Sydney’s housing market
The Outlook for Sydney Dwelling Values: Affordability, Supply Levels and Rental Markets

September 2016
Residential real estate underpins Australia's wealth and has reached $6.7 trillion in overall value

- **Residential Real Estate**
  - $6.7 Trillion

- **Australian Superannuation**
  - $2.1 Trillion

- **Australian Listed Stocks**
  - $1.6 Trillion

- **Commercial Real Estate**
  - $0.85 Trillion

As at the end of August 2016

Number of dwellings: 9.7 million

Outstanding mortgage debt: $1.6 trillion

Household wealth held in housing: 51.6%

Total sales p.a.: 454,651

Gross value of sales p.a.: $261.6 billion

Source: CoreLogic, ABS, RBA, ASX
Two cycles of growth post-GFC which has seen substantial capital gains in Sydney and Melbourne.

Cumulative capital gains since January 2009

Source: CoreLogic
Strong annual capital gains in Sydney and Melbourne are substantially higher than the decade average rate of growth

Capital gain: Average over 10 years v past 12 months

Change in capital city dwelling values, 12 months to Jul 2016

Combined capitals: 7.0%
Canberra: 7.6%
Darwin: -4.2%
Hobart: 6.5%
Perth: -4.2%
Adelaide: 3.1%
Brisbane: 4.4%
Melbourne: 9.1%
Sydney: 9.4%

Source: CoreLogic
Sydney home values have increased by +3.9% over the past three months and are +9.4% higher over the past year. The annual rate of value growth has slowed from a peak of +18.4% in July 2015.
Despite strong capital gains, transaction numbers are broadly trending lower across Sydney.
Low advertised stock levels can partly explain the fall away in transaction numbers across Sydney.
A sharp decline in investment lending has added to the slowdown in transaction numbers... but recent data shows a strong rebound in investment lending.
Low affordability is also likely to be dampening housing demand across Sydney.

Source: CoreLogic, ANU
Buying a detached house in Sydney is becoming out of reach for many segments of the market

Source: CoreLogic, ANU
Unit approvals remains a large proportion of the growing supply pipeline

Source: CoreLogic, ANU
A significant number of units are set to settle across Sydney over the next two years...

<table>
<thead>
<tr>
<th>City</th>
<th>New units next 12 months</th>
<th>New units next 24 months</th>
<th>Potential unit stock uplift over next 2 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>34,967</td>
<td>84,343</td>
<td>4.5%</td>
</tr>
<tr>
<td>Melbourne</td>
<td>31,806</td>
<td>82,374</td>
<td>4.5%</td>
</tr>
<tr>
<td>Brisbane</td>
<td>17,471</td>
<td>45,471</td>
<td>5.4%</td>
</tr>
<tr>
<td>Perth</td>
<td>6,897</td>
<td>18,347</td>
<td>2.2%</td>
</tr>
<tr>
<td>Adelaide</td>
<td>2,714</td>
<td>6,529</td>
<td>1.4%</td>
</tr>
<tr>
<td>Canberra</td>
<td>2,392</td>
<td>5,571</td>
<td>3.3%</td>
</tr>
<tr>
<td>Darwin</td>
<td>1,005</td>
<td>1,288</td>
<td>2.7%</td>
</tr>
<tr>
<td>Hobart</td>
<td>647</td>
<td>1,022</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Potential unit stock uplift over next 2 years:

- Hobart: 1.2%
- Darwin: 2.7%
- Canberra: 3.3%
- Adelaide: 1.4%
- Perth: 2.2%
- Brisbane: 5.4%
- Melbourne: 4.5%
- Sydney: 4.5%

Source: CoreLogic Settlement Risk Report
... however the inner city areas of Melbourne and Brisbane look riskier than Sydney regions.

Top 15 SA3 regions nationally for pending apartment supply

<table>
<thead>
<tr>
<th>SA3 Region</th>
<th>City</th>
<th>New units next 12 months</th>
<th>New units next 24 months</th>
<th>Potential unit stock uplift over next 2 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Melbourne City</td>
<td>Greater Melbourne</td>
<td>7,176</td>
<td>16,761</td>
<td>21.6%</td>
</tr>
<tr>
<td>2  Brisbane Inner</td>
<td>Greater Brisbane</td>
<td>3,072</td>
<td>9,757</td>
<td>30.4%</td>
</tr>
<tr>
<td>3  Sydney Inner City</td>
<td>Greater Sydney</td>
<td>2,458</td>
<td>8,976</td>
<td>8.2%</td>
</tr>
<tr>
<td>4  Strathfield - Burwood - Ashfield</td>
<td>Greater Sydney</td>
<td>3,012</td>
<td>6,257</td>
<td>18.7%</td>
</tr>
<tr>
<td>5  Brisbane Inner - North</td>
<td>Greater Brisbane</td>
<td>3,311</td>
<td>6,088</td>
<td>29.7%</td>
</tr>
<tr>
<td>6  Parramatta</td>
<td>Greater Sydney</td>
<td>1,836</td>
<td>5,947</td>
<td>19.4%</td>
</tr>
<tr>
<td>7  Southport</td>
<td>Rest of Qld</td>
<td>3,463</td>
<td>5,788</td>
<td>45.6%</td>
</tr>
<tr>
<td>8  Ryde - Hunters Hill</td>
<td>Greater Sydney</td>
<td>1,954</td>
<td>4,693</td>
<td>17.3%</td>
</tr>
<tr>
<td>9  Holland Park - Yeronga</td>
<td>Greater Brisbane</td>
<td>1,474</td>
<td>4,552</td>
<td>37.0%</td>
</tr>
<tr>
<td>10 Boroondara</td>
<td>Greater Melbourne</td>
<td>1,700</td>
<td>3,902</td>
<td>12.8%</td>
</tr>
<tr>
<td>11 Port Phillip</td>
<td>Greater Melbourne</td>
<td>1,001</td>
<td>3,844</td>
<td>8.3%</td>
</tr>
<tr>
<td>12 Glen Eira</td>
<td>Greater Melbourne</td>
<td>1,471</td>
<td>3,770</td>
<td>12.2%</td>
</tr>
<tr>
<td>13 Perth City</td>
<td>Greater Perth</td>
<td>1,173</td>
<td>3,649</td>
<td>9.6%</td>
</tr>
<tr>
<td>14 Auburn</td>
<td>Greater Sydney</td>
<td>2,195</td>
<td>3,622</td>
<td>20.4%</td>
</tr>
<tr>
<td>15 Brunswick - Coburg</td>
<td>Greater Melbourne</td>
<td>1,263</td>
<td>3,459</td>
<td>20.4%</td>
</tr>
</tbody>
</table>
Loss making resales are rising across the Melbourne and Brisbane inner city unit markets, but remain low across Sydney

% of loss making resales, key inner city unit markets

- Perth inner: 24.6%
- Melbourne inner: 19.1%
- Brisbane inner: 11.1%
- Sydney City and inner South: 1.6%
Valuation activity shows a large % of ‘off the plan’ unit settlements are coming in under contract value

Proportion of ‘off the plan’ valuations where the valuation is lower than the contract price, June 2016

- NSW Metro: 16.0%
- Vic Metro: 44.4%
- Qld Metro: 41.6%
- WA Metro: 40.2%

Source: CoreLogic
Sydney rental growth was flat over the past 12 months, pushing gross rental yields to new record lows.
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