

EDITION 24.4



SYDNEY

SYDNEY CAPITAL CITY REVIEW

 **PERFORMANCE**
PROPERTY RESEARCH

DISCLAIMER

The data presented in this report are sourced from 3rd party resources that we have selected due to their reliability and availability over the historical periods that we require for our research to be relevant. Due to the fact that the current year is not yet complete, data presented for the current year are estimated to represent a full year.

SYDNEY AT A GLANCE

CURRENT MEDIAN HOUSE
\$1,425,000

CURRENT MEDIAN UNIT
\$780,000

In the current stage of cycle

The Sydney house market has a **Downside Risk Rating** while the unit market has a **Buy Value Rating**. If buying houses, it would be best suited to a **Foundation Strategy**.

If buying units, it would be best suited to a **Foundation Strategy**.

We classify the Sydney house market currently as a **Medium Risk Investment**, and the Sydney unit market as **Medium Risk Investment** based on the stage of the cycle.

Legend

Trading Strategy = **6 to 9 years**

Foundation Strategy = **10+ years**



Average Days
on Market

Houses : **29**
Units : **32**



POPULATION



Current: **5,041,275**
Current Growth Rate: **2.91%**
Avg 10 Yr Growth Rate: **1.42%**

UNEMPLOYMENT RATE

4.0%

LONG TERM COMPOUNDED
GROWTH PA (1980) IS **7.46%** FOR
HOUSES & **6.00%** FOR UNITS.

Houses the last 3 years have seen 4.05%
PA growth, units 0.32%.

7.46%

HOUSE
YIELD **3.7%**

UNIT
YIELD **4.6%**

EXECUTIVE SUMMARY

KEY MARKET INDICATORS

Neutral

■	Affordability Index HOUSE V. Price Movement.....	08
■	NSW Monthly Housing Finance.....	09
■	Stock on Market V. Avg Days on Market.....	10
■	Vacancy Rate V. Median Rent.....	11
■	Job Creation Index.....	12

SUPPLY & DEMAND - Positive

Does Demand Exceed Supply?

■	Change in Population	13
■	State Population Movement	14
■	Dwelling Sales.....	15
■	Dwelling Approvals V. Population % Change.....	16

AFFORDABILITY - Negative

Is Property Affordable?

■	Affordability Index HOUSE V. Price Movement.....	08
■	Affordability Index UNITS V. Price Movement.....	17
■	Price to Income Ratio.....	18
■	Rent to Income V Affordability.....	19
■	FHBs as % of Population.....	20

CONFIDENCE - Neutral

Is There Confidence In The Market?

■	Retail Turnover Growth.....	21
■	Mortgage Arrears.....	22
■	Unemployment Rate	23
■	Business Investment	24

MONEY SUPPLY - Slightly Negative

Will There Be More or Less Money Into The Economy?

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INVESTMENT VALUE - Negative

Is This Market Showing Value?

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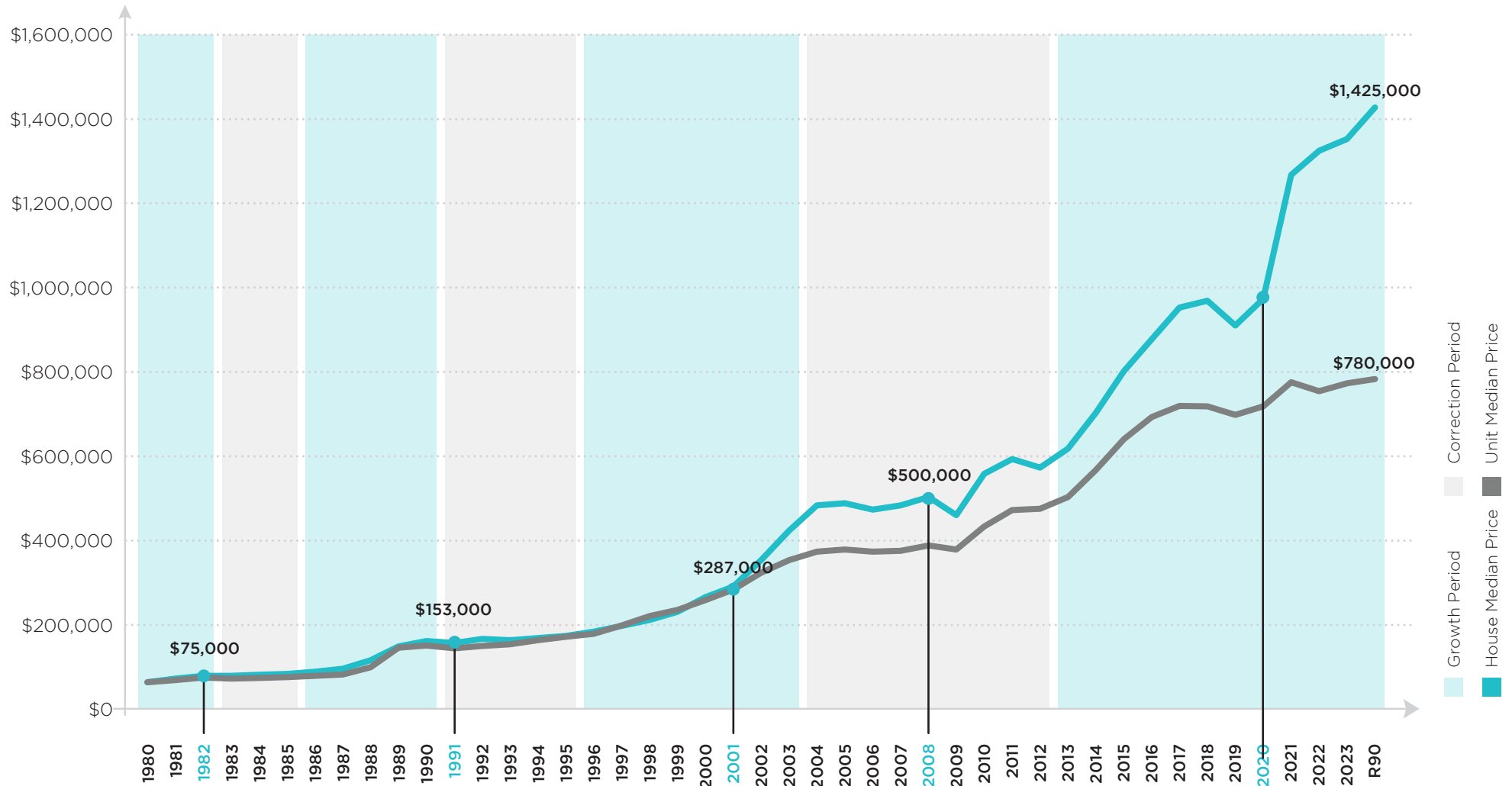
RISK - Negative

Is There Potentially Downside Volatility?

■	Affordability Index HOUSE V. Price Movement.....	08
■	Price to Income Ratio	18
■	Industry Value Added	30
■	Population Pyramid.....	31

■	Positive
■	Slightly Positive
■	Neutral
■	Slightly Negative
■	Negative

SYDNEY HOUSE & UNIT PRICE MOVEMENT



1982
Severe Recession
Cash Rate 16.3%
Inflation 12.4%
Unemployment 11.3%

1991
Major Recession
Cash Rate 8.5%
Inflation 4.8%
Unemployment 11.3%

2001
Dot Com Crash
Cash Rate 4.5%
Inflation 6.1%
Unemployment 6.9%

2008
GFC
Cash Rate 5.3%
Inflation 5%
Unemployment 6.2%

2020
Covid-19
Cash Rate 0.25%
Inflation 1.8%
Unemployment 7.9%

OUR VIEW OF THE SYDNEY HOUSE MARKET

PEAK

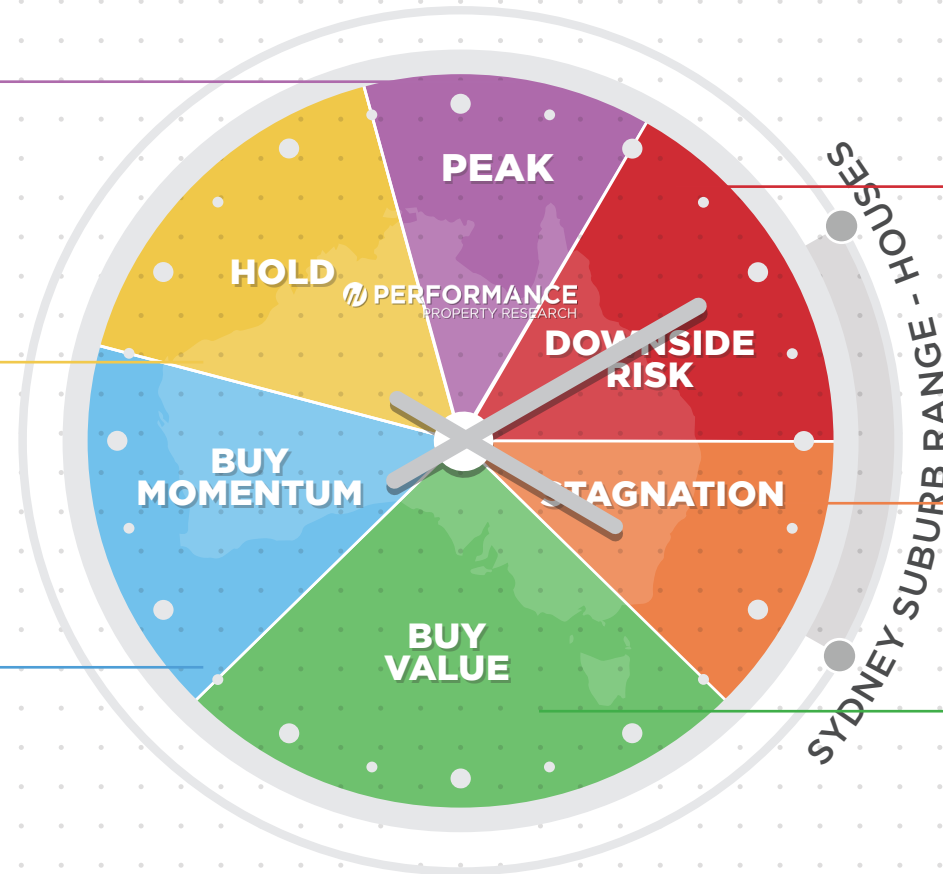
The market has peaked based on its historic performance. Consider selling in this market after consultation with your financial planner or property investment adviser.

HOLD

This market is only appropriate to enter with a long term property strategy. Growth in the short term is expected to be limited, but quality assets held long term will continue to perform.

BUY MOMENTUM

On a macro level the market is at or close to halfway through this growth cycle and demand for quality property is strong and rising. Macro fundamentals are present to support growth in the short term.



DOWNSIDE RISK

The market has moved past its peak historic performance. There is a significant risk for the market to experience a downturn in the near future.

STAGNATION

The market is moving through a correction stage. We see minimal opportunity for growth in the short to medium term.

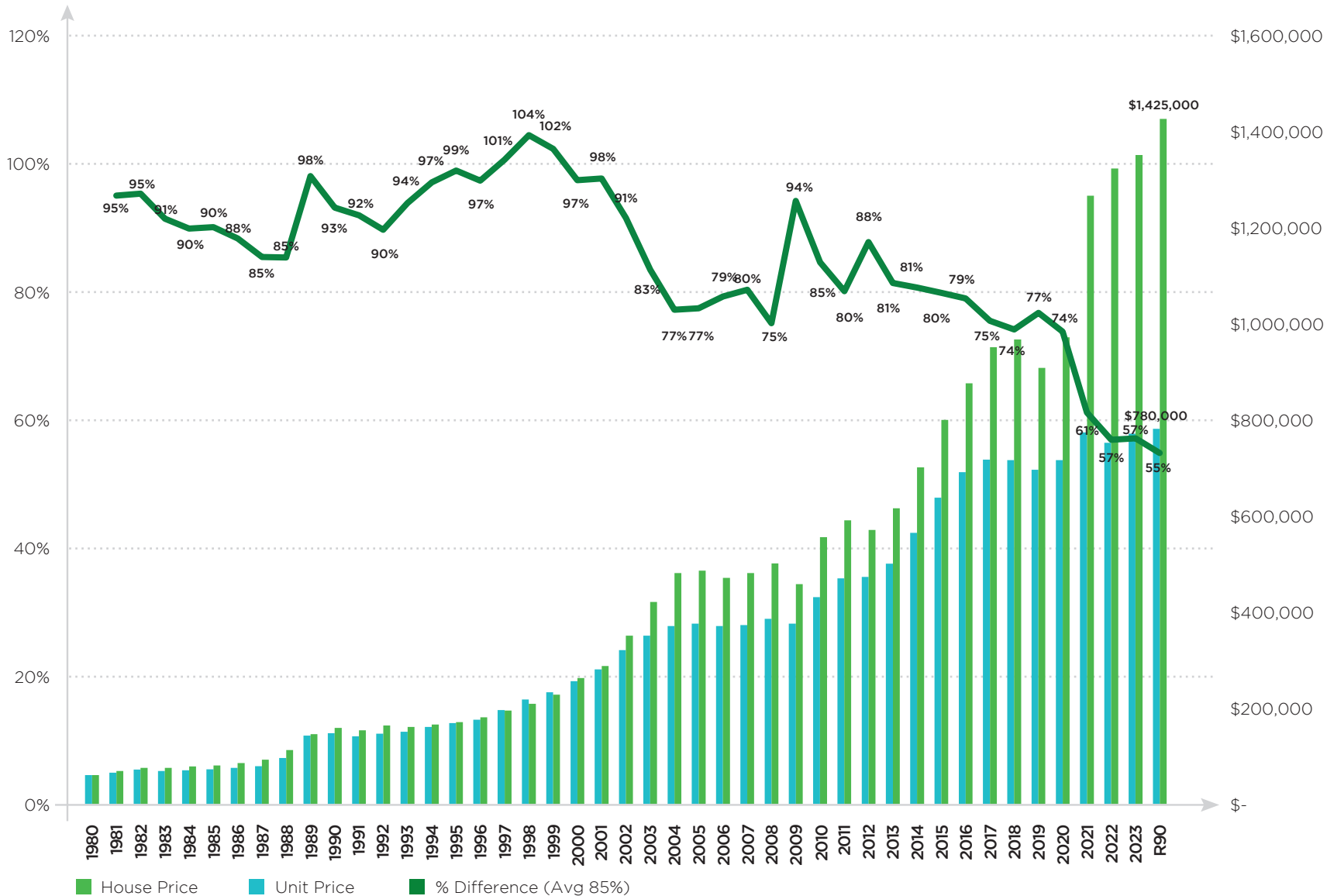
BUY VALUE

This market offers good investment value with macro fundamentals present to support growth in the short to medium term. Buy at the true market bottom to take advantage of the full growth upswing, with cyclical risk at its lowest.

For more information on the Sydney market, including individual property and suburb information, call to speak to one of our professional property advisors on (03) 8539 0300.

SYDNEY HOUSE V. UNIT PRICE COMPARISON

This graph shows the comparison between house and unit price movements and the percentage difference for each year.



POSITIVE

OUR VIEW OF THE SYDNEY UNIT MARKET

PEAK

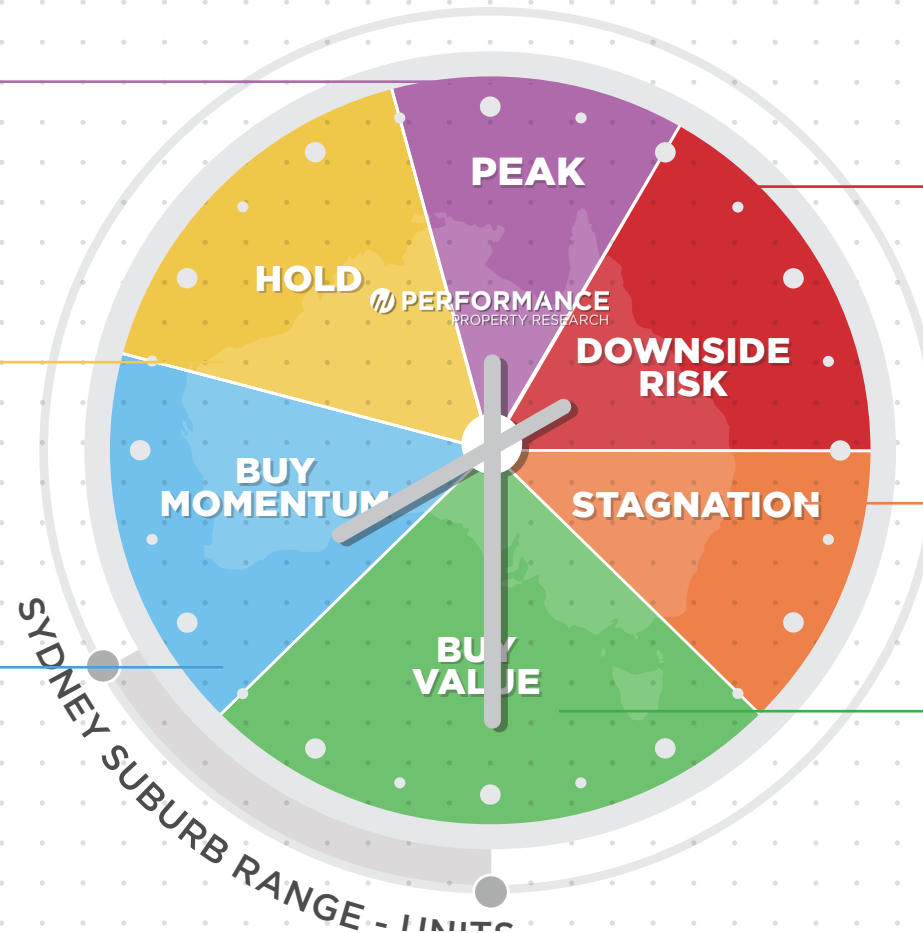
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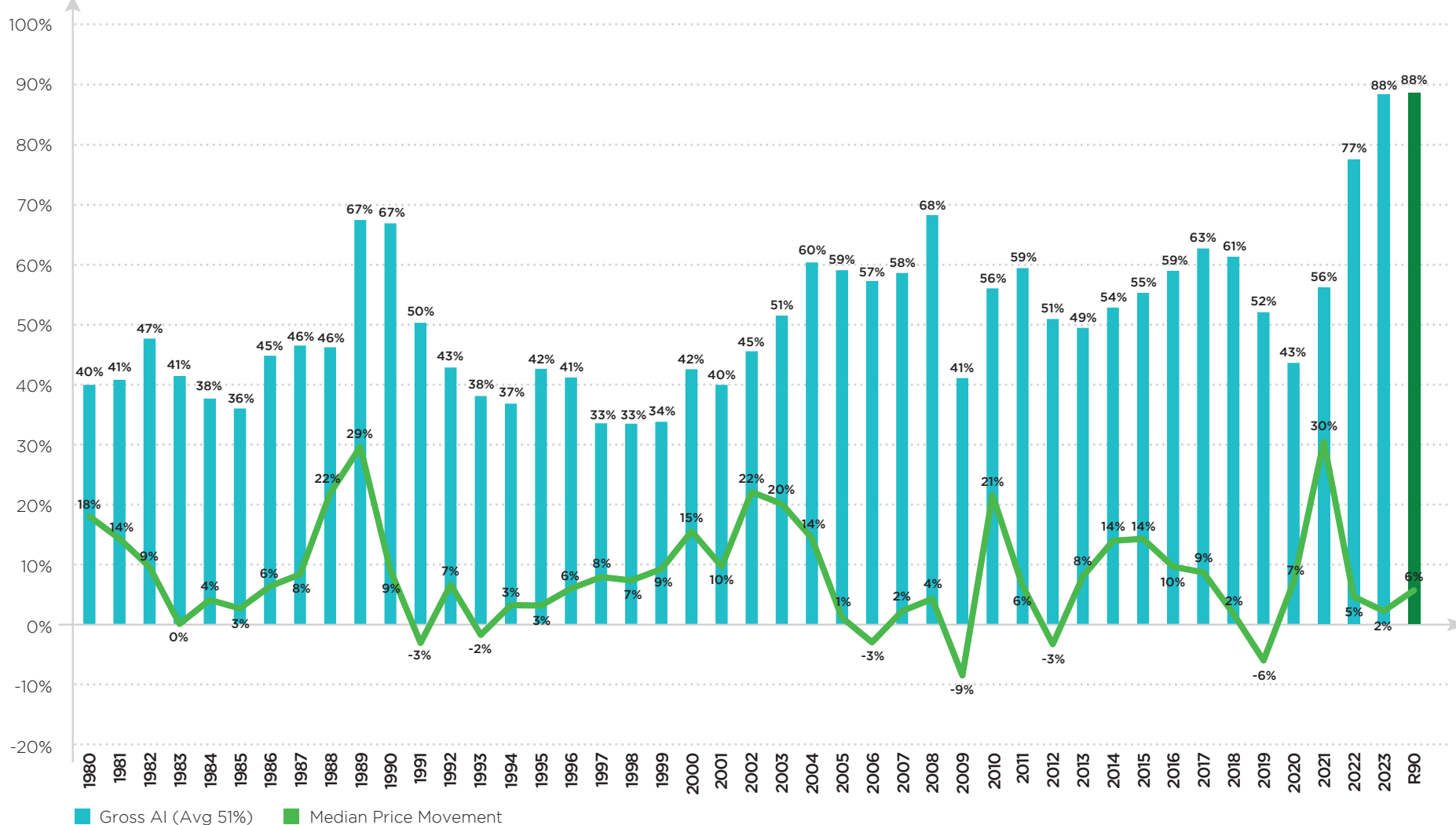
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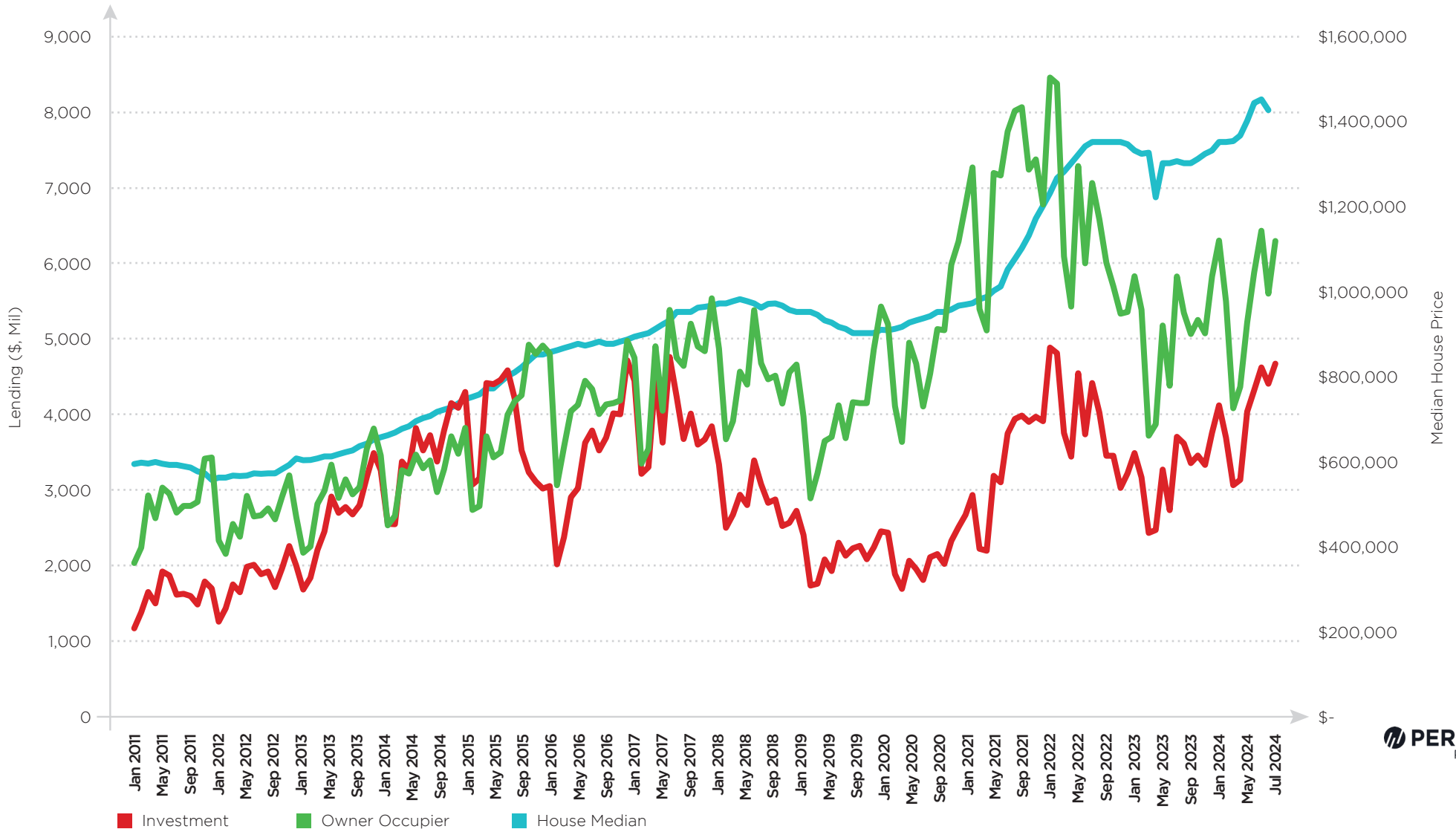
AFFORDABILITY INDEX V. PRICE MOVEMENT - HOUSE

This graph displays the impact interest rates have on house price movements. Performance Property's Gross Affordability Index (AI) is a measure of the average mortgage repayments versus the average income. The AI is calculated using the median price, average wage (before tax), assumes a 20% deposit, the current variable interest rate and Principle & Interest repayments over a 30 year loan term. For the current year, the rolling 90 days (R90) is shown to convey latest market status.



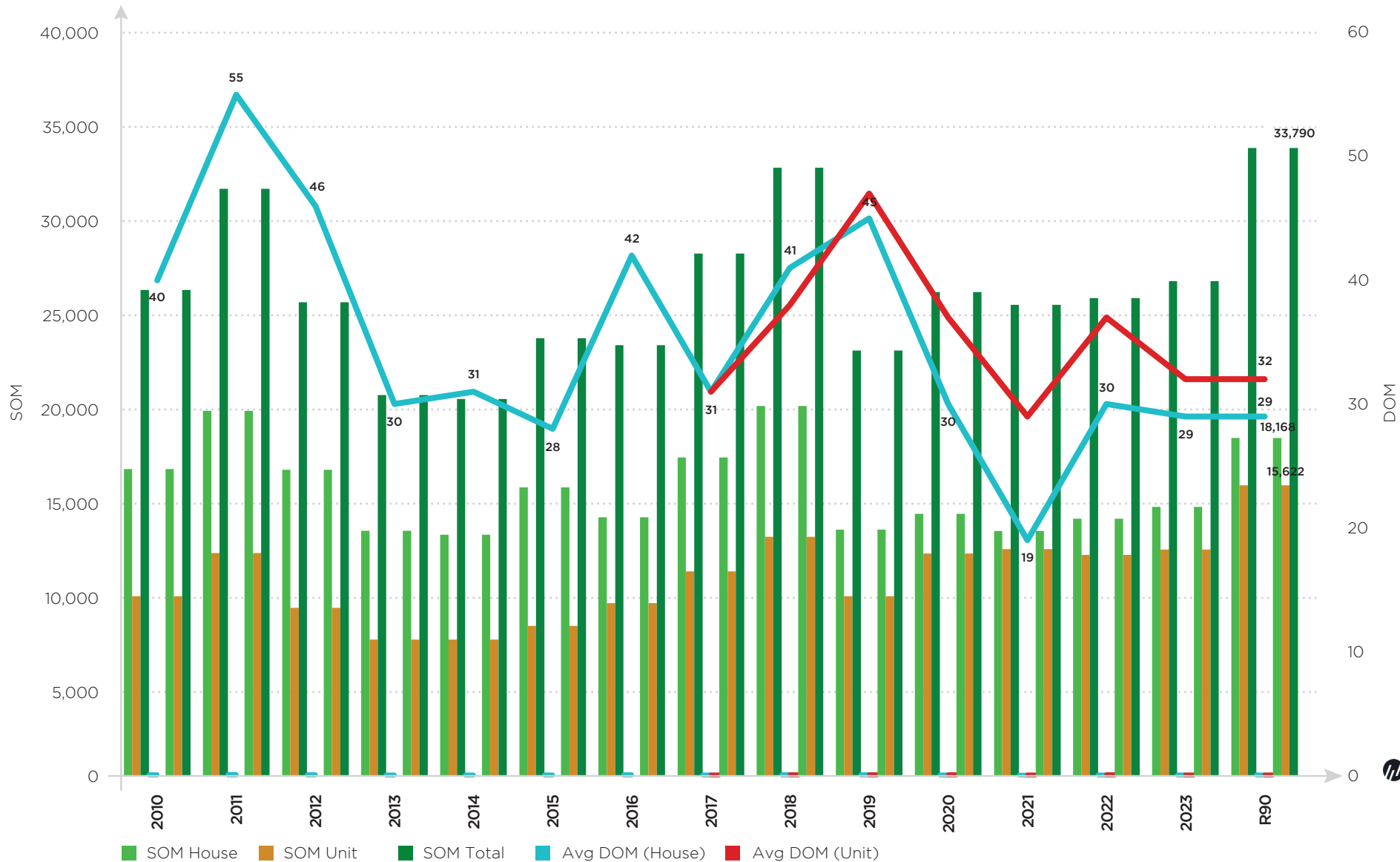
NSW MONTHLY HH LENDING TO OC V. MEDIAN HOUSE PRICE

This graph displays the value of housing finance for the state each month for owner occupiers and investors versus the median house price.



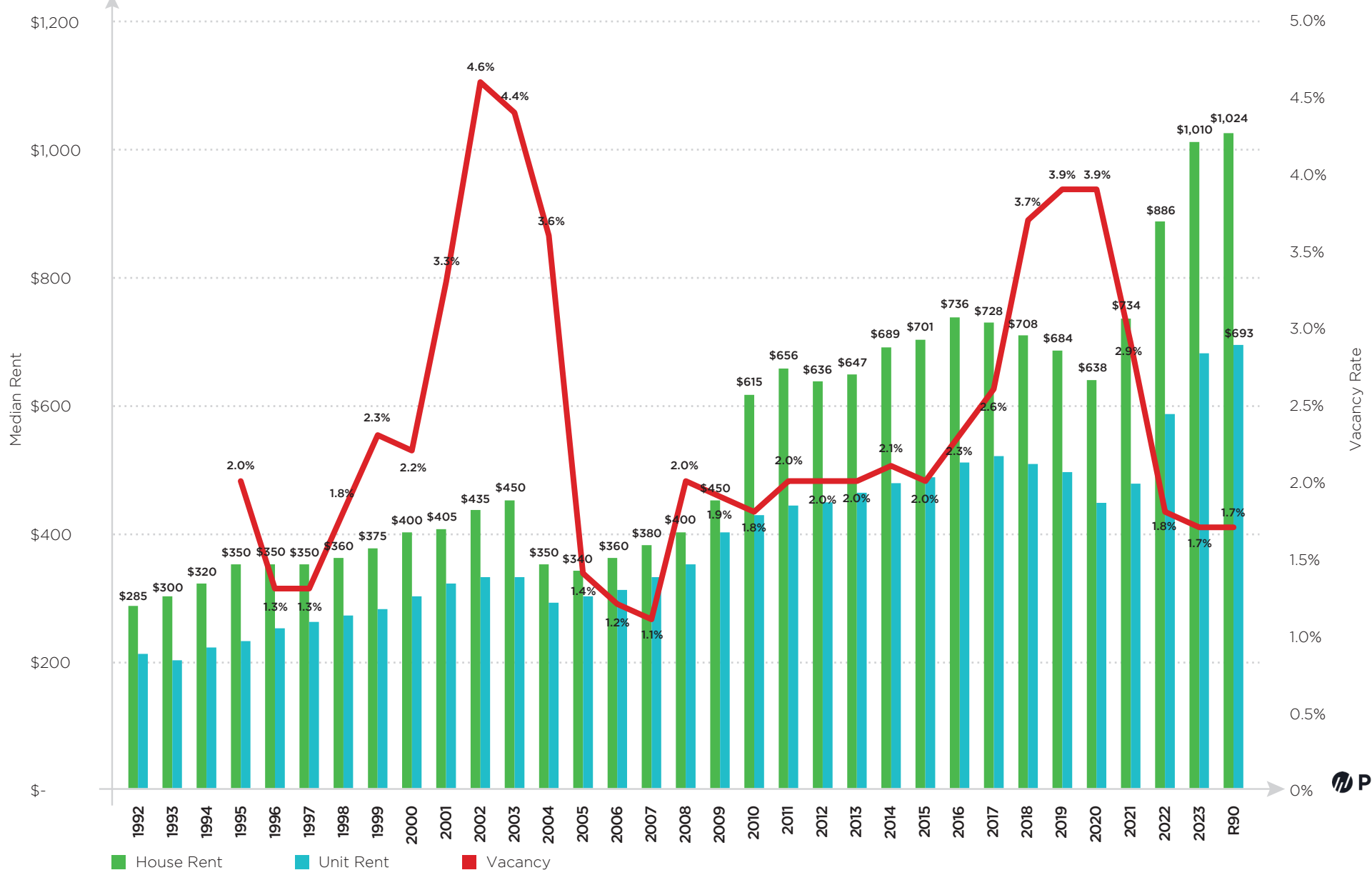
STOCK ON MARKET V. AVG DAYS ON MARKET

This graph displays the average days on market and stock on market in one month of each year.



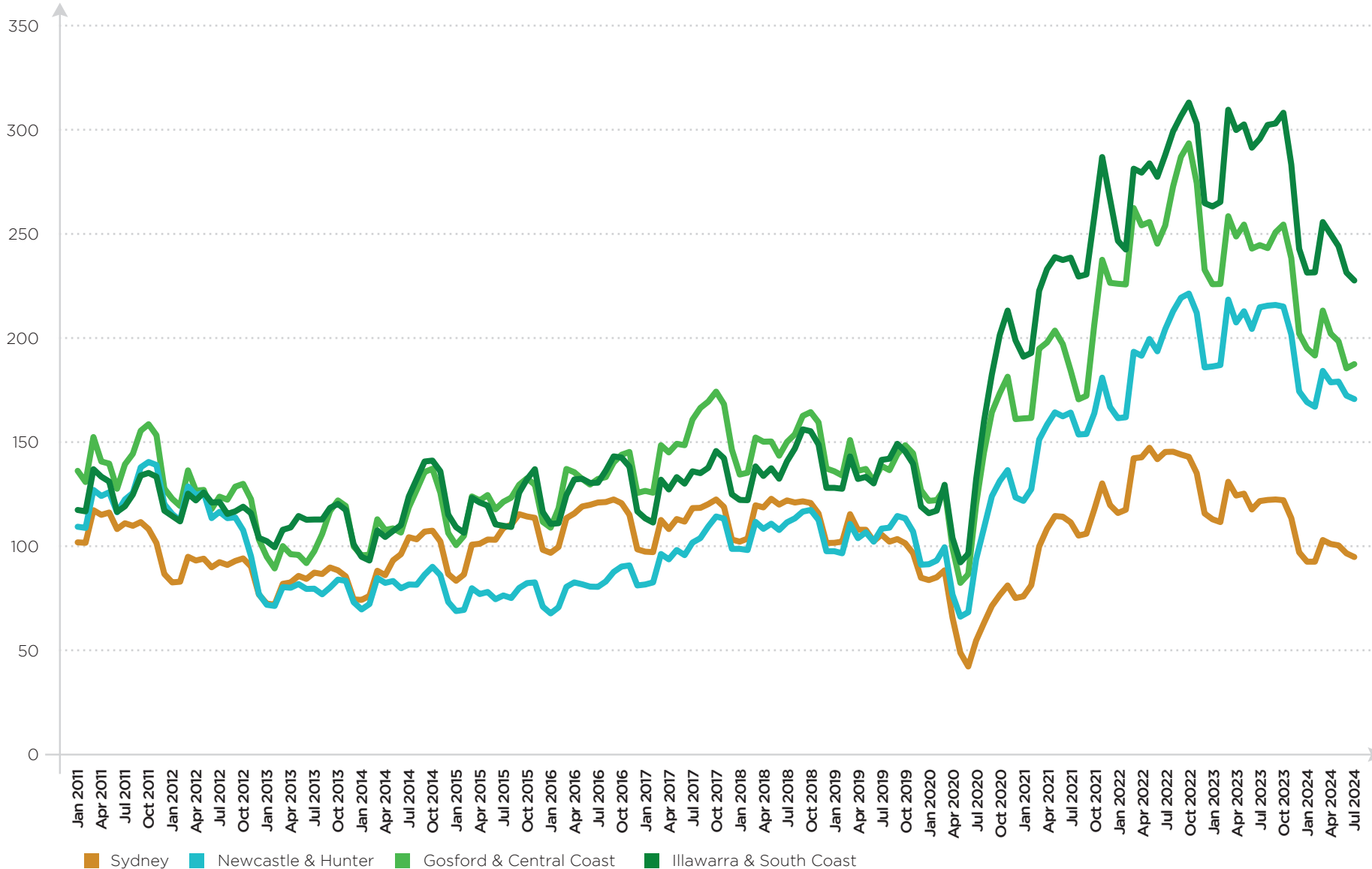
VACANCY RATE V. RENT

This graph displays the relationship between rental growth for both houses and units and the vacancy rate.



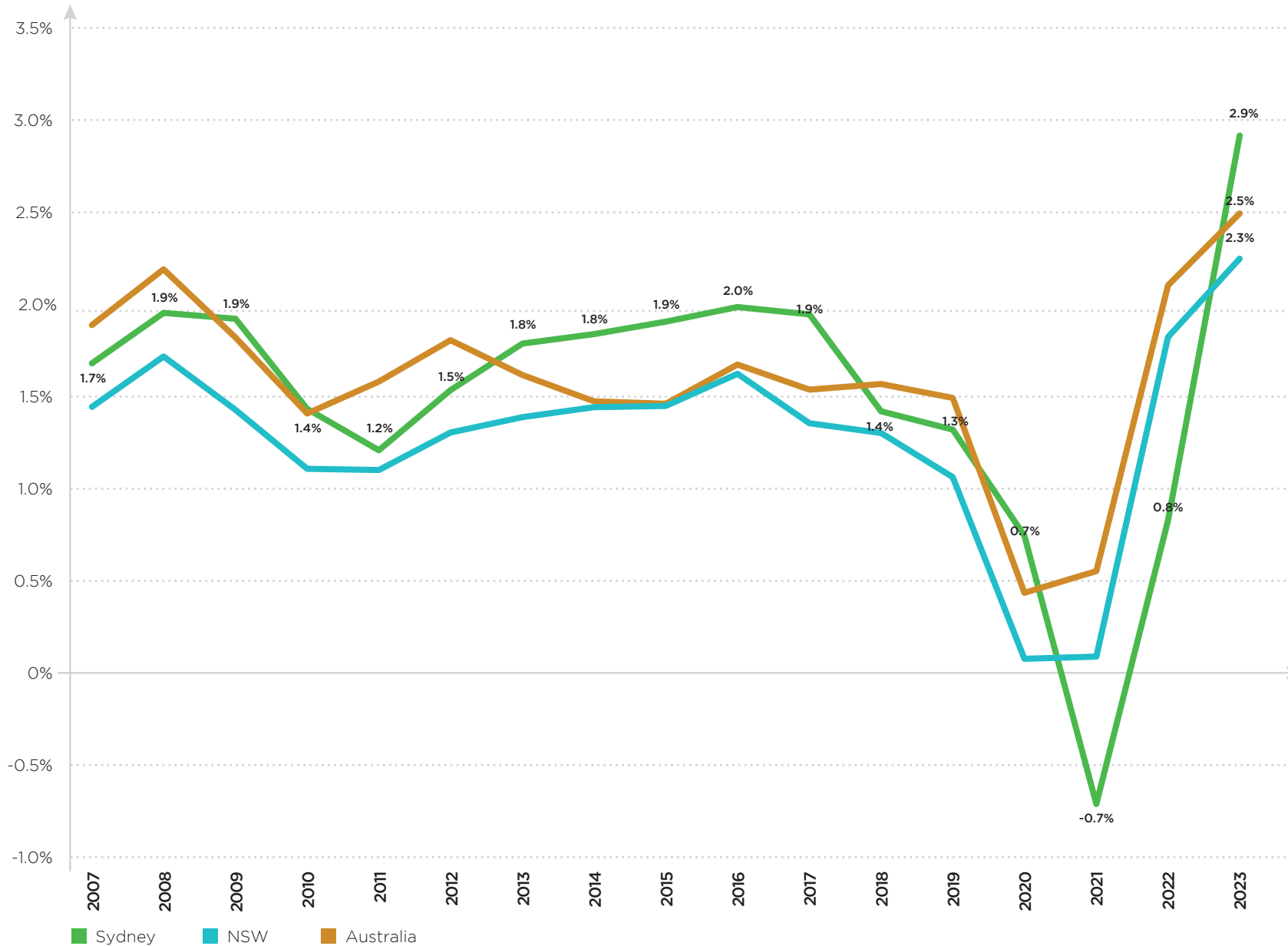
JOB CREATION INDEX - SYDNEY

This graph shows the internet vacancy index for online job advertisements on the three major job boards.



CHANGE IN POPULATION

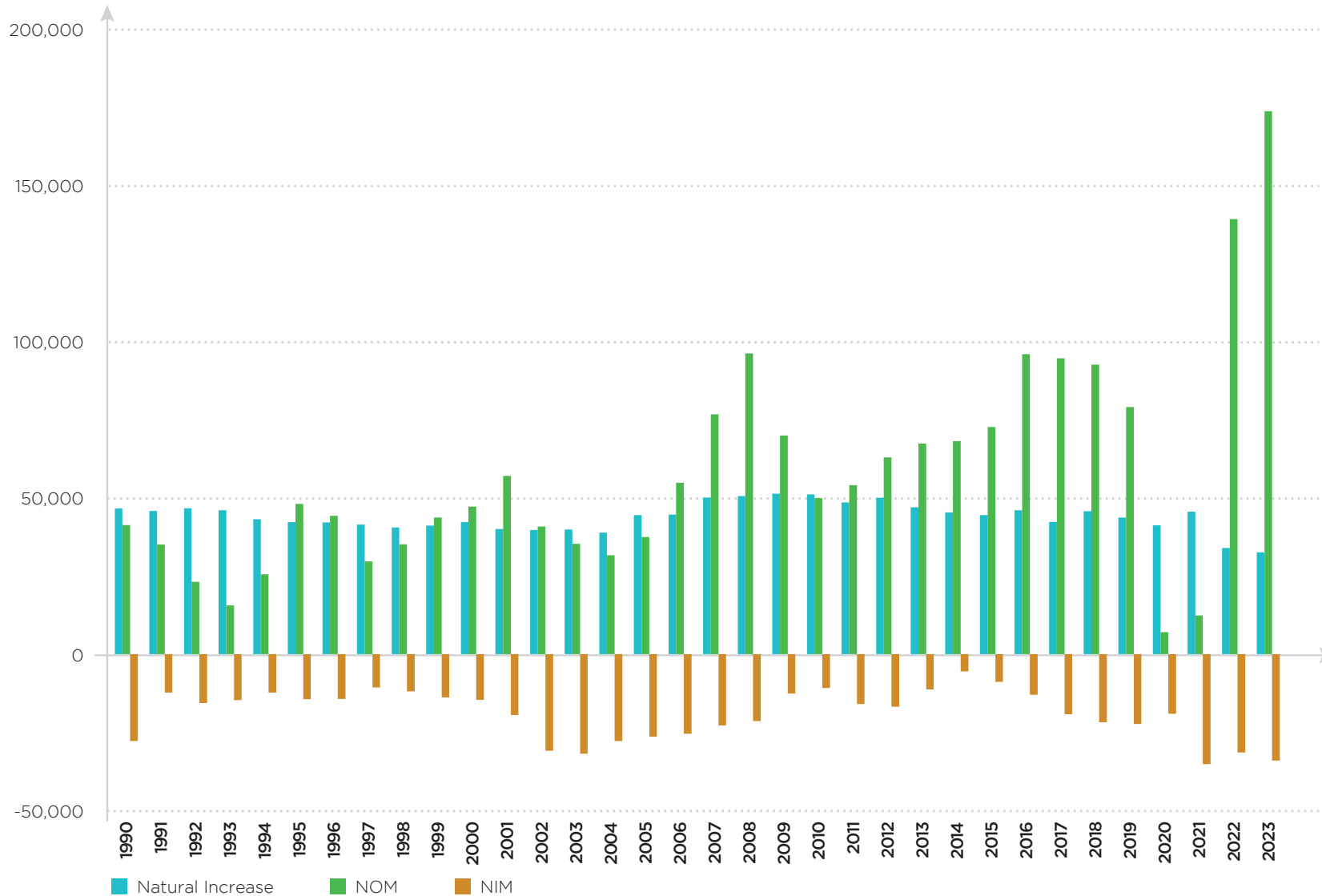
This graph shows the percentage change in the population growth rate for the city, state and Australia.



POSITIVE

NSW POPULATION MOVEMENT TYPE

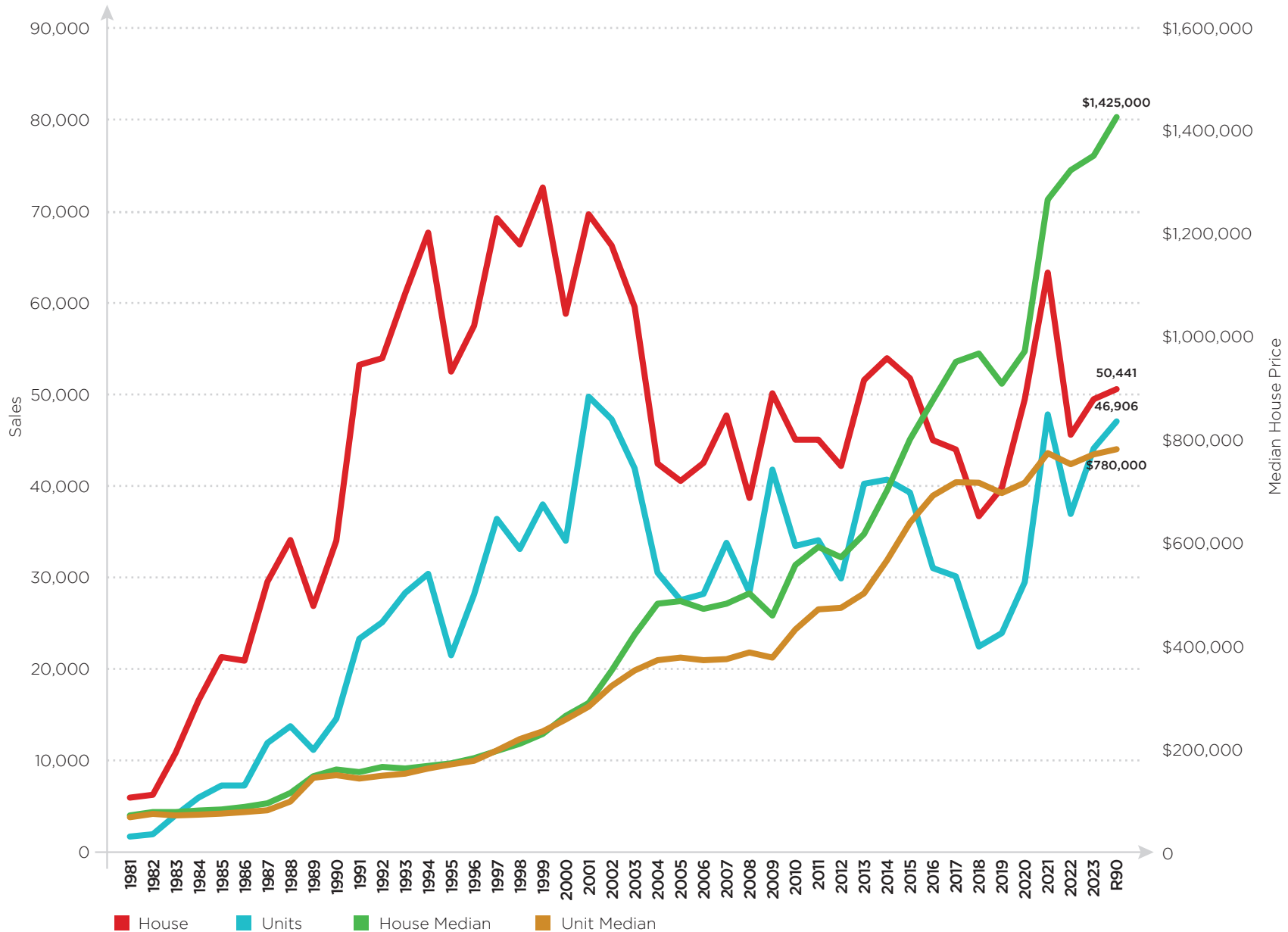
This graph demonstrates the breakdown of Natural Increase, Net Overseas Migration (NOM) and Net Interstate Migration (NIM) for the state.



SLIGHTLY
POSITIVE

DWELLING SALES

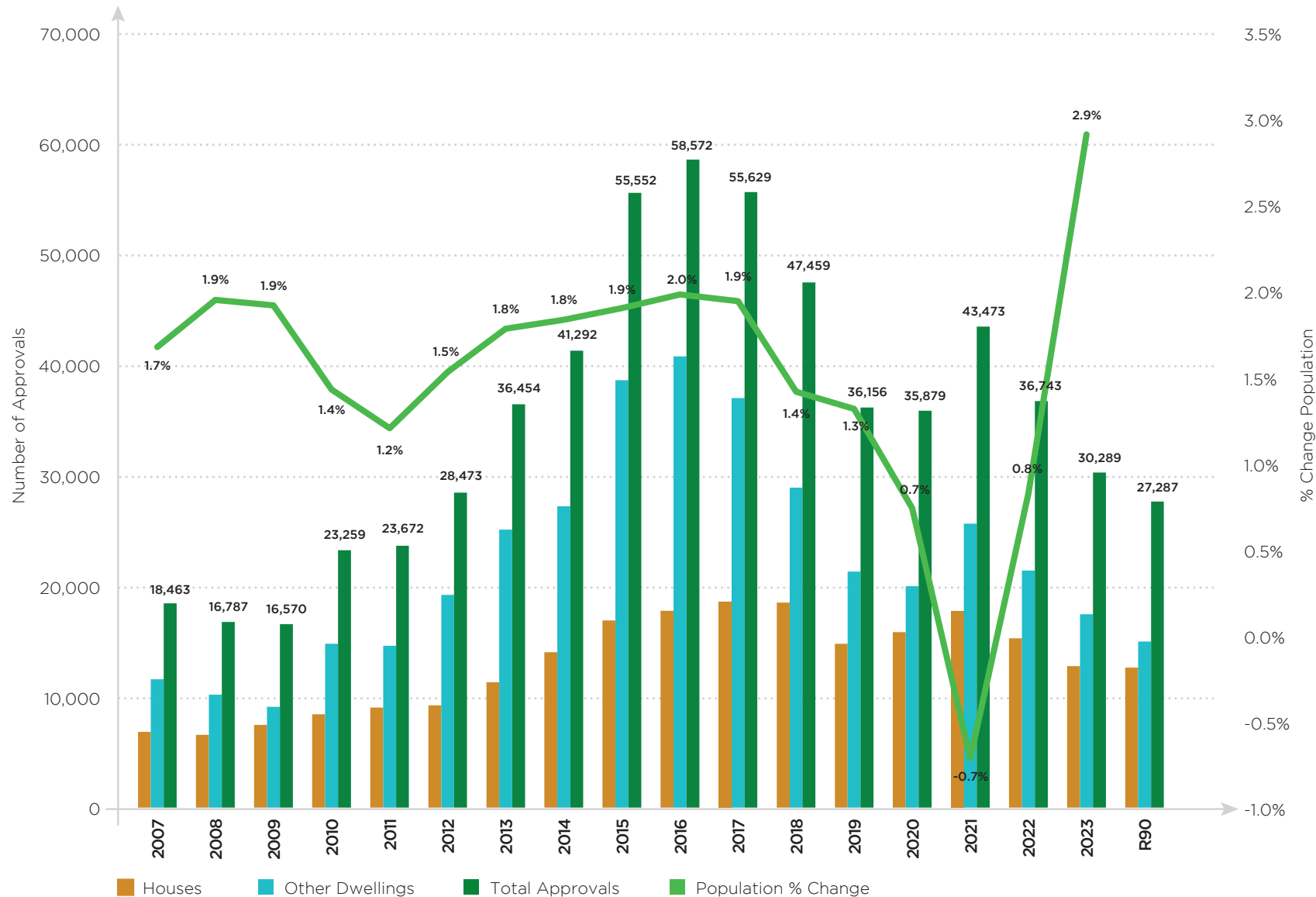
This graph displays the number of unit and house sales.



NEUTRAL

DWELLING APPROVALS V. POPULATION

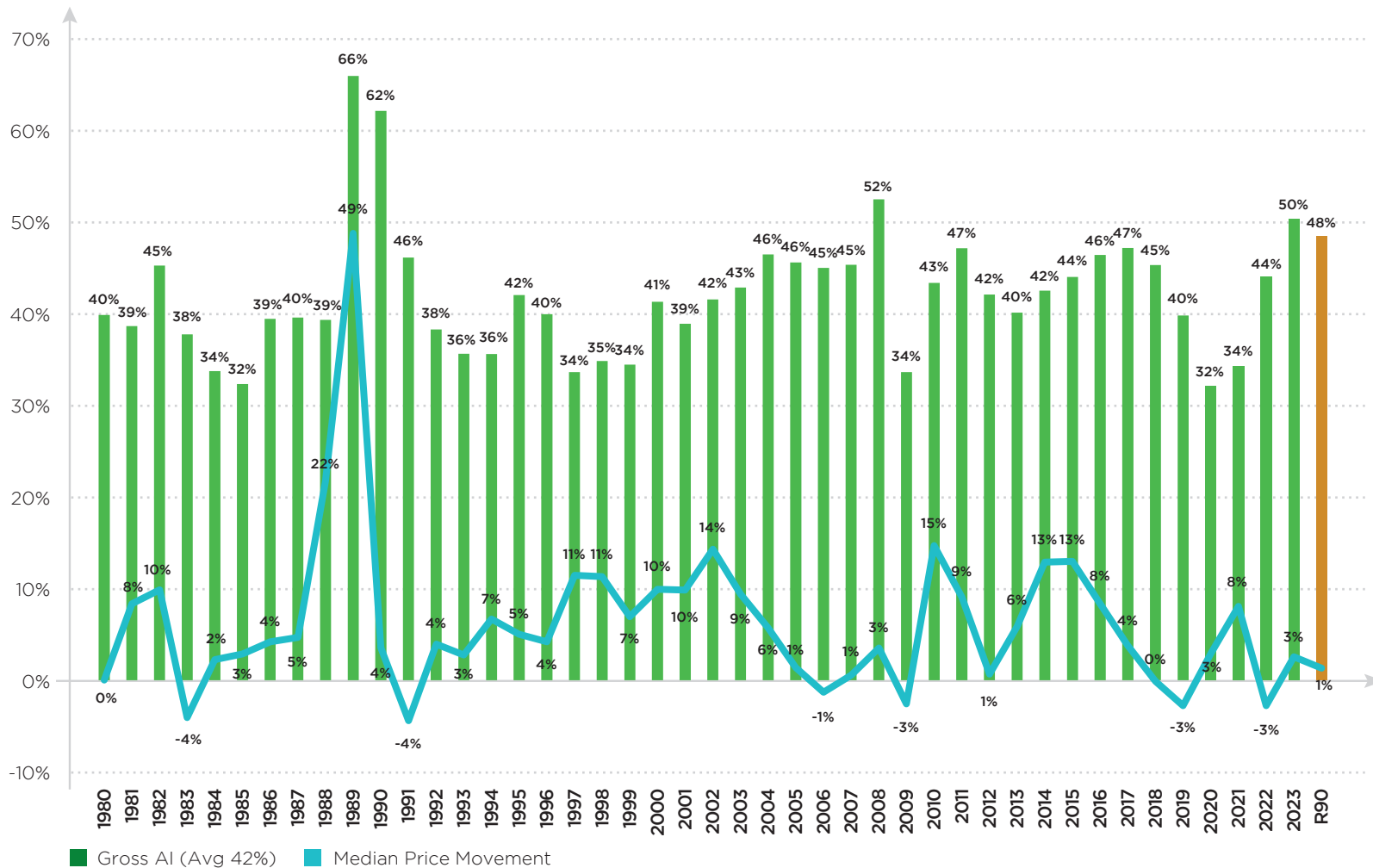
This graph shows the relationship between population growth and dwelling approvals in the Greater City region.



POSITIVE

AFFORDABILITY INDEX V. PRICE MOVEMENT (UNIT)

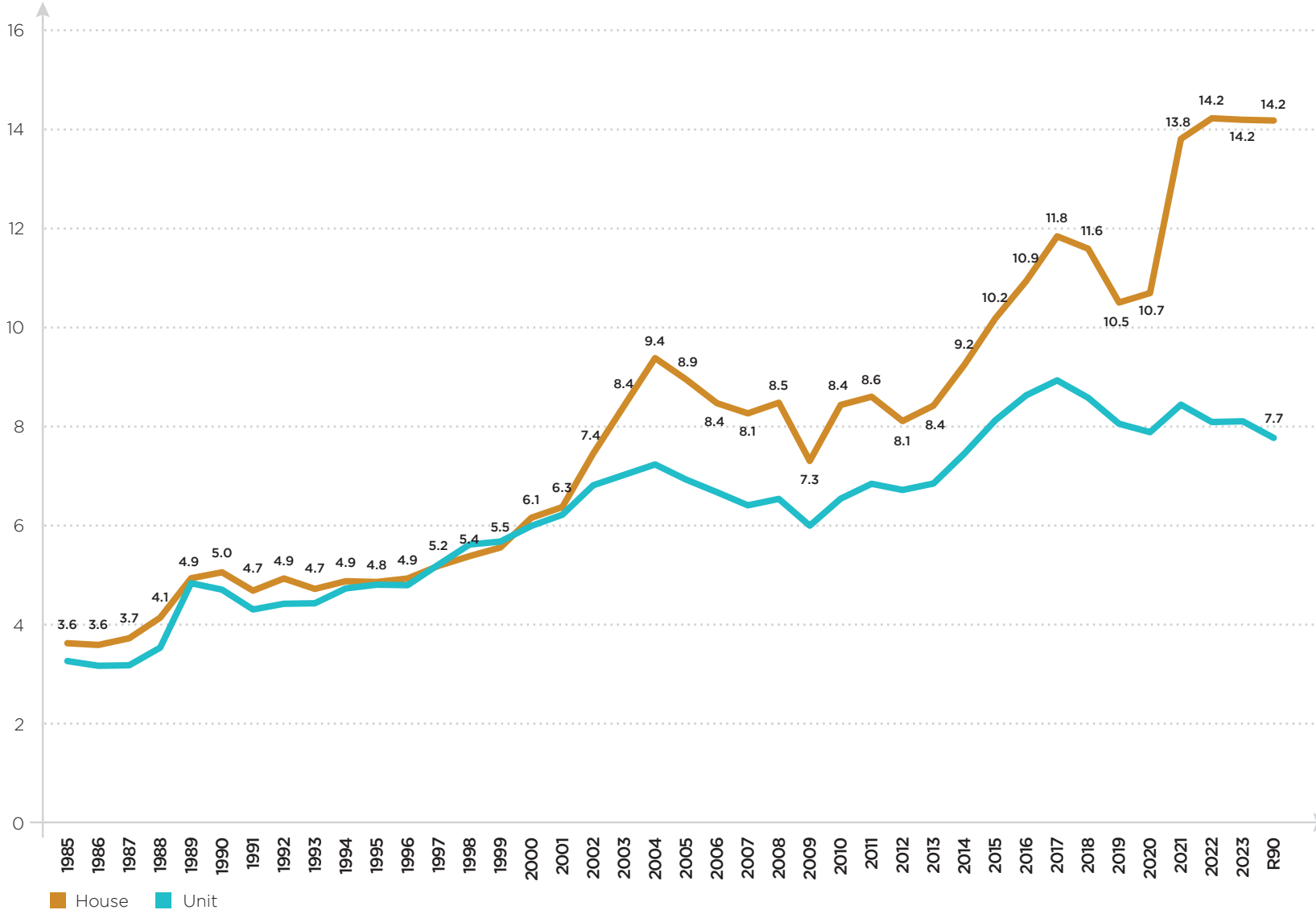
This graph displays the impact interest rates have on unit price movements. Performance Property's Gross Affordability Index (AI) is a measure of the average mortgage repayments versus the average income. The AI is calculated using the median price, average wage (before tax), assumes a 20% deposit, the current variable interest rate and Principle & Interest repayments over a 30 year loan term. For the current year, the rolling 90 days (R90) is depicted as a stacked shown to convey latest market status.



NEGATIVE

PRICE TO INCOME RATIO

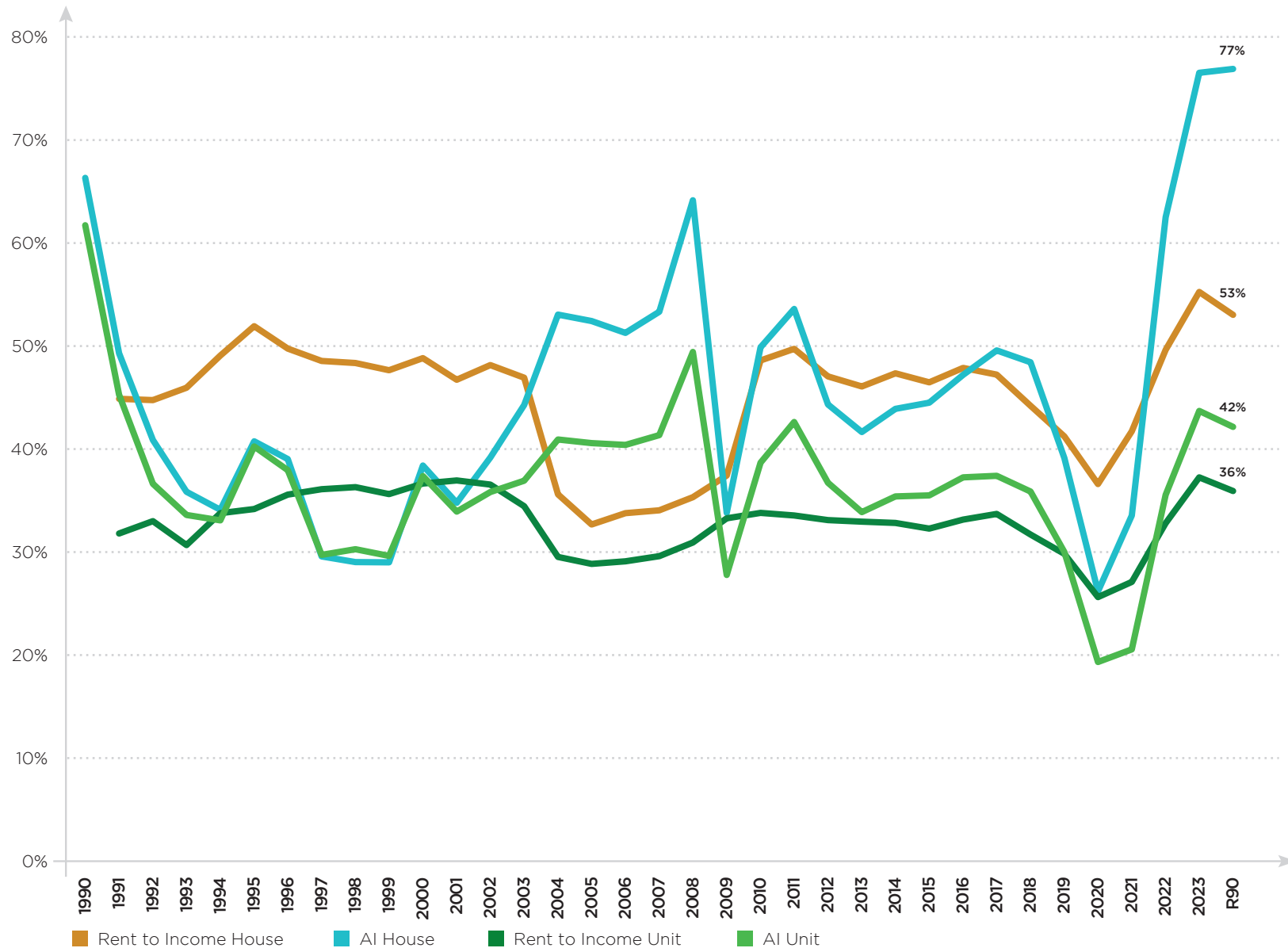
This graph displays the price to income ratio which is the relationship between the median house price and the average annual income. This also represents the average time taken to save a 20% deposit when assuming 20% of the average wage is saved. For the current year, the rolling 90 days (R90) is specifically shown to give emphasis on latest price to income ratio of houses and units.



NEGATIVE

INCOME TO RENT

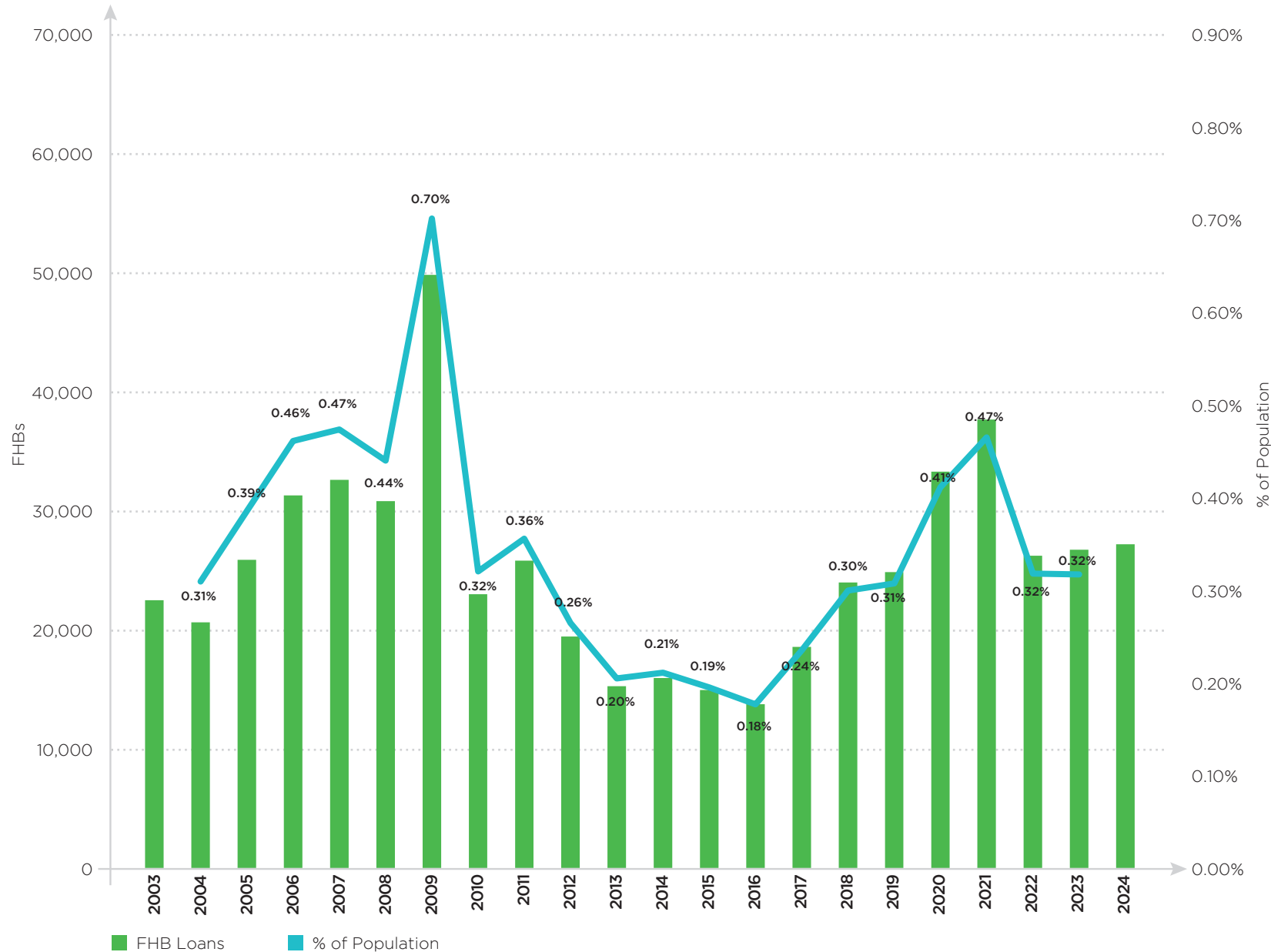
This graph displays the percentage of the average wage that pays the median house rent versus the Performance Property Affordability Index for houses, calculated using an Interest only loan.



NEGATIVE

FHBS AS A % OF POPULATION

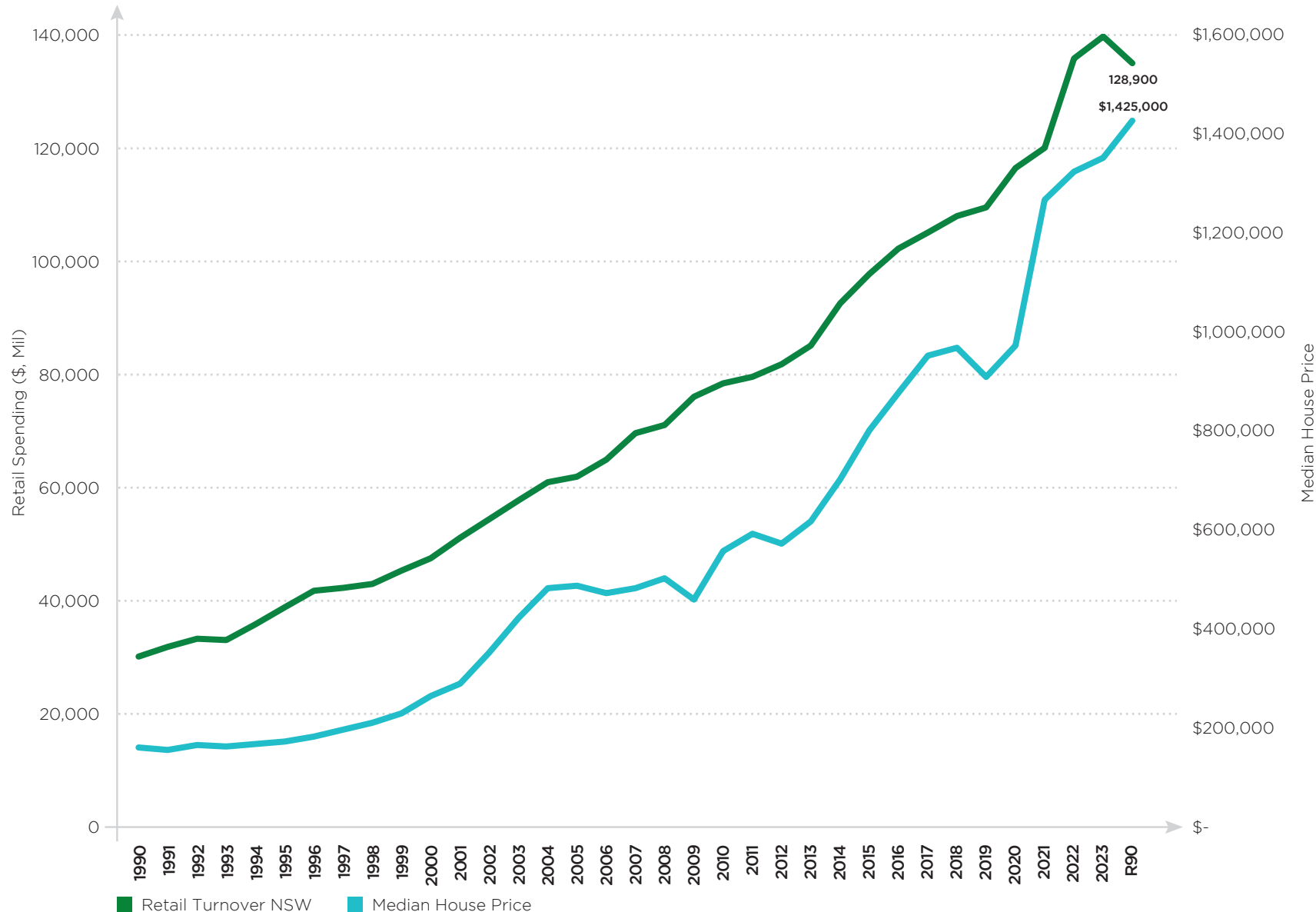
This graph shows the percentage of first home buyers (FHB) relative to the state population.



NEUTRAL

RETAIL TURNOVER GROWTH

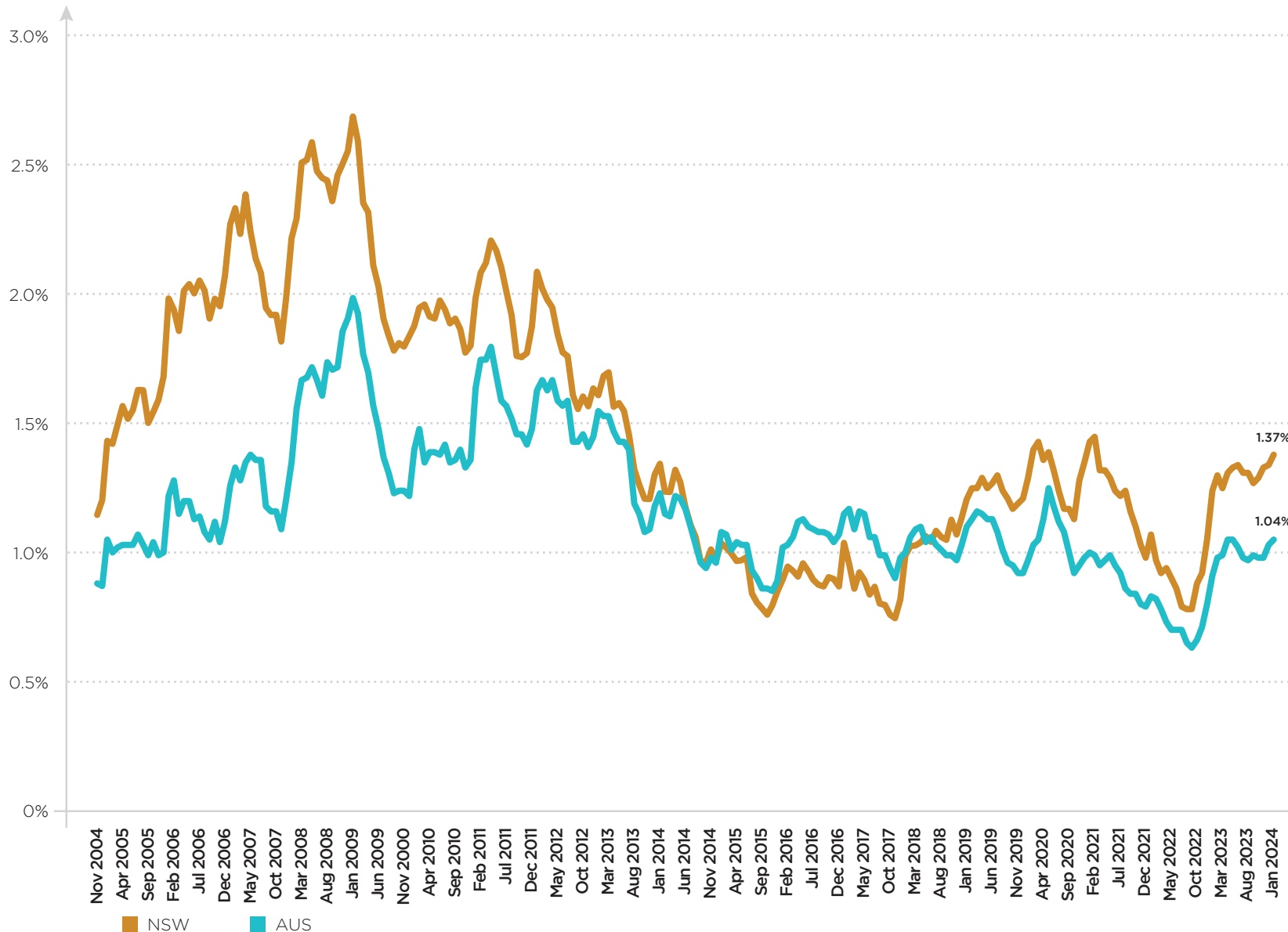
This graph displays levels of retail turnover for the state charted against the median house price. For the current year, the rolling 90 days (R90) is specifically shown to give emphasis on current median house price movement.



**SLIGHTLY
NEGATIVE**

MORTGAGE ARREARS

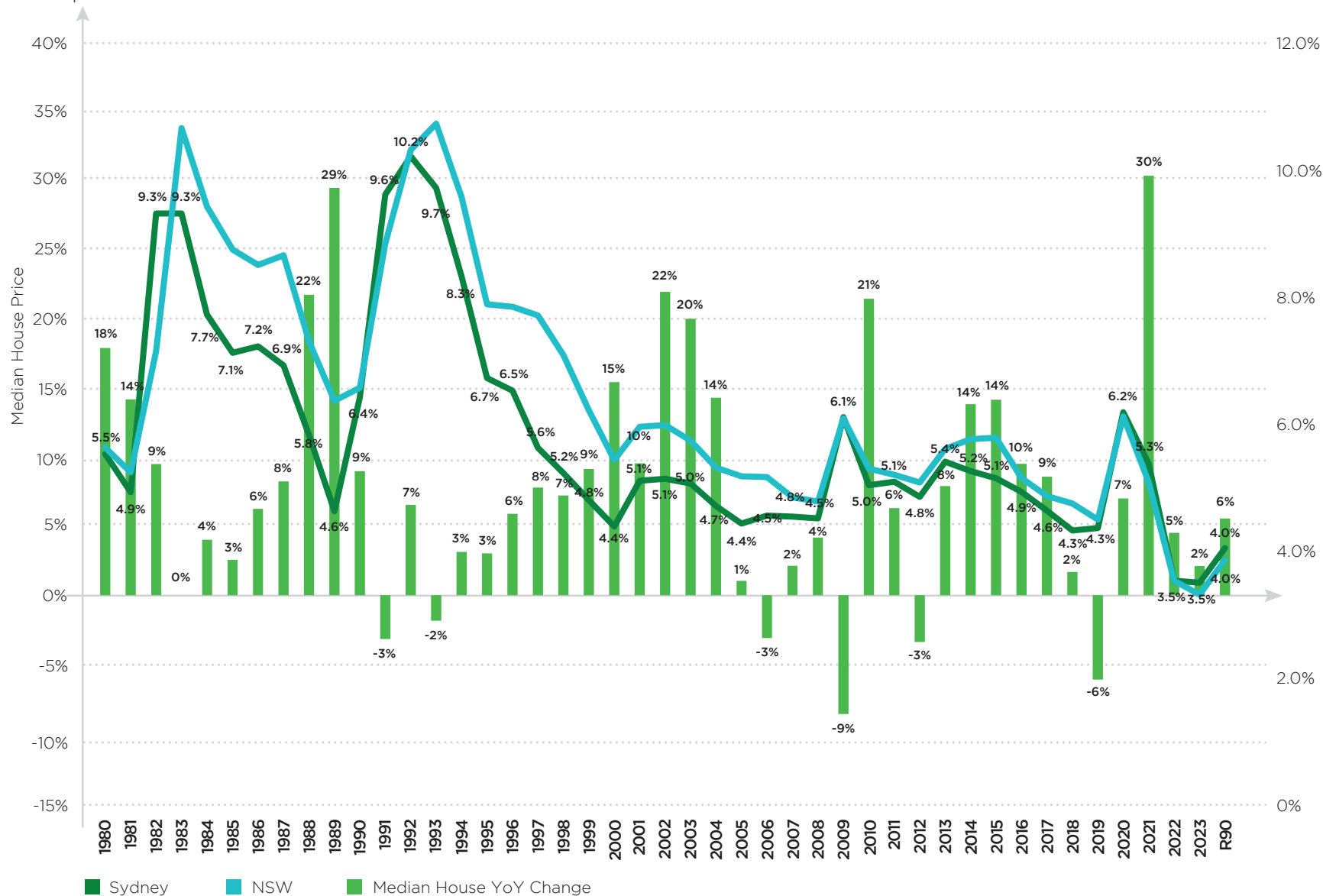
This graph displays the percentage of mortgages that are 30+ days in arrears in the state and Nationally. Supplied by Standard and Poor's Global Ratings.



NEGATIVE

UNEMPLOYMENT

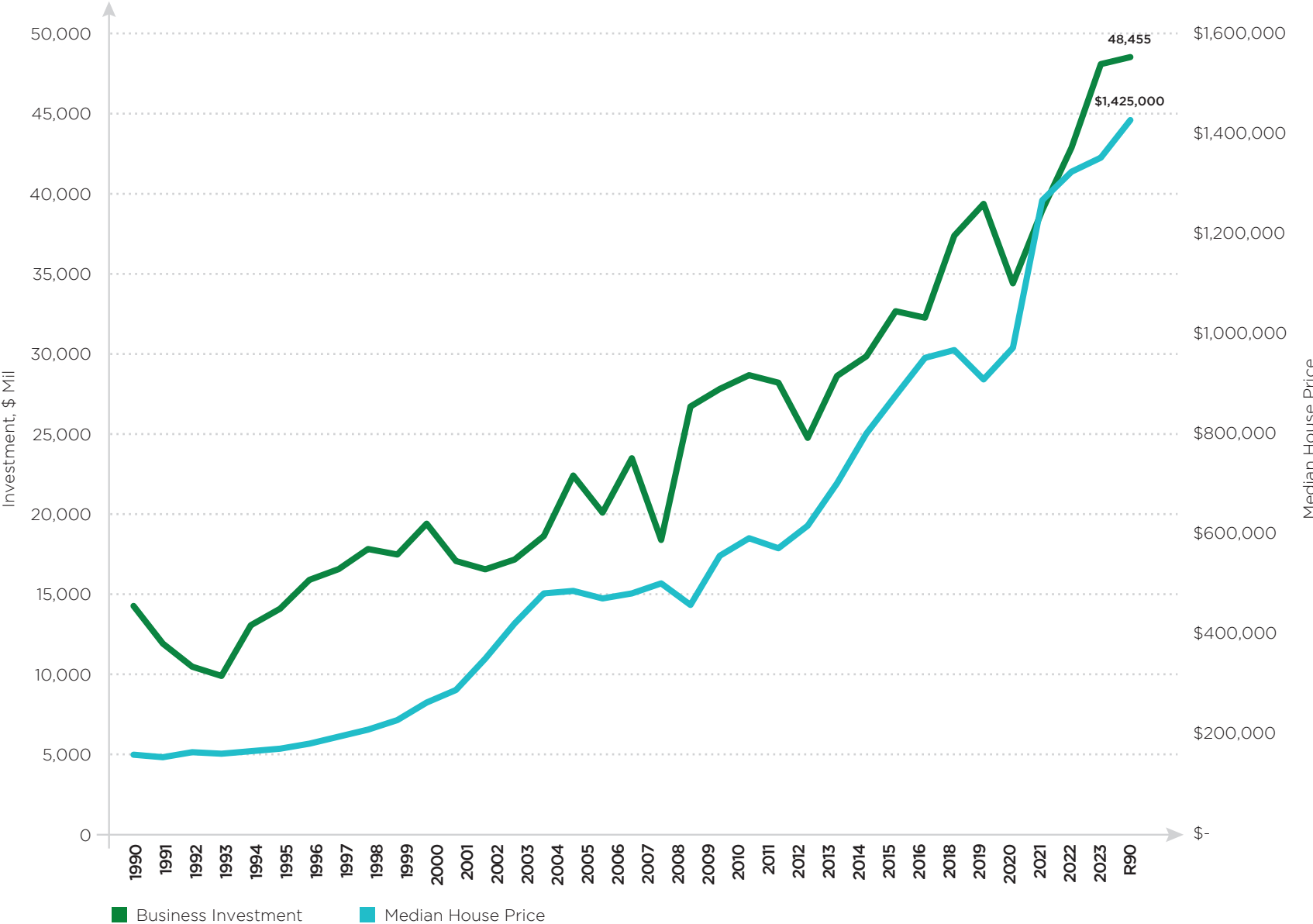
This graph shows the relationship between the state and national underemployment rate as a yearly average from 1985 and the current, most recent rate. For the current year, the rolling 90 days (R90) is specifically shown to give emphasis on current median house price movement.



SLIGHTLY
POSITIVE

BUSINESS INVESTMENT

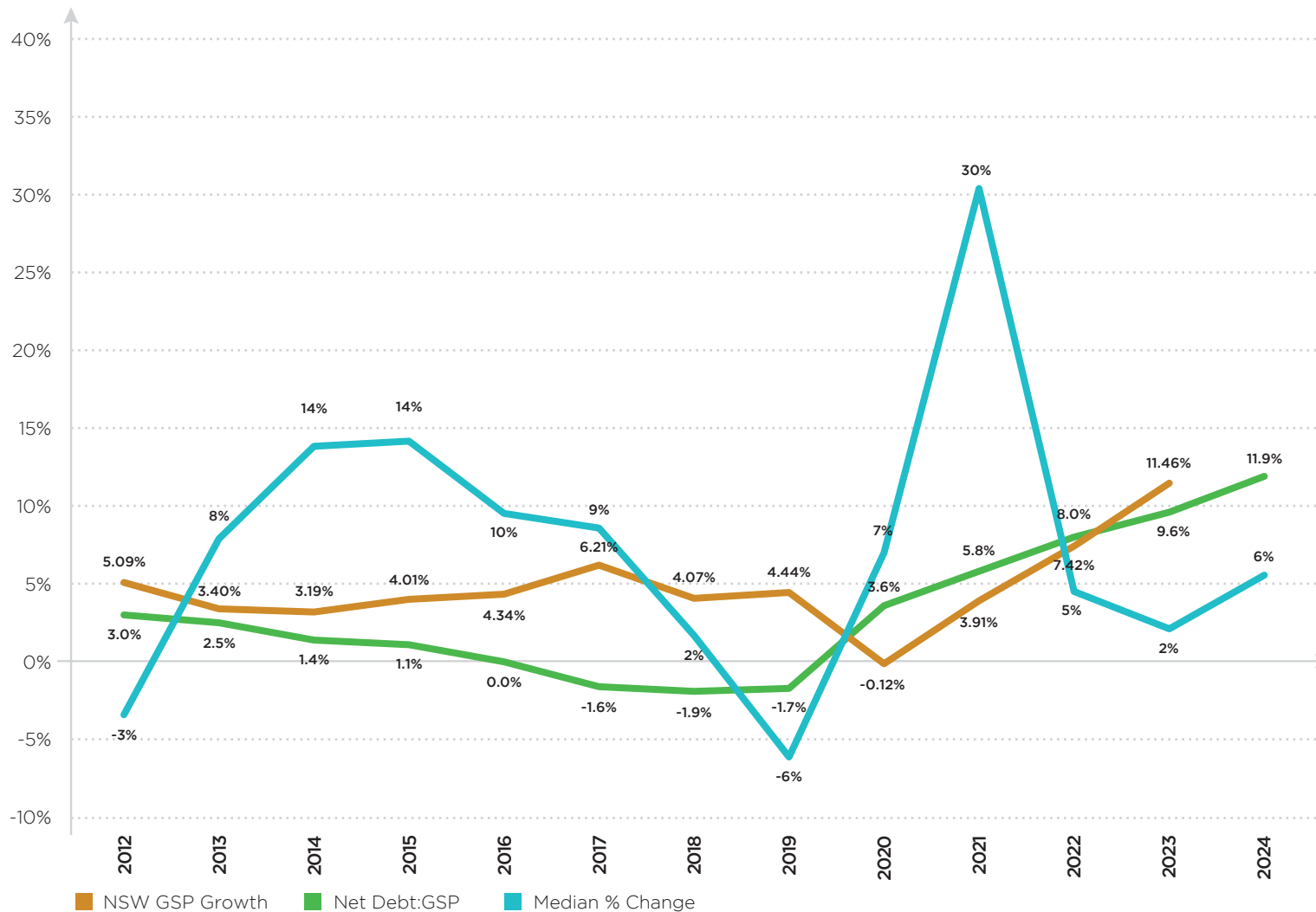
This graph displays private business investment into the state charted against the median house price. For the current year the rolling 90 days (R90) is specifically shown to give emphasis on current median house price movement.



POSITIVE

GSP GROWTH/NET GOVT DEBT V. MEDIAN HOUSE PRICE CHANGE

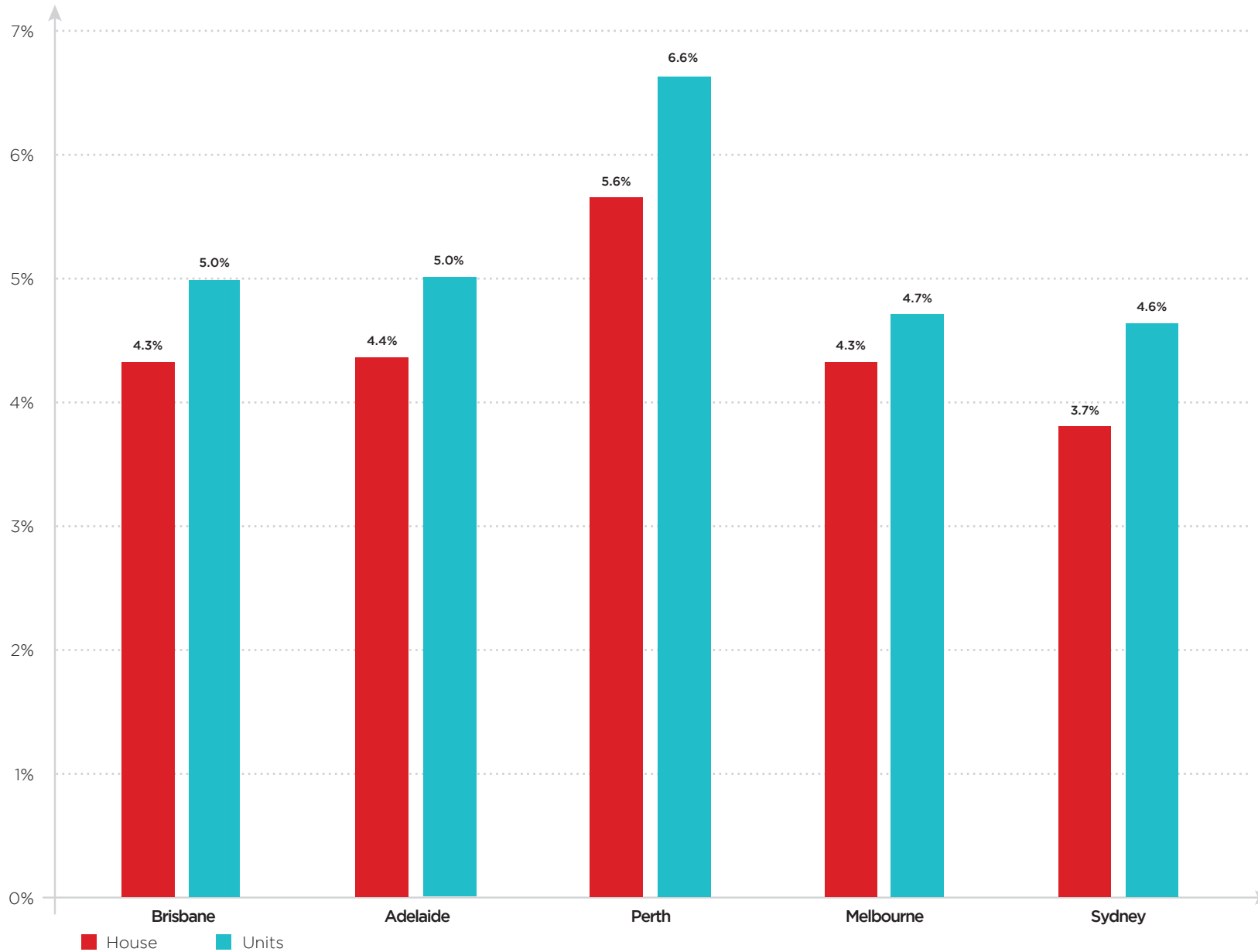
This graph displays the actual and forecasted Gross State Product (GSP) growth and Net Debt as a percentage of GSP, from the latest State Budget and the change in the median house price.



SLIGHTLY
NEGATIVE

CURRENT INVESTMENT VALUE

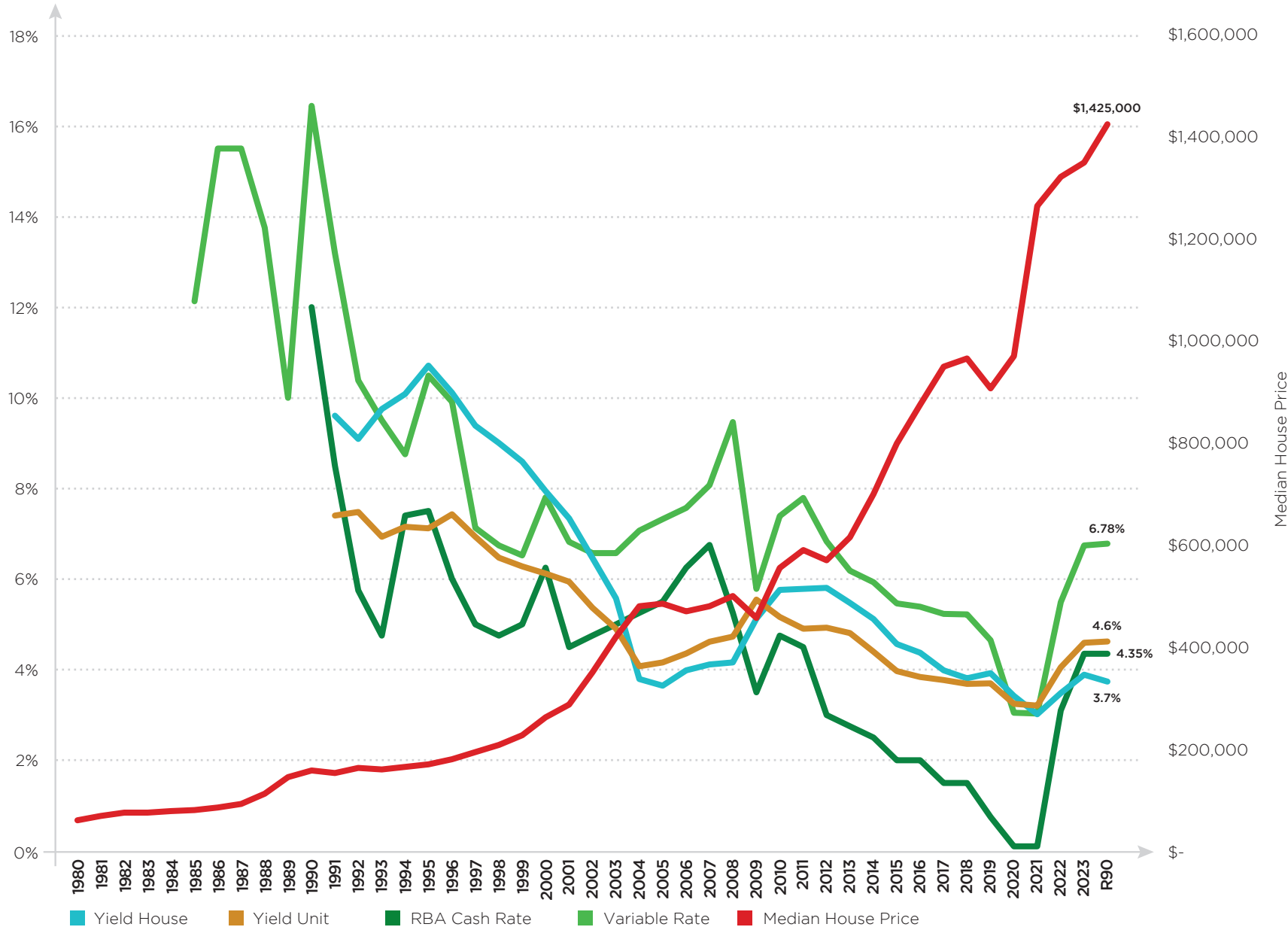
This graph compares the gross yield for houses and units in each of the five major capital cities from SQM Research.



NEGATIVE

YIELD V. INTEREST RATES

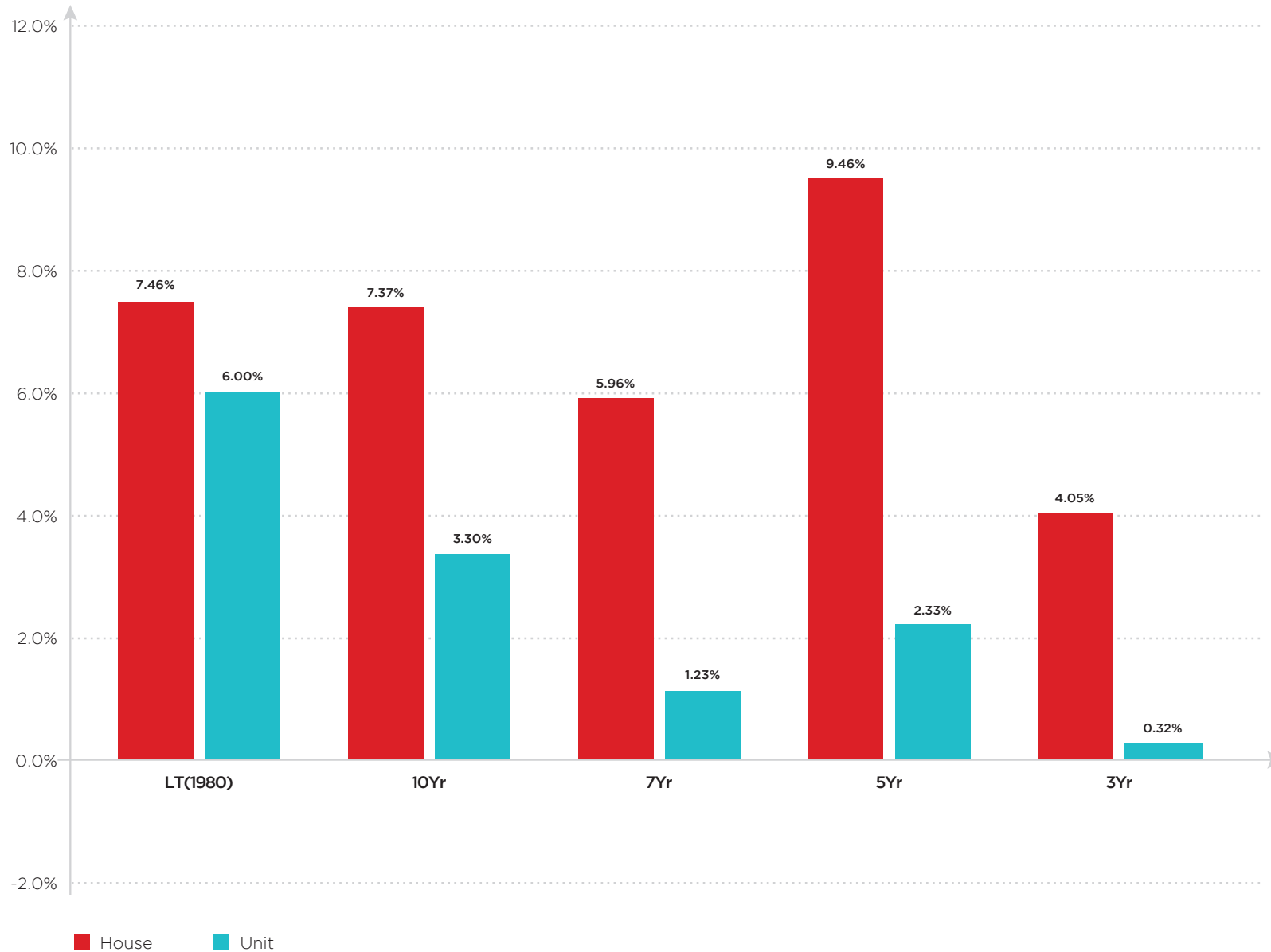
This graph displays house and unit yields against the variable and cash rates.



NEGATIVE

LONG TERM TRENDS

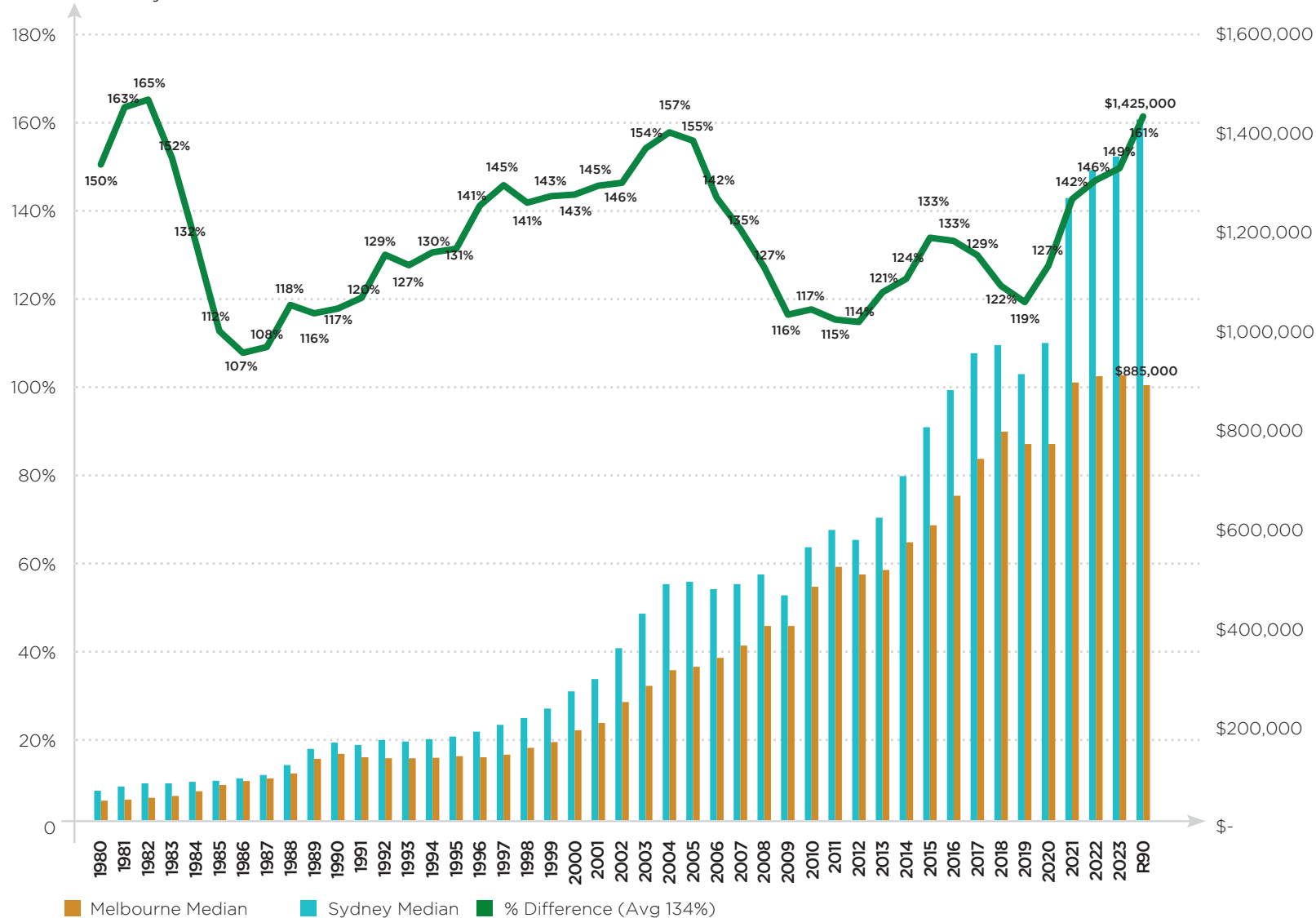
This graph displays the annual compounded growth rates for houses and units over the long term, and the last 10 years, 7 years, 5 years and 3 years.



SLIGHTLY
POSITIVE

MELBOURNE VS. SYDNEY PRICE COMPARISON (HOUSE)

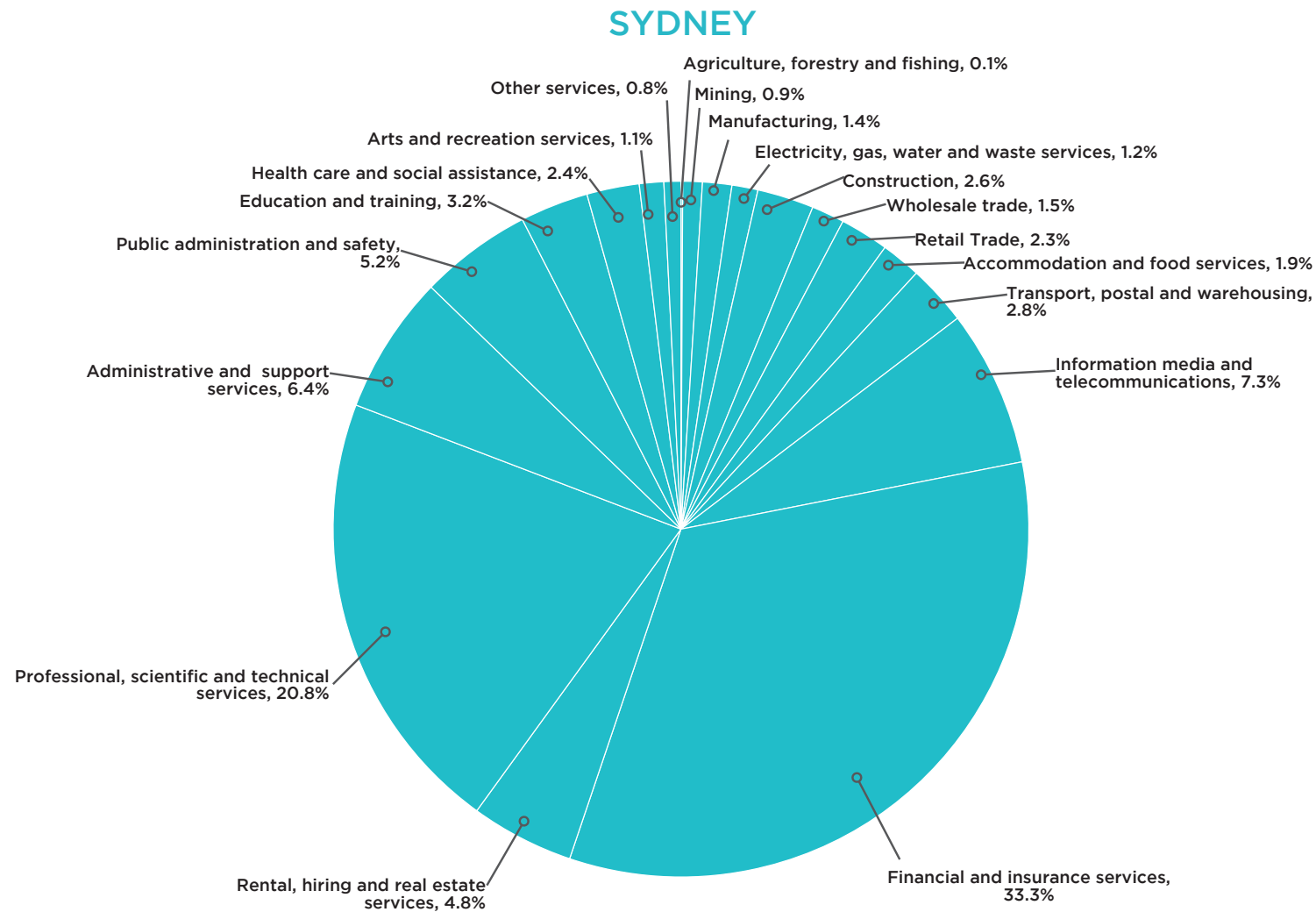
This graph shows a relationship between the Melbourne median and the Sydney median and the percentage difference between them for each year.



NEGATIVE

INDUSTRY VALUE ADDED

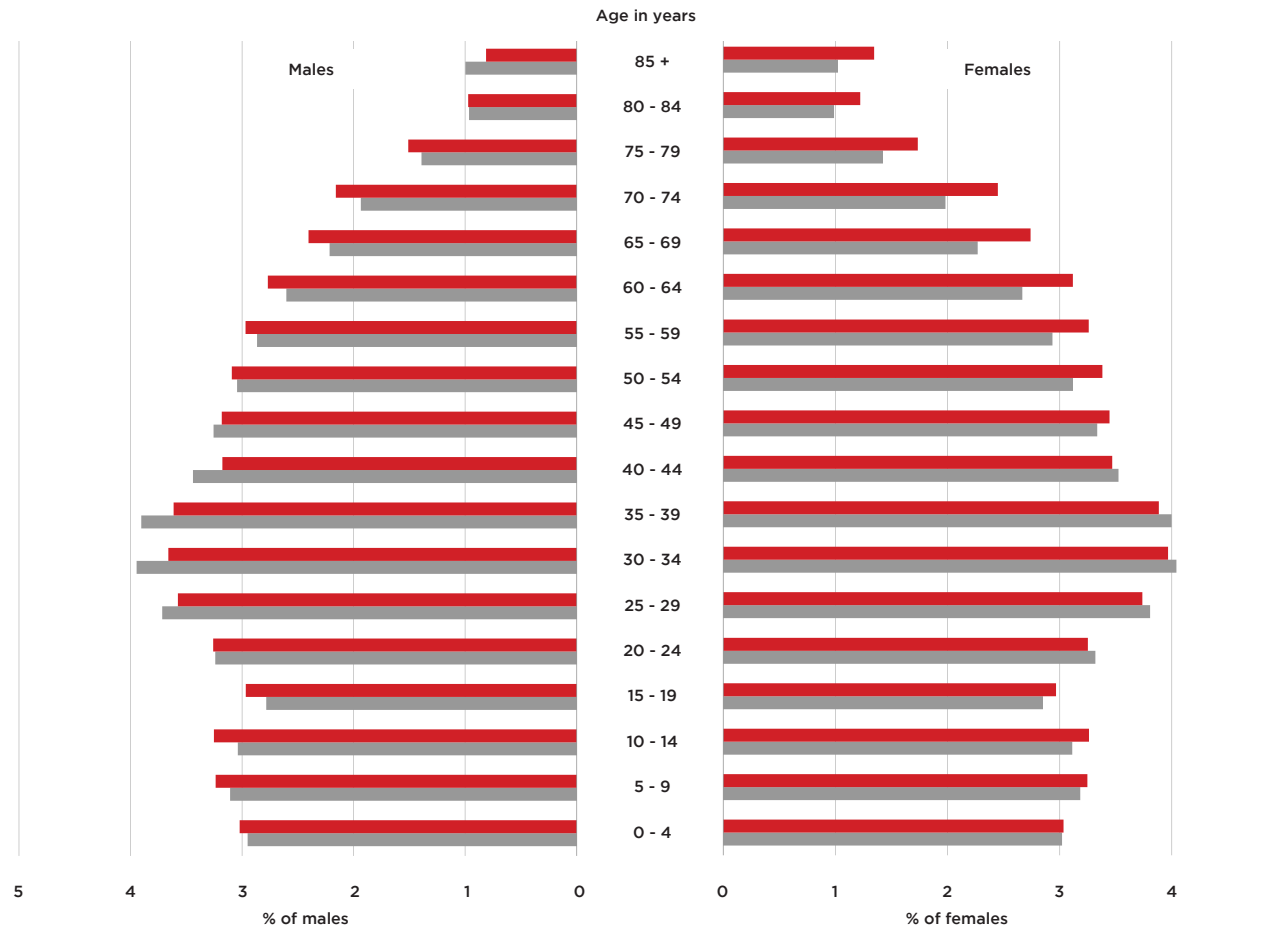
Industry Value Added is the total value of goods and services produced by an industry after deducting production costs.



NEGATIVE

POPULATION PYRAMID

The population pyramid demonstrates the breakdown of the different ages and sex percentages of the population. The dominant consumer base of a population is the 35 to 49 age brackets and ideally we like to see the preceding age brackets larger as they age to replace the existing group.



Source: Australian Bureau of Statistics, Census of Population and Housing, 2021 (Usual residence data).

■ Greater Sydney ■ Australia

NEGATIVE

INVESTMENT PHILOSOPHY

PERFORMANCE
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IS A DYNAMIC PROPERTY
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REVIEW

Annual Portfolio Review

ADVISE

Hold Improve Dispose

PERFORMANCE PROPERTY ADVISORY SERVICES

- Property Acquisition
- Property Management
- Portfolio Review
- Sales Advisory / Vendor Advocacy

DATA SOURCES:

- Australian Bureau of Statistics
- BIS Shrapnel
- Residex
- SQM Research
- CoreLogic RP Data
- Foreign Investment Review Board
- Australian Trade & Investment Commission

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