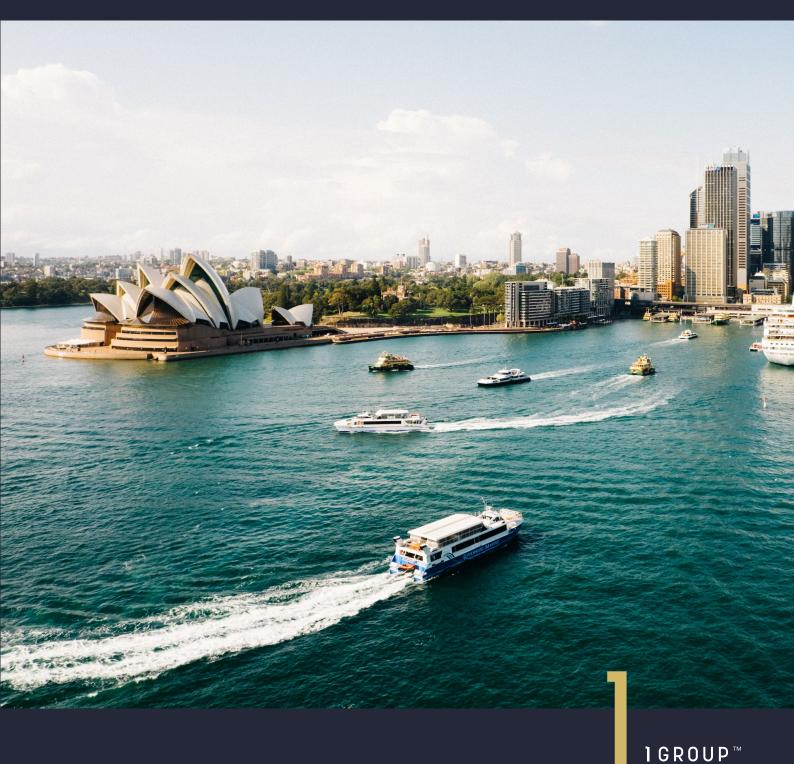
1GROUP INSIGHTS

# SYDNEY

The most prestigious and high performing property market in Australia

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PROPERTY ADVISORY

# **DEAR INVESTORS**

It is with great pleasure that we present to you our latest market report, "Insights and Trends in Sydney Property Market: A Comprehensive Analysis." As directors of this esteemed organisation, we understand the significance of staying ahead in the ever-evolving world of real estate. In this report, we aim to provide you with invaluable information and deep insights into the dynamic Sydney property market.

Sydney, renowned for its robustness and resilience, has recently experienced notable shifts and transitions and is the first capital city market on the east coast to report positive growth, with clearance rates soaring since March 2023. As avid observers of this market, we have diligently analysed the latest data to offer you a comprehensive overview of the property landscape. Our report delves into various facets, including property values, rental values, vacancy rates, auction clearance rates, supply trends, and key economic and demographic factors.

Moreover, our report goes beyond numbers and statistics. It delves into the economic and demographic factors that shape the Sydney property market. Gain a deeper understanding of the influences of net overseas migration, a tight labour market, interest rates, and inflationary pressures on affordability and borrowing power.

We also shed light on the major infrastructure projects that are reshaping the Sydney landscape. These transformative initiatives, backed by substantial investments from the NSW State Government and the Australian Federal Government, are set to drive economic growth, generate employment opportunities, and enhance the overall desirability of Sydney as a place to live and invest.

We believe that this report will serve as a valuable resource for investors, homebuyers, and industry professionals alike. It is our hope that the insights and trends outlined within will empower you to make informed decisions and navigate the ever-changing Sydney property market landscape successfully.

Thank you for your continued trust in our expertise. We invite you to delve into the pages of this report and embark on a journey of knowledge and discovery.

Sincerely,

Julian Muldoon & Tal Eloss, Directors

# THE TOP 10 INSIGHTS

- Property values in Sydney: The median dwelling price in Sydney at the end of April 2023 was \$1,031,138, showing a decrease of 8.5% compared to a year ago. However, there was a 2.4% increase since February 2023, suggesting market stabilization.
- 2. House vs. apartment values: House values experienced a larger drop than apartment values. Median house values decreased by 11.5% (\$163,201) compared to a year ago, while apartment values dropped by 5.2% (\$43,107).
- 3. Narrowing gap between house and apartment values: Limited borrowing capacity led buyers to shift their focus towards apartments and townhouses, resulting in a narrowing gap between apartment and house values.
- Property market cycle in Sydney: The lowest point in the current market cycle was recorded in January 2023, with a median dwelling value of \$999,278. The peak-to-trough duration of Sydney's market cycle lasted nine months, from April 2022 to January 2023.
- 5. Rental values and vacancy rates: Average asking rental prices for houses increased by \$165 (20.7%) in the year to May 2023, while apartment rental prices increased by \$147 (28.6%). The average vacancy rate across Sydney dropped to 1.3% by March 2023, indicating tight rental market conditions.
- 6. Affordability crisis and improved yields: The combination of increasing rents and low vacancy rates has created an affordability crisis for some tenants. On

- the flip side, investors are experiencing improved yields and returns.
- 7. Auction clearance rates: Sydney recorded an average clearance rate of 71% for the three months to July 15, 2023, significantly higher than the 51% for the same period the previous year, indicating a recovering market.
- 8. Supply: Total stock on the market decreased from 29,761 properties listed for sale in June 2022 to 27,351 properties in June 2023. The number of new properties entering the market remained the same year on year at 12,432 new listings in June 2023 compared with 12,424 new listings in June 2022.
- 9. Economic and demographic factors: Net overseas migration rebounded quickly following the reopening of borders, contributing to rental and housing demand. The national unemployment rate dropped to 3.5% in March 2023, supporting a tight labour market. Interest rates increased from 0.10% in May 2022 to 3.85% in April 2023. Inflation peaked at 7.0% in March 2023 but showed signs of easing.
- 10. Major infrastructure projects: The NSW State Government and Australian Federal Government are investing significant amounts in infrastructure projects, including the Sydney Metro, Western Sydney Aerotropolis, WestConnex motorway, Western Sydney International Airport, Parramatta Light Rail, and more. These projects will impact the region's development and potentially influence property values and demand.

# **PROPERTY VALUES**

- » Median Dwelling price for Sydney at the end of April 2023 was \$1,031,138, which is down 8.5% on a year ago. This represents a drop of \$96,585 in median dwelling prices over the past year. However, this figure is up 2.4% on February 2023 and represents the second month on month increase in property values for the first time since March 2022, suggesting that the market has stabilised.
- » The lowest point of the current Sydney property market cycle was recorded in January 2023, when a median dwelling value of \$999,278 was recorded. The peak to trough of Sydney's current market cycle lasted 9 months from a peak of \$1,127,723 in April 2022 to the lowest point of \$999,278 in January 2023.
- » House values dropped further than apartment values. Median house value now stands at \$1,253,759 a drop of 11.5% or \$163,201 compared to a year ago.
- » Apartment values dropped by 5.2% to \$787,427 or a drop of \$43,107. The gap between apartment and house values has narrowed as limited borrowing capacity encourages buyers to consider apartments or townhouses rather than houses.
- » Despite the drop in values compared to the April 2022 peak, housing values are still well above pre-COVID levels, with Sydney experiencing a trough to peak rise in dwelling values of 24.4% by April 2022. This means that median Sydney dwelling prices are still 10.7% higher than pre-COVID levels.
- » Strongest performing SA3 region in year to April 2023 was Fairfield, with a -1.3% drop in median values to \$918,021.

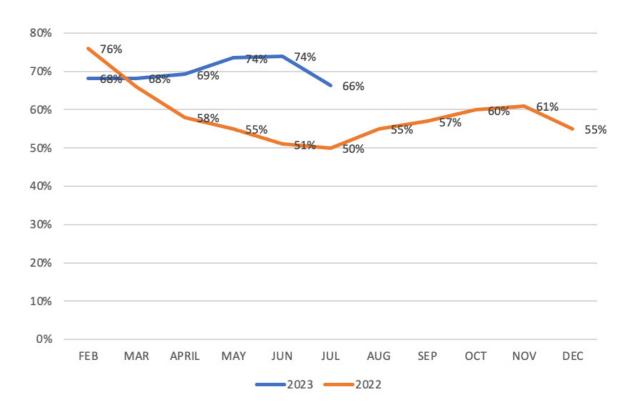
### RENTAL VALUES & VACANCY RATES

- » Average asking rental prices for houses increased by \$165 in the year to May 2023. Current average asking rental is \$962. This represents an annual increase of 20.7%.
- » Asking rates for apartments have increased even further than houses, with asking rates increasing by \$147 to \$661 in the year to May 2023, which represents an increase of 28.6%
- » Meanwhile, the average vacancy rate across the Sydney metro area dropped to just 1.3% by March 2023, a decline of 0.5% compared to March 2022.
- The combination of increasing rents and very tight vacancy rates has created an affordability crisis for some, while on the flip side investors are experiencing improved yields and returns.

# **AUCTION CLEARANCE RATES**

» Sydney recorded an average clearance rate of 71% for the 3-months to July 15 2023, significantly higher than the 53% recorded for the previous corresponding period in 2022, highlighting the continued recovery of the Sydney residential market.

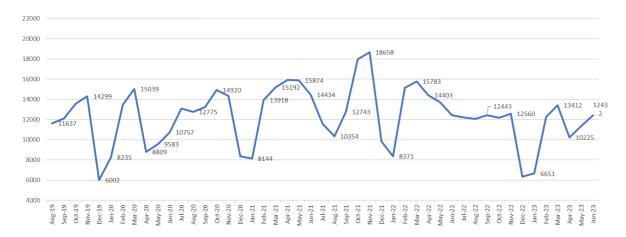
#### **Auction Clearance Rates - 2022-2023**



# SUPPLY

- » Total stock on market has decreased year on year from 29,761 properties listed for sale in June 2022 to 27,351 properties listed for sale in June 2023
- » The number of new properties entering the market in June 2023 was the same year on year, with the 12,432 new listings being just 8 properties more than in June 2022. However, new stock on market has varied with new stock on market being significantly lower in both May 2023 and April 2023 compared with the previous year.
- » The average days of market meanwhile has increased from 28 days in February 2022 to 41 in February 2023.
- » Monthly sales volumes averaged 37,020 for the six months to February 2023, down on the five year average of 40,155.

#### Stock on Market - New Listings (under 30 days)



## **GENERAL NOTES**

In the space of three years, the Sydney market has experienced rapid acceleration in dwelling prices to a record high of \$1,106,279 in February 2022 followed by an equally rapid decline in values to \$999,278 by February 2023. However, prices are still some 10.7% above pre-COVID levels and now appear to have stabilised.

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#### AUSTRALIAN ECOMONICS/DEMOGRAPHICS/LENDING FIGURES 26,124,814 25,422,788 **AUSTRALIA** +702,026 Source: ABS Sep 2022 **POPULATION** (Sep 2022) (2021 Cencus) 5,231,147 4,446,805 **GREATER SYDNEY** +784,342 Source: ABS Census 2021 **POPULATION** (2021 Census) (2016 Census) 3.5% 4.0% UNEMPLOYMENT -0.5% Source: ABS March 2022 (NATIONAL) (March 2023) (March 2022) 3.2% 3.9% UNEMPLOYMENT -0.7% Source: ABS March 2023 (NSW) (March 2023) (March 2022) 395,000 (June 146,000 NATIONAL IMMIGRATION +249,000 Source: ABS Jun 2022 (ARRIVALS) 2022) (Jun 2021) NATIONAL IMMIGRATION 224,000 230,900 -6,900 Source: ABS Jun 2022 (DEPARTURES) (June 2022) (Jun 2021) 170,900 84,900 **NET POPULATION** N/A Source: ABS Jun 2022 GAIN/LOSS (net loss) (Net Gain) 3.85% 0.10% INTEREST RATES +3.75% Source: RBA May 2023 (OFFICIAL CASH RATE) (April 2023) (April 2022) 7.0% 3.5% +3.5% Dec 2022 INFLATION (CPI) Source: RBA (March 2023) (Dec 2021) MORTGAGE APPROVALS/LOAN \$22.64b \$32.76b -30.9% Source: ABS Feb 2023 COMMITMENTS FOR HOUSING (Feb 2023) (Feb 2022) (NATIONAL - TOTAL VALUE) \$4.833b \$6.904b MORTGAGE APPROVALS/LOAN -29.9% Feb 2023 Source: ABS COMMITMENTS FOR HOUSING (Feb 2023) (Feb 2022) (NSW - TOTAL VALUE) \$3.49b \$4.43b FIRST HOME BUYERS -26.8% Source: ABS Feb 2023 (Feb 2023) (Feb 2022) (NATIONAL - TOTAL VALUE) \$7.63b \$11.325b INVESTOR ACTIVITY -32.6% Source: ABS Feb 2023 (NATIONAL - TOTAL VALUE) (Feb 2023) (Feb 2022) \$3.090b \$4.35b INVESTOR ACTIVITY -28.9% Source: ABS Feb 2023 (NSW - TOTAL VALUE) (Feb 2023) (Feb 2022) \$15.01b \$21.437b **OWNER-OCCUPIER ACTIVITY** -30% Source: ABS Feb 2023 (Feb 2023) (Feb 2022) (NATIONAL - TOTAL VALUE) \$4.83b \$6.9b OWNER-OCCUPIER ACTIVITY -30% Feb 2023 Source: ABS (Feb 2023) (NSW - TOTAL VALUE) (Feb 2022) 1,623 2,173 FIRST HOME BUYERS (NSW - NO -25.3% Source: ABS Feb 2023 (Feb 2023) (Feb 2022) **OF NEW LOAN COMMITMENTS)**

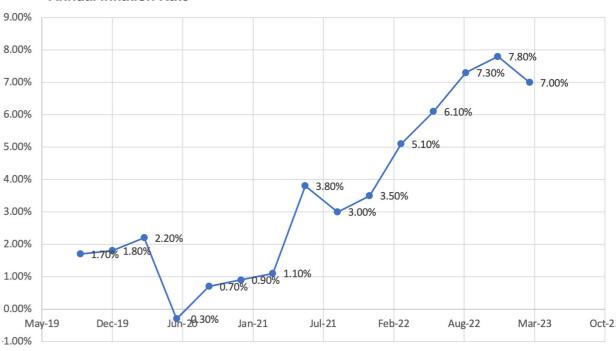
# **ECONOMICS/DEMOGRAPHICS**

- » Net overseas migration has bounced back quicker than expected following the reopening of borders in early 2022. This has added to rental demand and will support housing demand into the medium term.
- » A total of 395,000 migrants arrived in the year to June 2022, compared with 146,000 in the year to June 2021. This compares with 224,000 permanent departures over the same period, representing a net migrant intake of 170,900 in the year to June 2022. This is a significant increase on the net loss of 84,900 in the year to June 2021.
- The labour market is tight, with unemployment nationally dropping to just 3.5% by March 2023. This represents a 0.5% drop from March 2022. Unemployment in NSW was 3.2% in March 2023.
- » Interest rates have been increased 10 times by the RBA in successive months following the first rise from a historical low of 0.10% in May 2022 to 0.35%. By April 2023, the official cash rate stood at 3.85%.
- While inflation has increased significantly in the past eighteen months, it appears that the peak has now passed. The ABS reported that annual inflation is 7.0% for the year ending March 2023. This is an 0.8% drop from the 7.8% reported for the December 2022 quarter indicating that inflationary pressures are starting to ease.
- » Affordability/borrowing power is much tighter following the recent interest rate rises.
- » High household savings will help to provide a buffer against higher mortgage rates and cost of living pressures. The RBA noted that the median variable mortgage borrower had enough in their offset/redraw account to cover 20 months of mortgage repayments.
- » Mortgage approvals on a nationwide basis to February 2023 are significantly down on the previous year, with \$22.64b in loans approved compared to \$32.76b the previous year.
- » First home buyer and investor mortgage rates are also down by 26.8% and 32.6% respectively.
- » In NSW, investor and owner-occupied mortgage approvals are down year on year by 28.9% and 30% respectively.
- » Meanwhile the number of new loan commitments for first home buyers is also down by 25.3%.

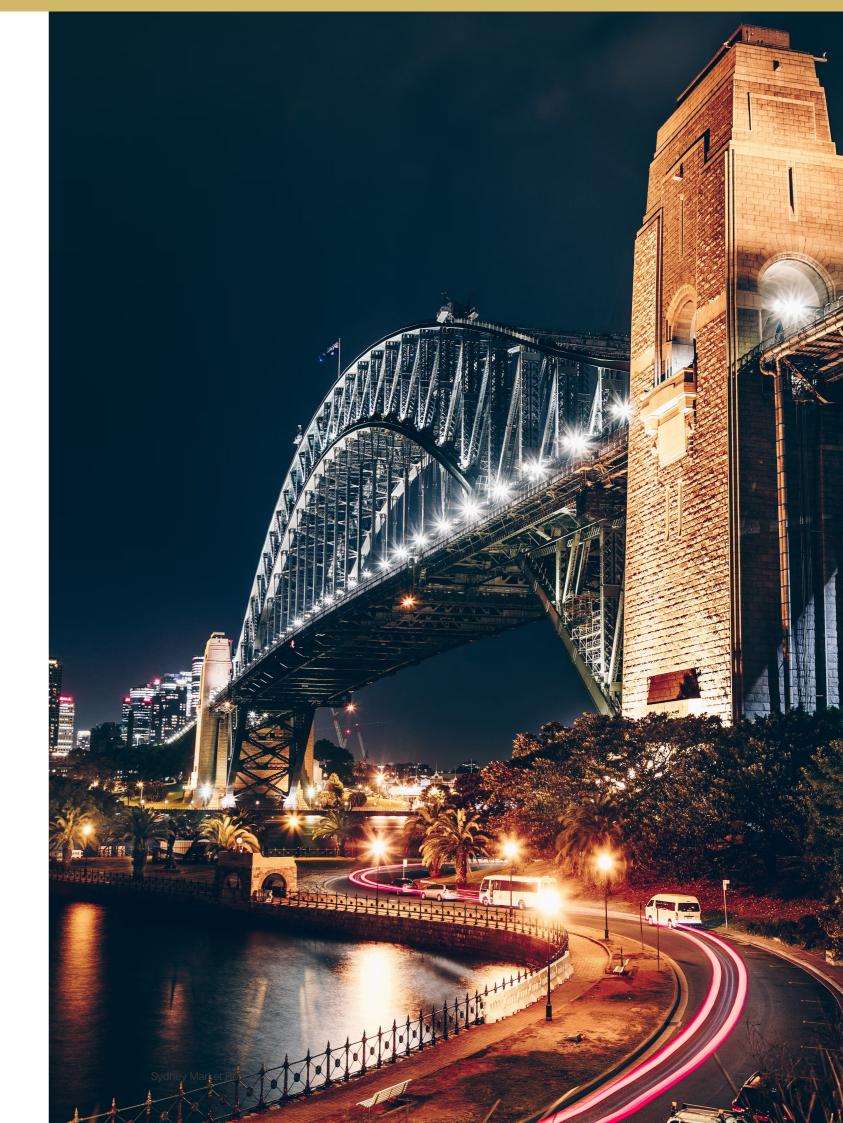
#### NSW - new loan commitments (\$b)



#### **Annual Inflation Rate**



METRIC	LATEST	PREVIOUS	CHANGE	SOURCE
Median Dwelling Prices	\$1,031,138 (May 2022)	\$1,127,723 (May 2022)	-8.5%	CoreLogic
Median House Prices	\$1,253,759 (May 2023)	\$1,416,960 (May 2022)	-11.5%	CoreLogic
Apartment Prices	\$787,427 (May 2023)	\$830,534 (May 2022)	-5.2%	CoreLogic
Median Weekly Rental - houses	\$962 (May 2023)	\$797 (May 2022)	20.7%	SQM
Median Weekly Rental - Units	\$661 (April 2023)	\$514 (May 2022)	28.6%	SQM
Vacancy Rate	1.3% (Mar 2023)	1.8% (Mar 2022)	-0.5%	SQM
Time on Market	45 (Mar 2023)	28 (Feb 2022)	-17	the urban developer
Stock on Market (under 30 days)	10,225 (April 2023)	14,403 (April 2022)	-4,178	SOM
Stock on Market (total)	26,169 (April 2023)	30,138 (April 2022)	-3,969	SOM
Auction Clearance Rates (average)	68% (Mar 2023)	66% (Mar 2022)	+2%	Domain
New Dwelling Approvals	2,599 all dwellings (Jan 2023) 1,749 houses (Jan 2023)	6,261 all dwellings (Jan 2022) 2,353 houses (Mar 2022)	-58.5% -25.66%	ABS ABS
New Stock Pipeline (Apartments)	6,000 completed	8,600 commenced construction	9,200 apts launched (108 projects)	Charter Keck Crame r/Property Update



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# **MAJOR PROJECTS**

Major projects have a significant impact on property values as they contribute to the overall desirability of an area, attracting residents, businesses, and investors. These projects drive economic growth, enhance infrastructure, and create employment opportunities, all of which contribute to increased demand for properties and subsequently drive up property values.

The NSW State Government and the Australian Federal Government are investing \$79.3 billion in infrastructure projects, including:



 A total of \$31.6 billion to fund the Sydney Metro.

Sydney Metro is Australia's largest public transport infrastructure project and will include four metro lines. The first two lines of the Sydney Metro are due to be completed by 2024 and will include 31 metro stations and 66 kilometres of new metro rail lines linking Tallawong in the Northwest with Bankstown in the Southwest.

2. At least \$20 billion for construction of Western Sydney Aerotropolis.

This will be an 11,200 hectare city based around the Western Sydney International Airport. The Aerotropolis will establish a high-skill jobs hub with a mixture of office and industrial space supporting the aerospace, defence, manufacturing, healthcare, freight and logistics, agribusiness, education and research industries and when completed will generate around 200,000 new jobs. The city will include retail facilities and a number of residences will also be constructed.

A total of \$16 billion to fund WestConnex motorway.

When completed, this will be a 33 kilometre motorway linking the M4 motorway in Western Sydney with the M5 motorway in south-western Sydney with links to the CBD and Port Botany and Sydney Airport.

 A total of \$5.3 billion for the construction of Western Sydney International (Nancy-Bird Walton) Airport

Construction is now underway on Sydney's long planned second international airport. The terminal will be designed by Zara Hadid Architects and Cox Architecture and is set to be open for domestic, international and freight flights by 2026. The initial earthworks are being carried out by Lendlease and CPB Contractors.

5. A total of \$2.4 billion for construction of the Parramatta Light Rail

A modest additional investment in professional advice and support to choose the right property will greatly enhance the chance and magnitude of success. As an ethical Buyer's Agency we have the desire and capability to support you on every stage of your journey. We invite you to contact us for a no-cost, no-obligation initial consultation.

 A total of \$1.4 billion for construction of the M12 Motorway,

which will provide an east-west link between the M7 Motorway and The Northern Road.

- 7. A total of \$840 million for a new Powerhouse Museum in Parramatta, with construction currently underway.
- 8. A total of \$750 million to construct a new Sydney Fish Market.
- A total of \$735 million for the redevelopment of the Sydney Football Stadium.

# How 1Group Property Advisory can assist you

We are a Buyer's Agency, which means we work for you, and only for you.

A complete solution We will help you work out your property strategy, identify properties that suit your purpose, conduct thorough due diligence on these properties until you are perfectly satisfied, help you negotiate a good price, assist you at each stage through the process until settlement, and even then be available for refurbishment and ongoing support.

We care and will guide you through your entire property journey.

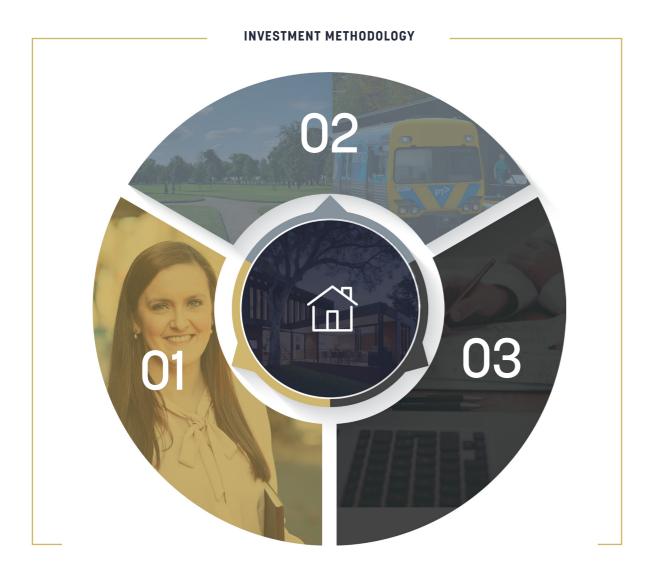
# PROVIDED BY A TEAM OF INDUSTRY EXPERTS

With each member having appropriate qualifications, experience and industry insight, we work together as a team. Our in-house specialists include buyers' agents, property valuers, strategic analysts, property developers and seasoned investors. Supporting the team is a proven network of building inspectors, town planners, solicitors and mortgage brokers.



# ASSISTING YOU EACH STEP OF THE WAY

With a bespoke strategy tailored to your investment goals and budget. Providing critical information for due diligence and decision making. Helping with negotiation to settlement



# 01 / STRATEGY

Objectives and goals Long term goals Risk profile Financial capability Long term goals

Timeline Strategy options

Investment return expectations
Statement of recommendations

# 2 / MARKET DRIVERS

Education
Transport
Lifestyle drivers
Property scarcity
Demographic trends
Major projects & infrastructure plans
Social amenities & services
Supply and demand analysis

# 3 / EXECUTION

Specialised team approach
Established networks
Market intelligence
Decades of experience
Risk mitigation
Negotiation specialists
Tailored reporting

# **WORKING FOR YOU**

Our fees are fixed, agreed in advanced and for the duration of the journey, with payment weighted on success. We do not accept commissions or incentives. Our sole, vested interest lies in a successful outcome for our clients. We are with you for every step of the journey.

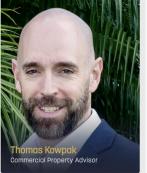


#### MEET THE TEAM →









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