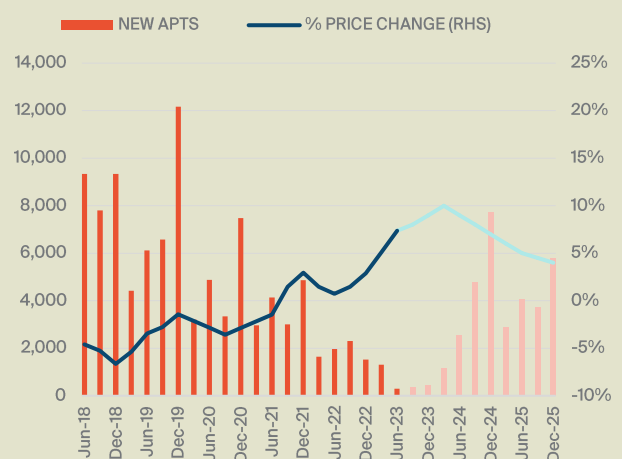
Source: Knight Frank Research

## NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- Almost 89,400 new apartments were built in the five years to June 2023. An average 17,900 new apartments were built each year, while this is forecast to average 14,200 in the next 3 years.
- The average price for a new apartment ranged from \$5,500/sqm to \$34,000/sqm in June 2023, with an indicative rate of \$14,600/sqm.
- New apartment prices rose 1.4% in the June 2023 quarter and were 7.4% higher over the past year.
- Average new apartment prices are forecast to change by 9% at the end of 2023, 7% in 2024 and 4% in 2025 according to Knight Frank Research.

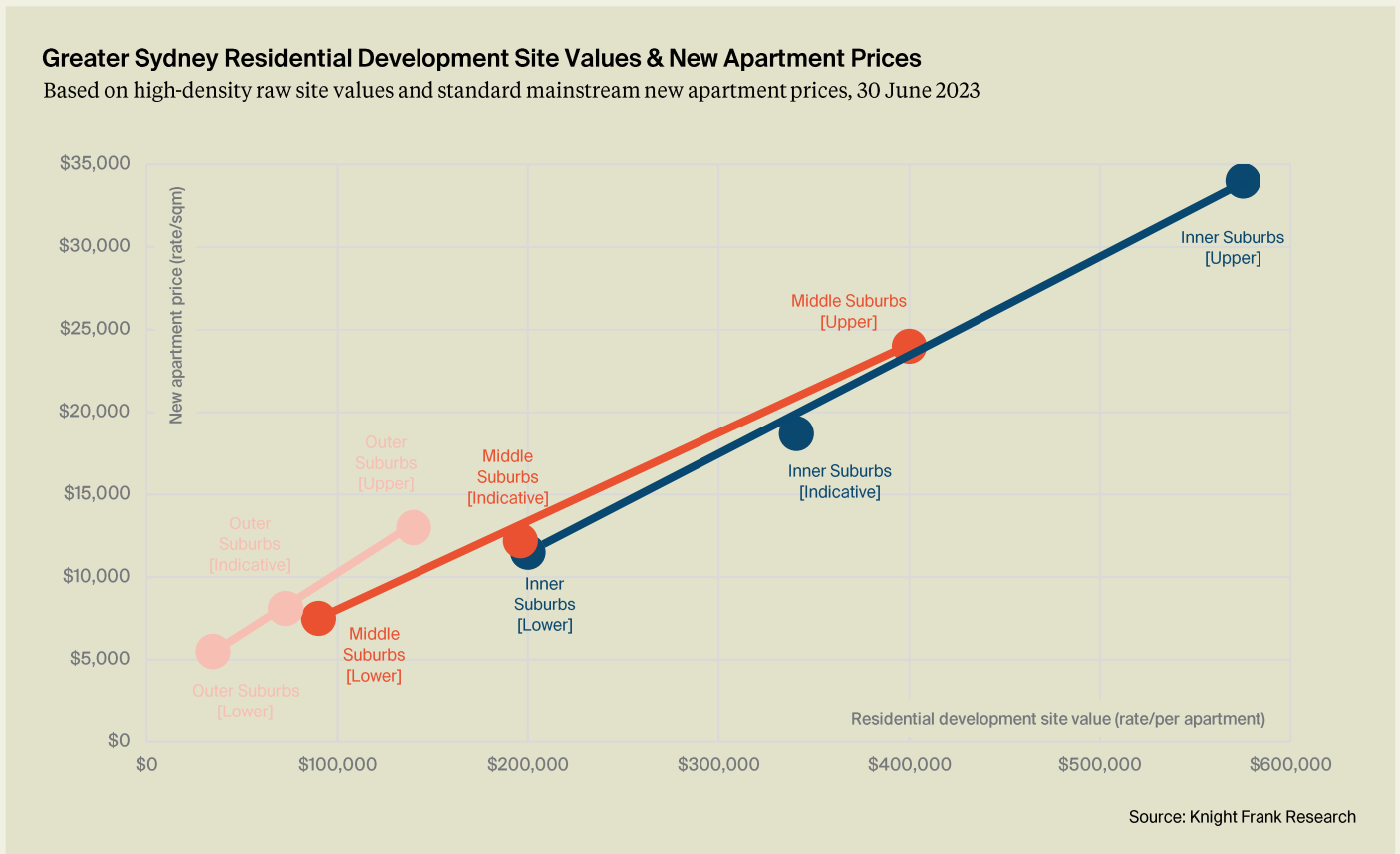
### Greater Sydney Pipeline & Prices

No. of new apartments built or due each quarter & % annual change and forecast of new apartment prices



Source: Knight Frank Research

## Snapshot: Development sites & apartment project pricing



## Greater Sydney new apartments forecast

Greater Sydney New Apartments Forecast						
	2021	2022	2023f	2024f	2025f	2023-2025f AVE
Site Price Performance	2%	-2%	-	-	-	-
New Apartment Pipeline	15,000	7,400	▼ 2,400	▲ 16,200	▲ 16,500	▲ 11,700
New Apartment Price Performance	3%	3%	▲ 9%	▲ 7%	▲ 4%	▲ 7%
Residential Price Performance	23%	-9%	▲ 4%	▲ 5%	▲ 6%	▲ 5%
Residential Rental Market	7%	13%	▲ 16%	▼ 11%	▼ 8%	▼ 12%

Source: Knight Frank Research

# New apartments in Sydney prime regions

- An undersupply of large luxury living apartments being built in prime regions of Sydney has placed upward pressure on prices since 2019 and this is being amplified by a high proportion of cash buyers seeking low maintenance living.

**-13%**

Sydney prime regions annual change in high-density residential development site sales volume at the end of June 2023

**-0.1%**

The change in Sydney's prime regions high-density development site prices in the year to June 2023

**9.9%**

Sydney's prime regions annual price change in June 2023 for new apartments

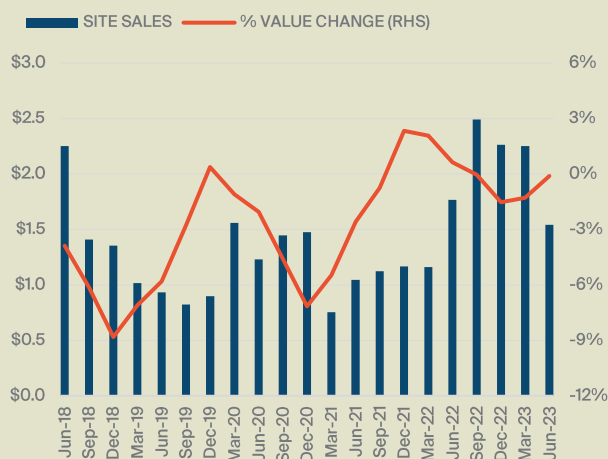
New apartments located in the prime regions are considered to include the Eastern Suburbs, Inner Sydney, Inner West, Lower North Shore, Upper North Shore, Northern Beaches and the Southern Beaches of Sydney.

## SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$1.54 billion in the year to June 2023, 12.8% lower than the year earlier.
- For a raw apartment site in the prime regions, average values ranged from \$275,000/apartment to \$1,600,000/per apartment in June 2023, with an indicative rate of \$435,800/apartment.
- Site values for apartment developments fell 0.1% over the past year, although 0.9% growth was recorded in the June 2023 quarter.

### Sydney Prime Site Sales & Values

High-density residential rolling annual major site sales volume (\$ billion) & % annual change in site values



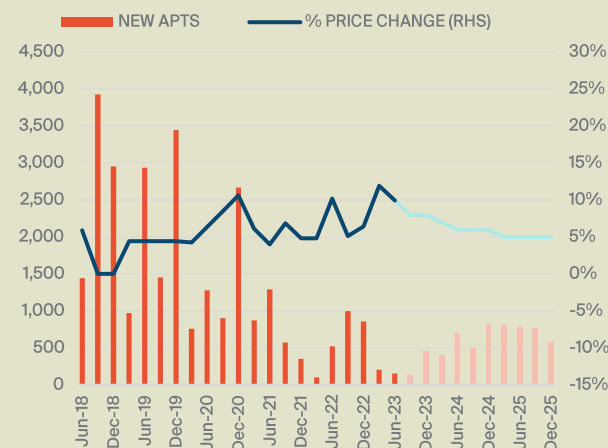
Source: Knight Frank Research

## NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- A little over 28,500 new apartments were built in the five years to June 2023. An average 5,400 new apartments were built each year, while this is forecast to average 2,600 in the next 3 years.
- The average price for a new prime luxury apartment ranged from \$51,000 to \$74,000/sqm in June 2023, with an indicative rate of \$63,000/sqm.
- New prime luxury apartment prices rose 3.3% in the June 2023 quarter and were 9.9% higher in the past year. Prices are forecast to change by 8% at the end of 2023, 6% in 2024 and 5% in 2025 according to Knight Frank Research.

### Sydney Prime Pipeline & Prices

No. of new apartments built or due each quarter in prime regions & % annual change and forecast of new prime luxury apartment prices



Source: Knight Frank Research

# New apartments in Sydney inner suburbs

- Almost double-digit price growth has derived from a diminishing pipeline of new apartments launching in the inner suburbs of Sydney over the past three years.

**-31%**

Sydney inner suburbs annual change in high-density residential development site sales volume at the end of June 2023

**-0.5%**

The change in Sydney's inner suburbs high-density development site prices in the year to June 2023

**9.4%**

Sydney's inner suburbs annual price change in June 2023 for new apartments

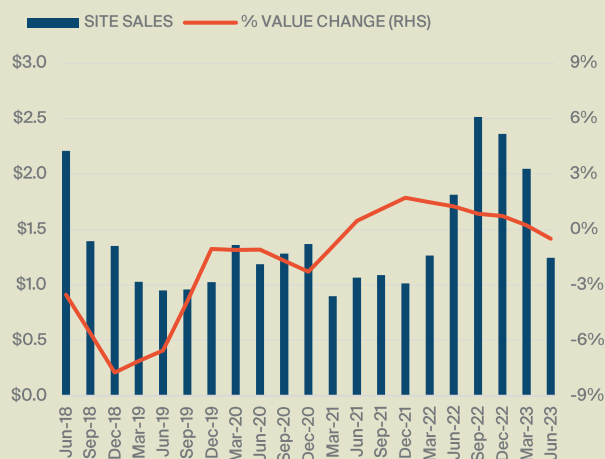
New apartments in the inner suburbs of Sydney are located within a 10-kilometre radius from the Central Business District.

## SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$1.25 billion in the year to June 2023, 31.3% lower than a year ago.
- For a raw apartment site, average values ranged from \$200,000/apartment to \$575,000/per apartment in June 2023, with an indicative rate of \$340,800/apartment.
- Site values for apartment developments fell 0.5% over the past year, with a -0.7% change in the June 2023 quarter.

### Sydney Inner Ring Site Sales & Values

High-density residential rolling annual major site sales volume (\$ billion) & % annual change in site values



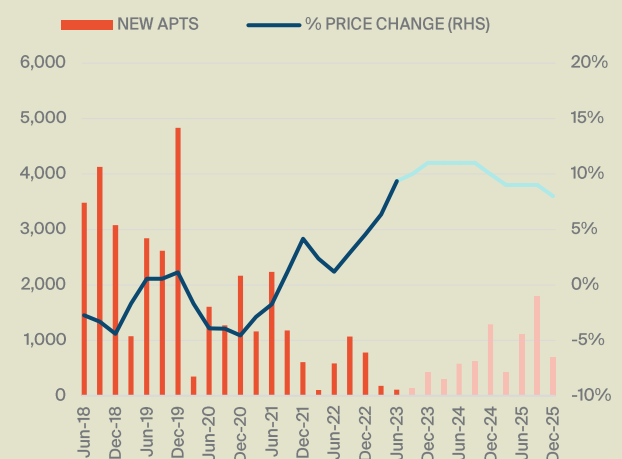
Source: Knight Frank Research

## NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- Close to 35,500 new apartments were built in the five years to June 2023. An average 6,400 new apartments were built each year, while this is forecast to average 3,200 in the next 3 years.
- The average price for new apartments ranged from \$11,500/sqm to \$34,000/sqm in June 2023, with an indicative rate of \$18,700/sqm.
- New apartment prices rose 1.6% in the June 2023 quarter and were 9.4% higher over the past year.
- Average new apartment prices are forecast to change by 11% at the end of 2023, 10% in 2024 and 8% in 2025 according to Knight Frank Research.

### Sydney Inner Ring Pipeline & Prices

No. of new apartments built or due each quarter & % annual change and forecast of new apartment prices



Source: Knight Frank Research

# New apartments in Sydney middle suburbs

- Demand has remained relatively solid for high-density residential sites by developers and buyers of new apartments in Sydney's middle suburbs with a significant number of new infrastructure projects driving sales.

**3%**

Sydney middle suburbs annual change in high-density residential development site sales volume at the end of June 2023

**-3.7%**

The change in Sydney's middle suburbs high-density development site prices in the year to June 2023

**6.1%**

Sydney's middle suburbs annual price change in June 2023 for new apartments

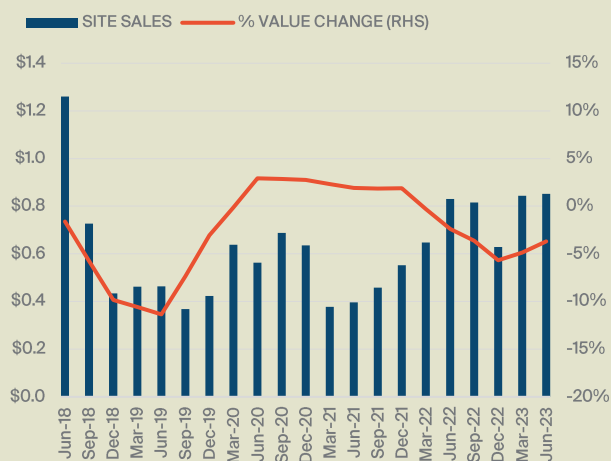
New apartments in the middle suburbs of Sydney are located between a 10-kilometre and 25-kilometre radius from the Central Business District.

## SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$851.04 million in the year to June 2023, 2.6% higher than the year earlier.
- For a raw apartment site, average values ranged from \$90,000/apartment to \$400,000/per apartment in June 2023, with an indicative rate of \$196,100/apartment.
- Site values for apartment developments fell 3.7% over the past year, with a -0.7% change in the June 2023 quarter.

### Sydney Middle Ring Site Sales & Values

High-density residential rolling annual major site sales volume (\$ billion) & % annual change in site values



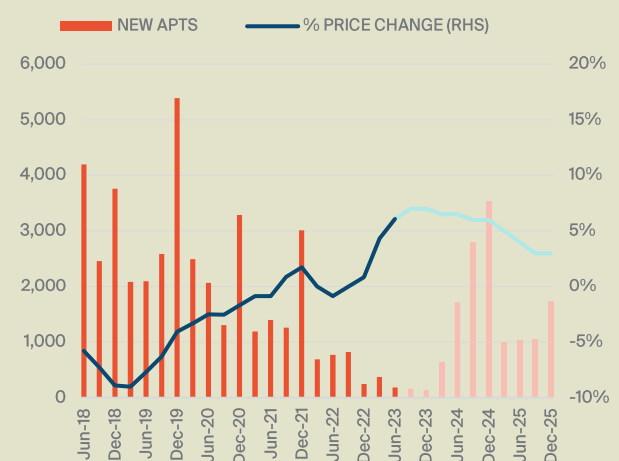
Source: Knight Frank Research

## NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- Almost 41,700 new apartments were built in the five years to June 2023. An average 7,500 new apartments were built each year, while this is forecast to average 5,600 in the next 3 years.
- The average price for a new apartment ranged from \$7,500/sqm to \$24,000/sqm in June 2023, with an indicative rate of \$12,200/sqm.
- New apartment prices rose 0.8% in the June 2023 quarter and were 6.1% higher over the past year.
- Average new apartment prices are forecast to change by 7% at the end of 2023, 6% in 2024 and 3% in 2025 according to Knight Frank Research.

### Sydney Middle Ring Pipeline & Prices

No. of new apartments built or due each quarter & % annual change and forecast of new apartment prices



Source: Knight Frank Research



# New apartments in Sydney outer suburbs

- Prices for new apartments have gained growth in the past year in the outer suburbs, with this likely to continue given the price point compared to other parts of the city, and the minimal new stock being delivered until late 2024.

**-19%**

Sydney outer suburbs annual change in high-density residential development site sales volume at the end of June 2023

**-11%**

The change in Sydney's outer suburbs high-density development site prices in the year to June 2023

**1.3%**

Sydney's outer suburbs annual price change in June 2023 for new apartments

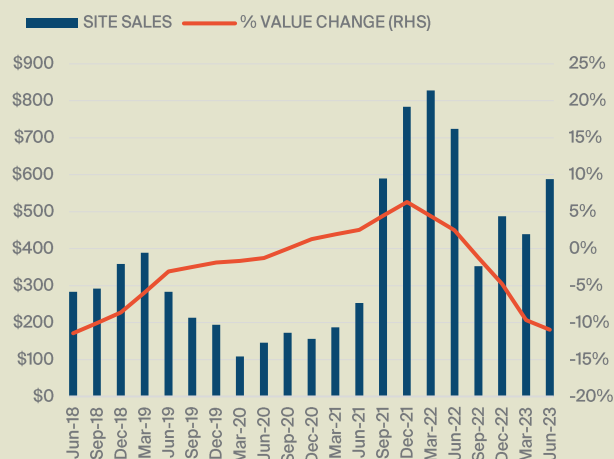
New apartments in the outer suburbs of Sydney are located outside a 25-kilometre radius from the Central Business District.

## SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$588.38 million in the year to June 2023, 18.8% lower than a year ago.
- For a raw apartment site, average values ranged from \$35,000/apartment to \$140,000/per apartment in June 2023, with an indicative rate of \$73,000/apartment.
- Site values for apartment developments fell 11.0% over the past year, with a -2.7% change in the June 2023 quarter.

### Sydney Outer Ring Site Sales & Values

High-density residential rolling annual major site sales volume (\$ million) & % annual change in site values



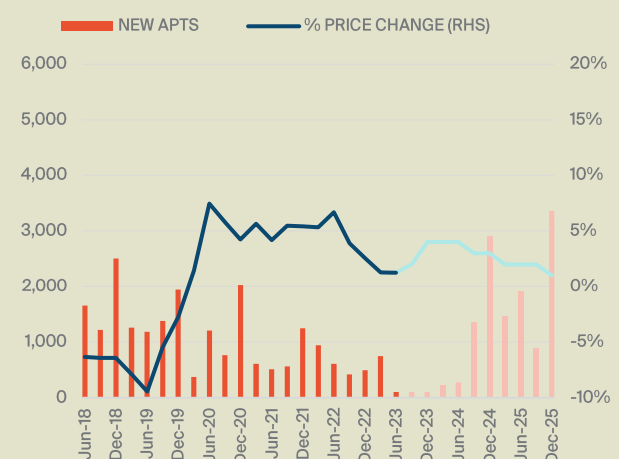
Source: Knight Frank Research

## NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- Close to 21,800 new apartments were built in the five years to June 2023. An average 4,000 new apartments were built each year, while this is forecast to average 5,600 in the next 3 years.
- The average price for new apartments ranged from \$5,500/sqm to \$13,000/sqm in June 2023, with an indicative rate of \$8,100/sqm.
- New apartment prices rose 1.3% in the June 2023 quarter and were 1.3% higher over the past year.
- Average new apartment prices are forecast to change by 4% at the end of 2023, 3% in 2024 and 1% in 2025 according to Knight Frank Research.

### Sydney Outer Ring Pipeline & Prices

No. of new apartments built or due each quarter & % annual change and forecast of new apartment prices



Source: Knight Frank Research

# Data digest

## Major sites

Considered to hold a raw site value threshold of \$2 million or more for all cities, except for Sydney and Melbourne being \$5 million or more.

## High-density

Includes residential apartment projects with 4+ storeys in height.

## Prime (luxury) residential property

The most desirable and most expensive property in a given location, generally defined as the top 5% of each market by value.

## Prime regions

Prime regions cover postcodes in Inner Sydney: 2000, 2006-2011; Eastern Suburbs: 2021-2031; Inner West: 2037-2050, 2110, 2135, 2137; Lower North Shore: 2060-2069, 2088-2090; Upper North Shore: 2070-2077, 2079-2087; Northern Beaches: 2092-2097, 2099-2108; Southern Beaches: 2219, 2221, 2224, 2229, 2230.

## Currency

All references made to dollars or \$ is 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.

## Recent Research



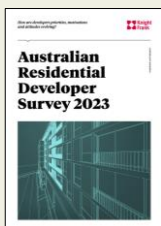
Sydney Residential Insight



Global Branded Residences Report



Sydney Prime Residential Insight



Australian Residential Developer Survey 2023



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