

EDITION 22

SYDNEY CAPITAL CITY REVIEW

SYDNEY



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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

Price Parameters - Adjusted for Current Interest Rate

	HOUSE AI	PRICE	UNIT AI	PRICE
AI FLOOR	32%	\$559,204	31%	\$544,885
AI CURRENT	75%	\$1,300,000	43%	\$740,000
AI CEILING	75%	\$1,300,000	52%	\$899,985
3 YR PRICE TARGET	\$1,100,000 - \$1,250,000 Low Conviction		\$800,000 - \$880,000 Low Conviction	

In the current stage of cycle

The Sydney house market has a **Hold or Consider Sell Rating** while the unit market has a **Hold or Buy Momentum Rating**.

If buying houses, it would be best suited to a **Long Term Hold Strategy**. If buying units, it would be best suited to a **Long Term Hold Strategy**.

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

Legend

Medium Term Strategy = **4 to 7 years**
Long Term Strategy = **15+ years**

HOUSE YIELD **2.8%**

UNIT YIELD **4.3%**

UNEMPLOYMENT RATE **3.1%**

POPULATION



Current: **4,856,693**

Current Growth Rate: **-0.55%**

Avg 10 Yr Growth Rate: **1.37%**

CURRENT MEDIAN HOUSE

\$1,300,000

CURRENT MEDIAN UNIT

\$740,000

LONG TERM COMPOUNDED GROWTH PA (1980) IS **7.60%** FOR HOUSES & **6.16%** FOR UNITS.

Houses the last 3 years have seen 12.75% PA growth, units 2.11%.

7.60%

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Average Days on Market

Houses : **29**
Units : **36**



EXECUTIVE SUMMARY

KEY MARKET INDICATORS

Slightly Negative

■	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 - Neutral

Does Demand Exceed Supply?

■	Change in Population	13
■	State Population Movement	14
■	Foreign Investment.....	15
■	Airport Arrivals.....	16
■	Dwelling Sales.....	17
■	Dwelling Approvals V. Population % Change.....	18
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AFFORDABILITY - Slightly Negative

Is Property Affordable?

■	Affordability Index HOUSE V. Price Movement.....	08
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■	Price to Income Ratio.....	21
■	Rent to Income V Affordability.....	22
■	FHBs as % of Population.....	23

CONFIDENCE - Positive

Is There Confidence In The Market?

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■	Mortgage Arrears.....	25
■	Unemployment Rate	26
■	Underemployment Rate	27
■	State Job Vacancies	28
■	Business Investment	29

MONEY SUPPLY - Negative

Will There Be More or Less Money Into The Economy?

■	State Budget	30
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INVESTMENT VALUE - Slightly Negative

Is This Market Showing Value?

■	Current Investment Value - Per Capital City.....	32
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RISK - Negative

Is There Potentially Downside Volatility?

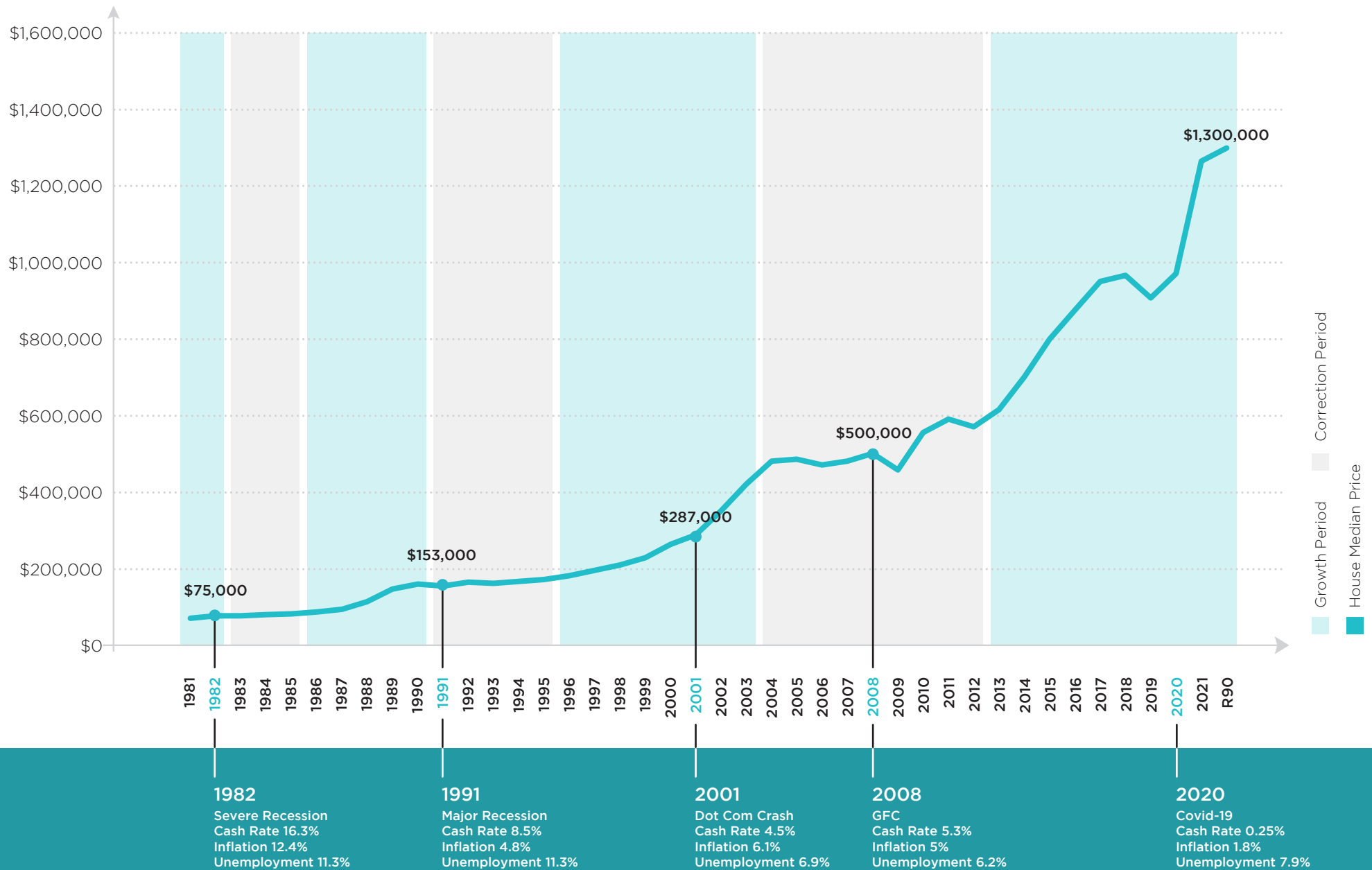
■	Affordability Index HOUSE V. Price Movement.....	08
■	Price to Income Ratio	21
■	Industry Value Added	36
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Positive
Slightly Positive
Neutral
Slightly Negative
Negative

SYDNEY HOUSE PRICE MOVEMENT

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OUR VIEW OF THE SYDNEY HOUSE MARKET

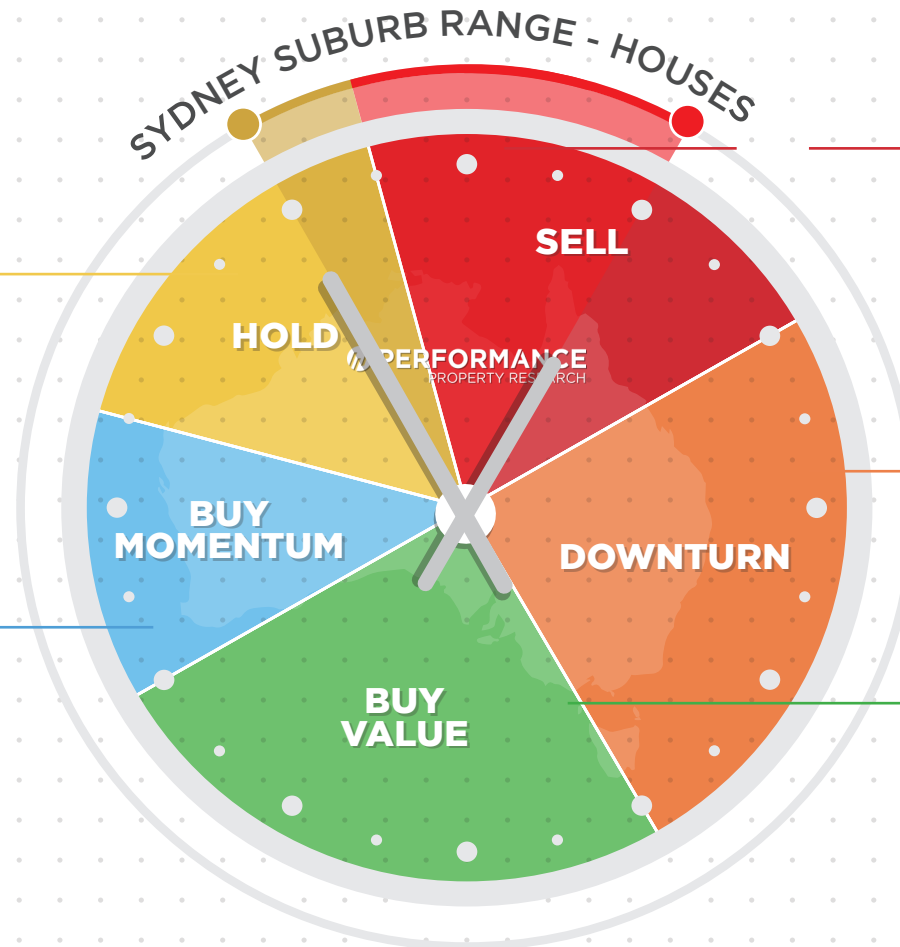
SYDNEY SUBURB RANGE - HOUSES

HOLD

Hold and monitor property in this market. Potential for growth in the short term is predicted but limited. Investing at this stage in the cycle holds extreme risk, due to low yields and aggressive prices.

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.



SELL

The market has peaked and prices are likely to soften or stagnate in the short to medium term. Consider selling in this market after consultation with your financial planner or property investment adviser.

DOWNTURN

The market is moving through a correction stage. We see minimal 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.

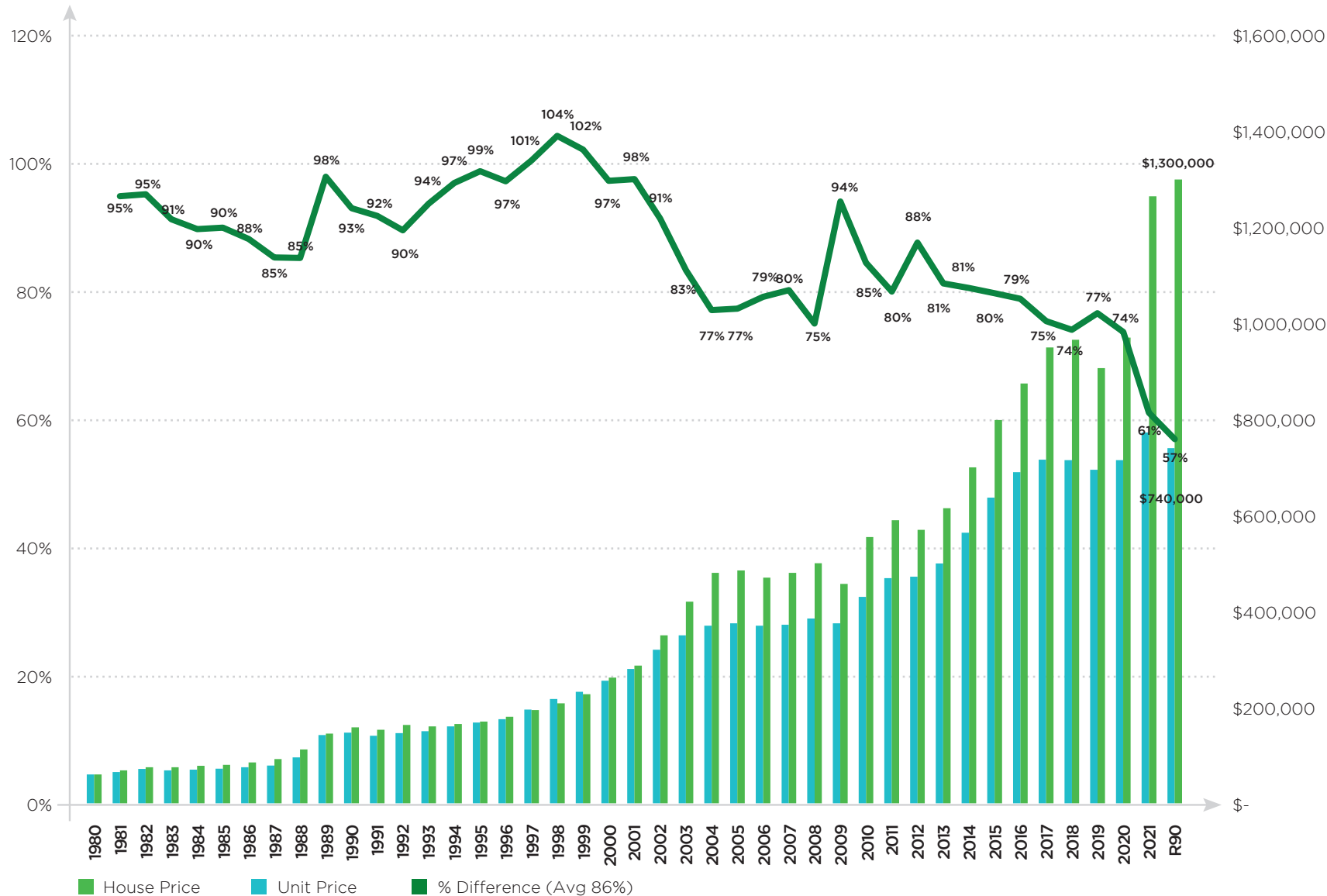
For more information on the Sydney market, including individual property and suburb information, call to speak to one of our professional property advisors on (03) 8539 0300.

SYDNEY HOUSE V. UNIT PRICE COMPARISON

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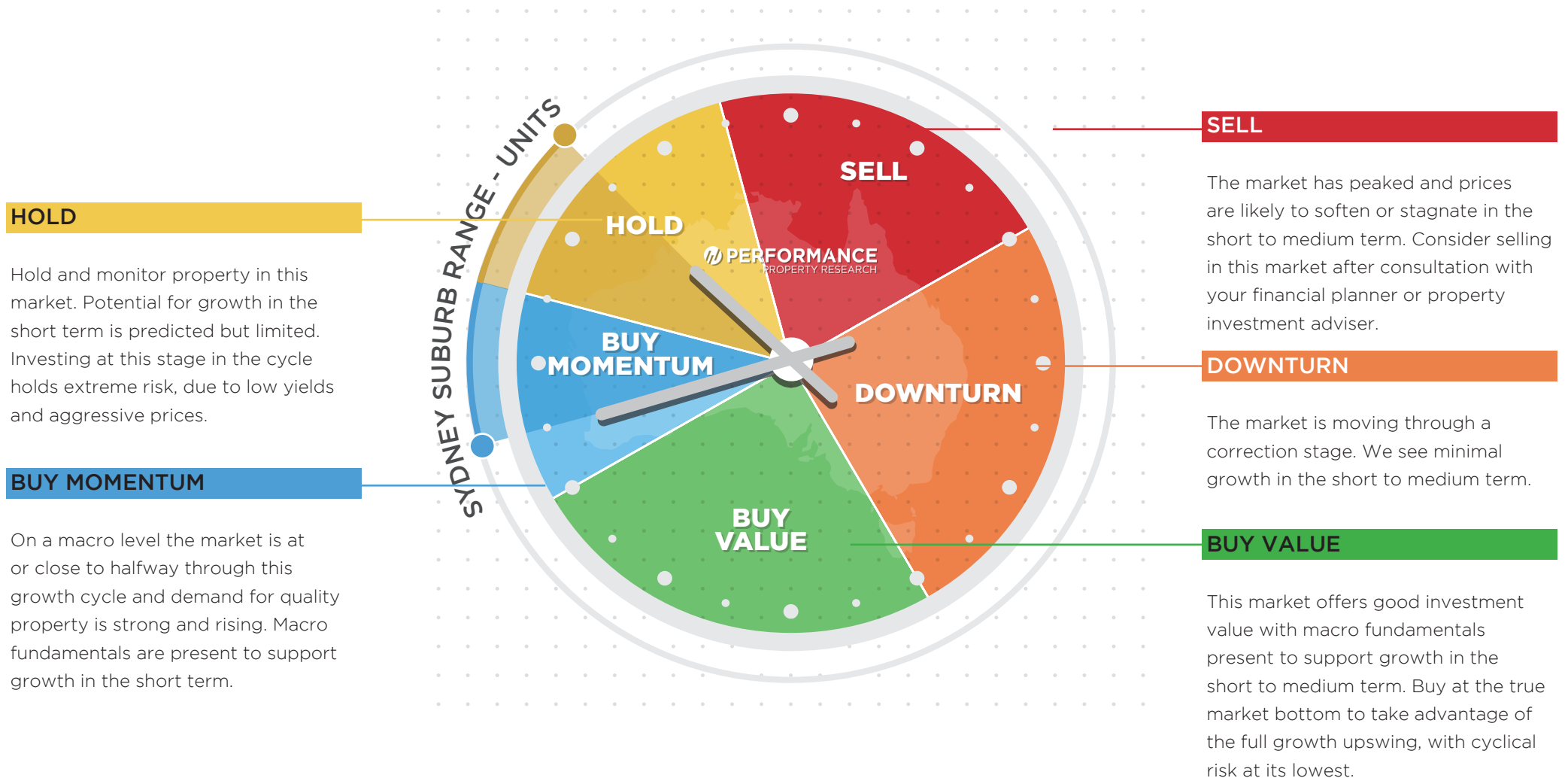
This graph shows the comparison between house and unit price movements and the percentage difference for each year.



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OUR VIEW OF THE SYDNEY UNIT MARKET



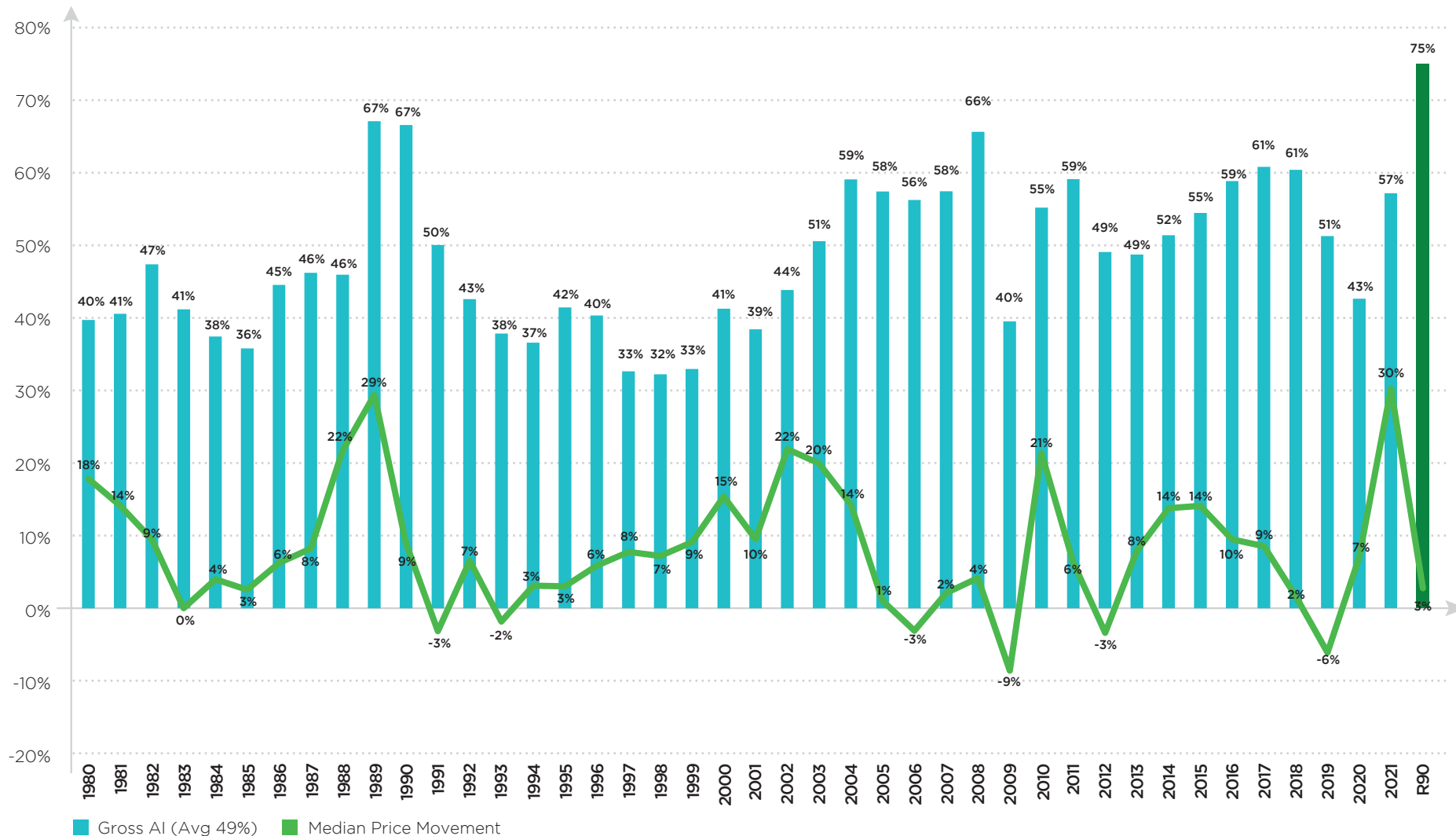
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AFFORDABILITY INDEX V. PRICE MOVEMENT - HOUSE

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This graph displays the impact interest rates have on house price movements. PPA'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 2021, the rolling 90 days (R90) is shown to convey latest market status.

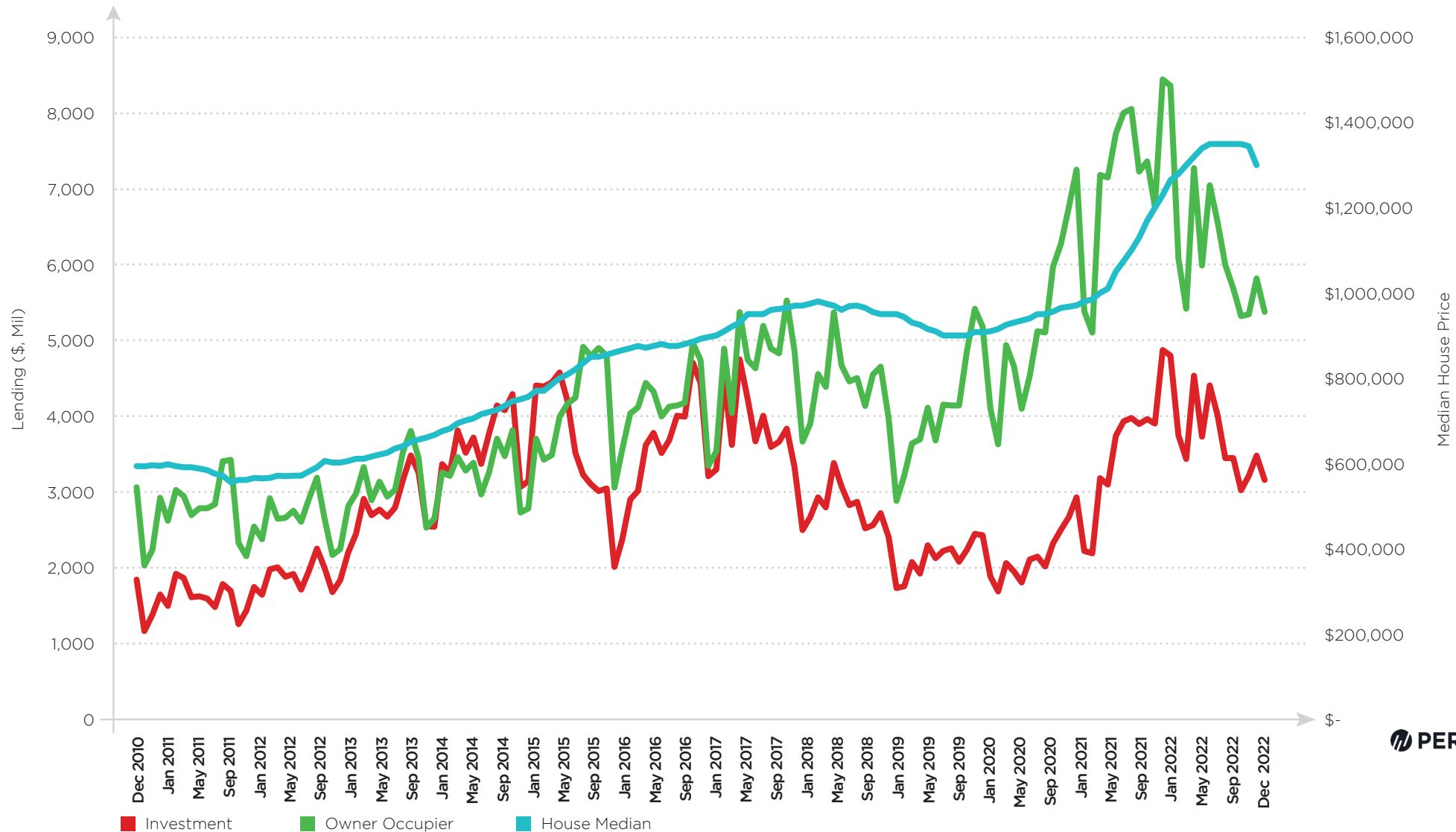


NSW MONTHLY HH LENDING TO OC V. MEDIAN HOUSE PRICE

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

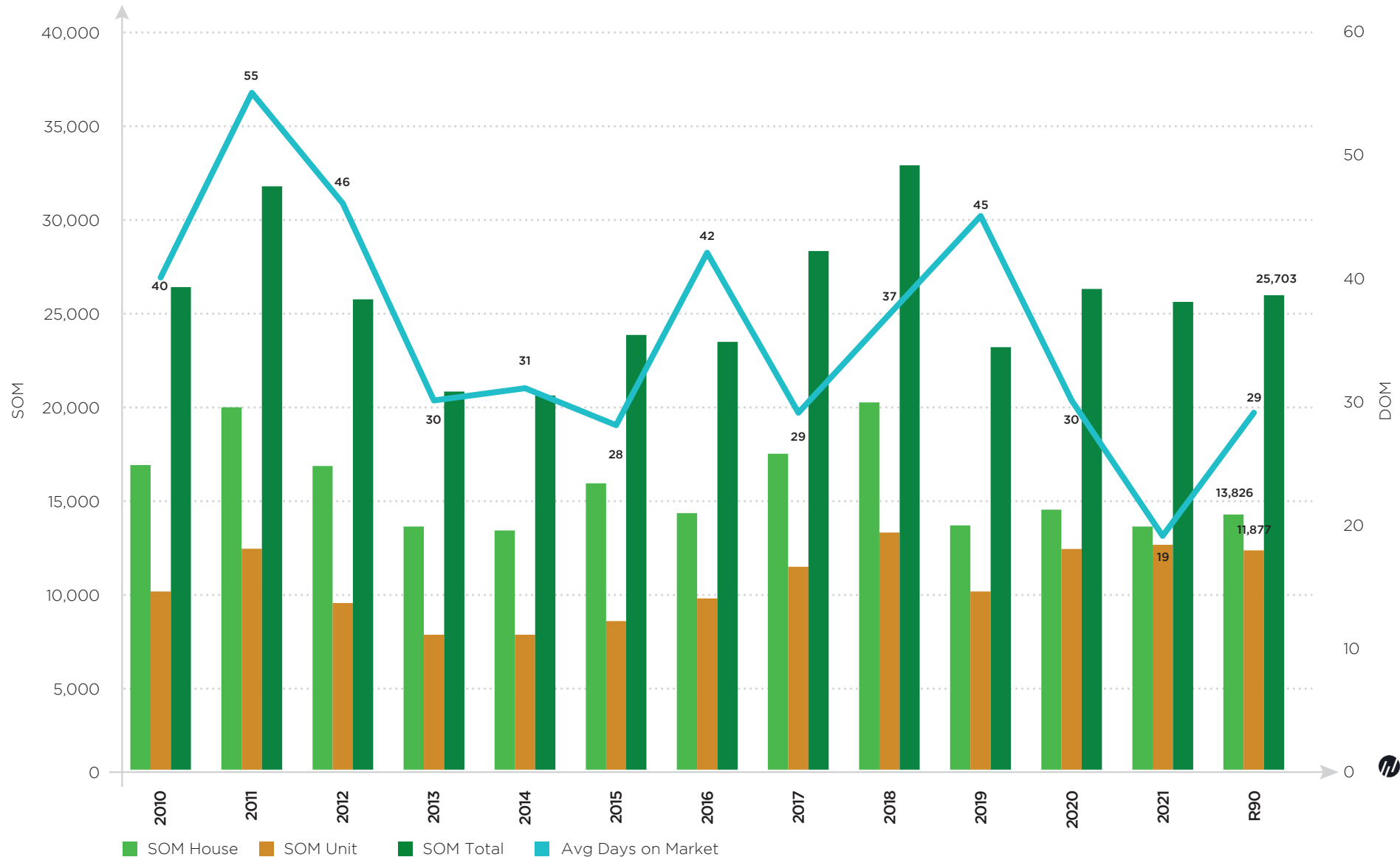


STOCK ON MARKET V. AVG DAYS ON MARKET

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

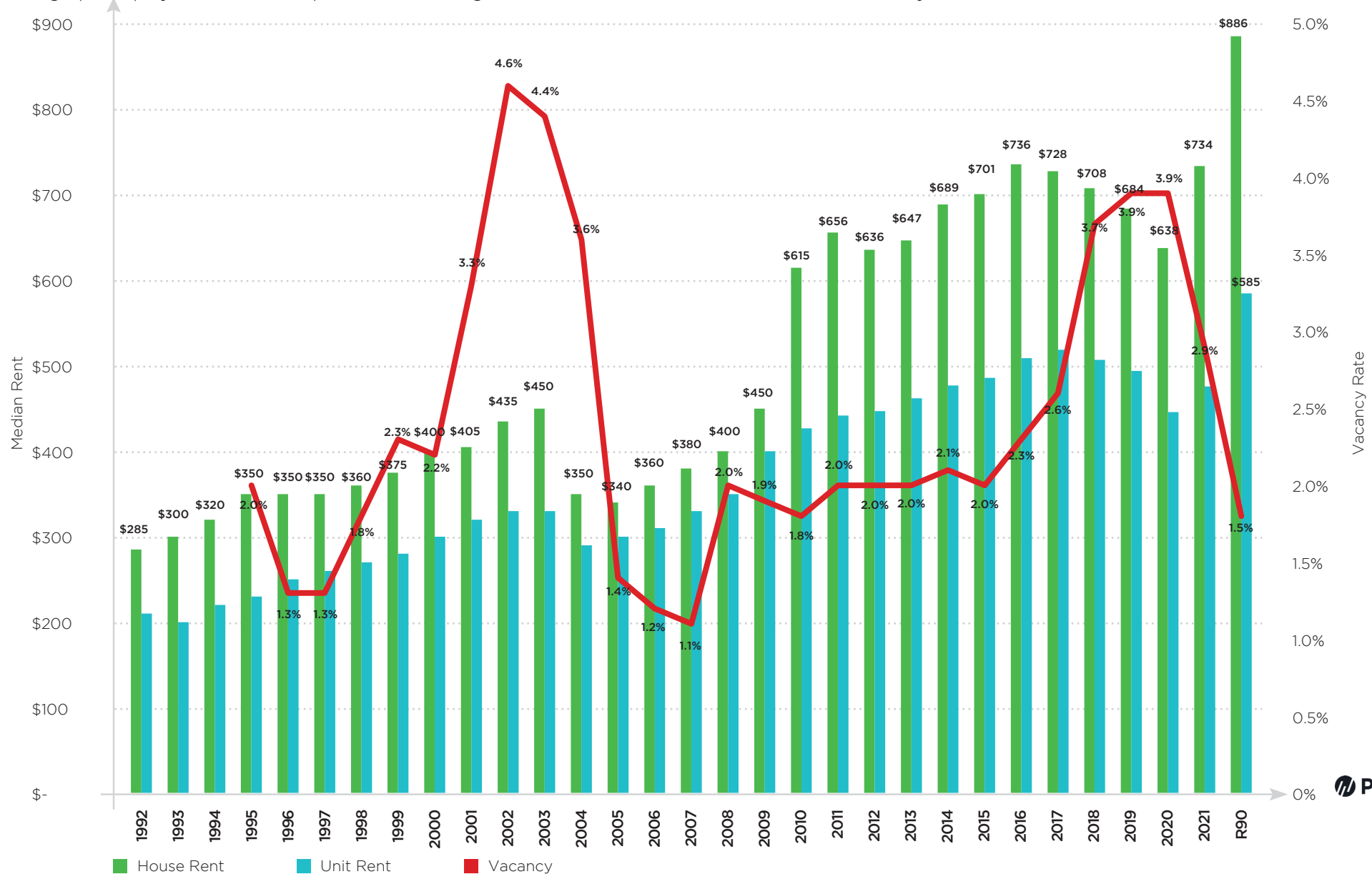


VACANCY RATE V. RENT

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

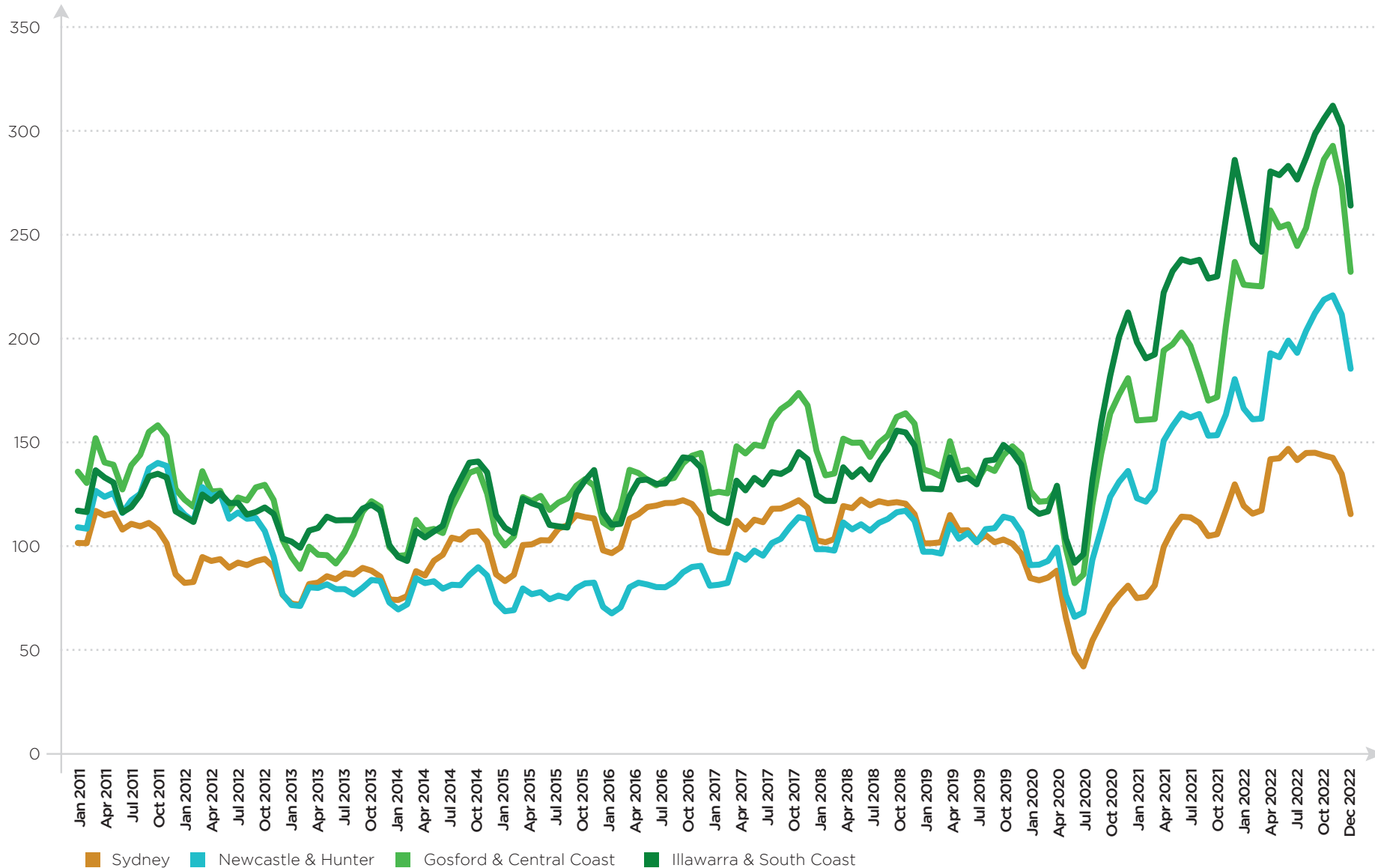


JOB CREATION INDEX - SYDNEY

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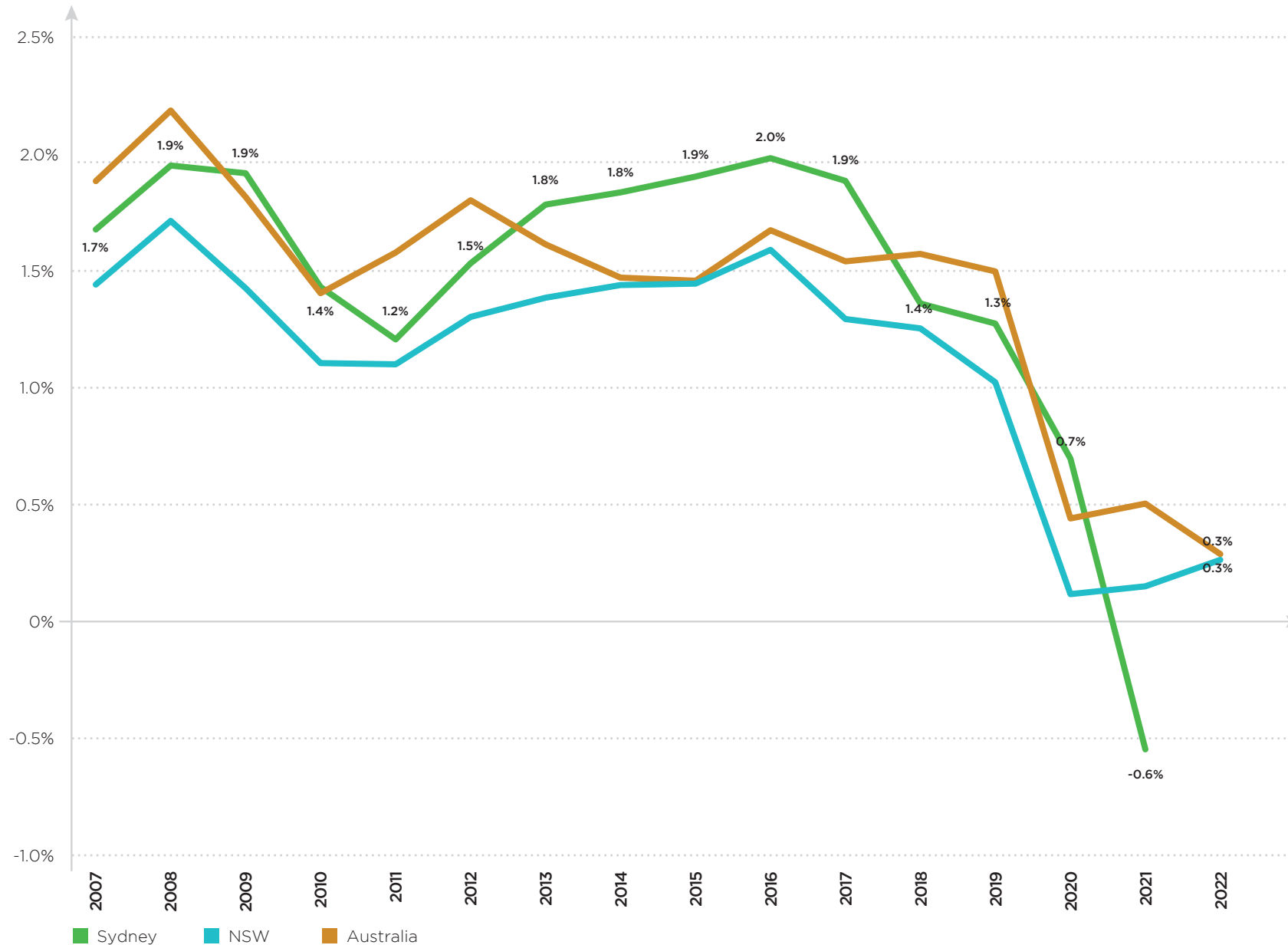
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This graph shows the internet vacancy index for online job advertisements on the three major job boards.



CHANGE IN POPULATION

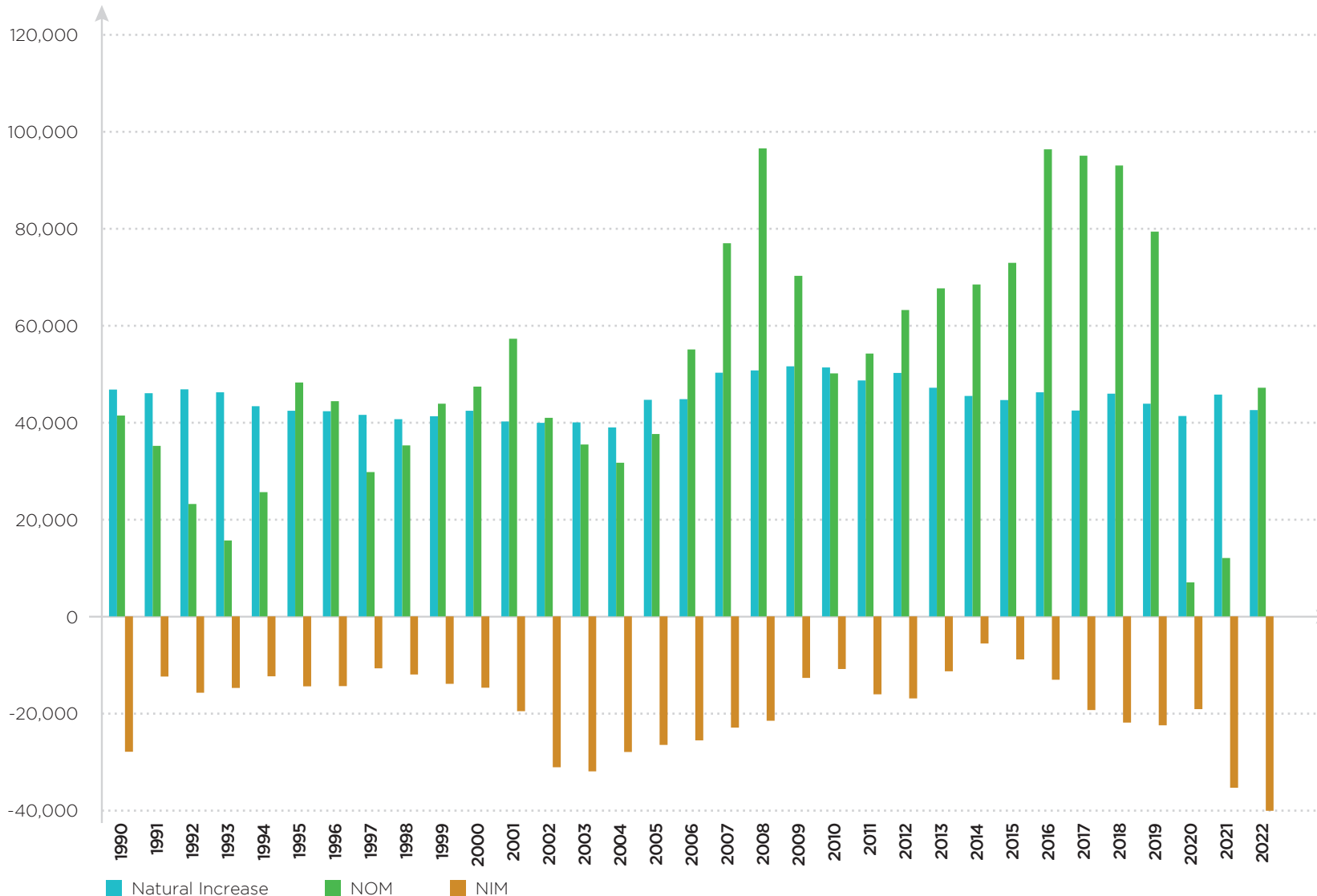
This graph shows the percentage change in the population growth rate for the city, state and Australia.



NEGATIVE

NSW POPULATION MOVEMENT TYPE

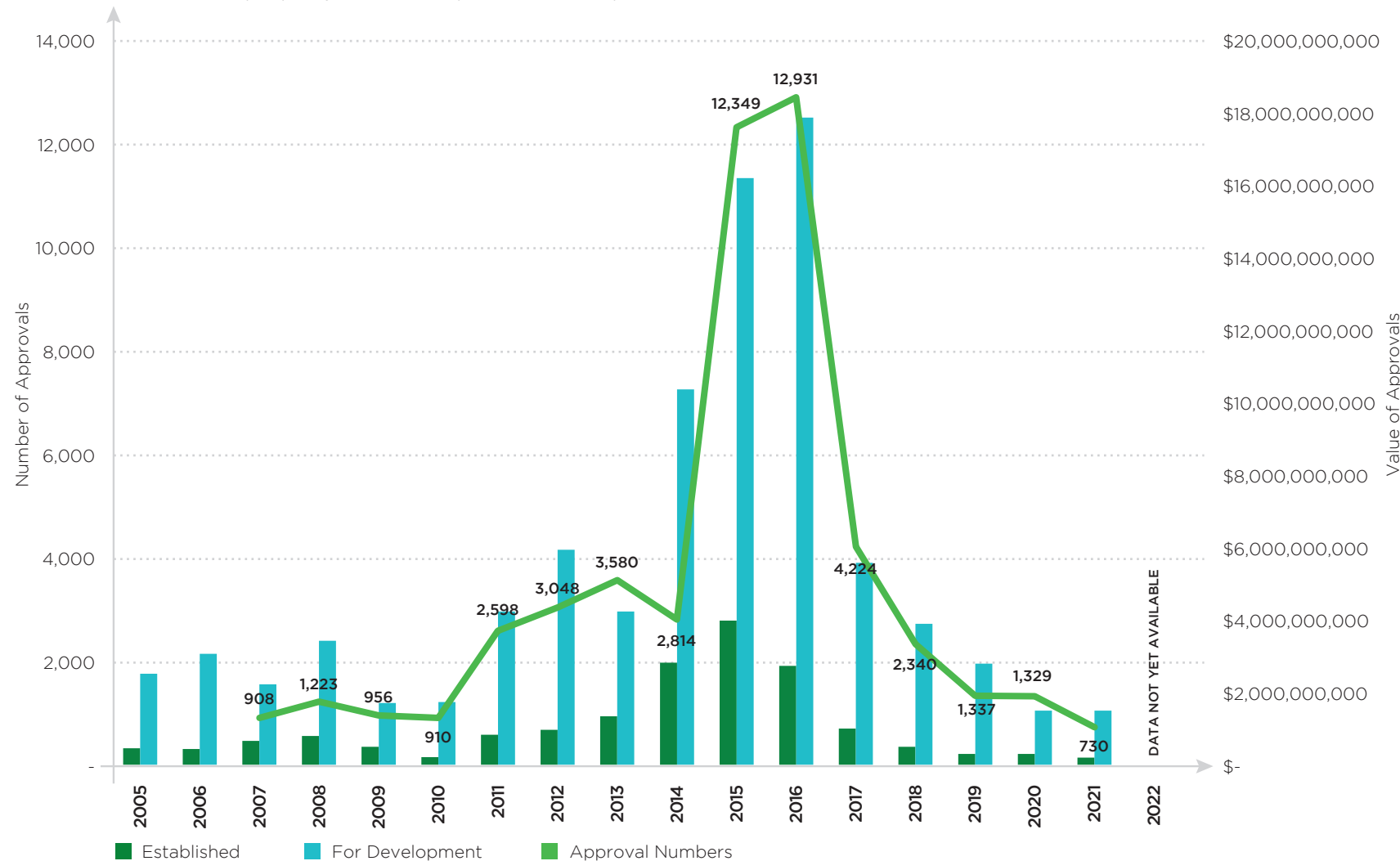
This graph demonstrates the breakdown of Natural Increase, Net Overseas Migration (NOM) and Net Interstate Migration (NIM) for the state.



SLIGHTLY
NEGATIVE

FOREIGN INVESTMENT APPROVALS - NEW V. ESTABLISHED PROPERTY

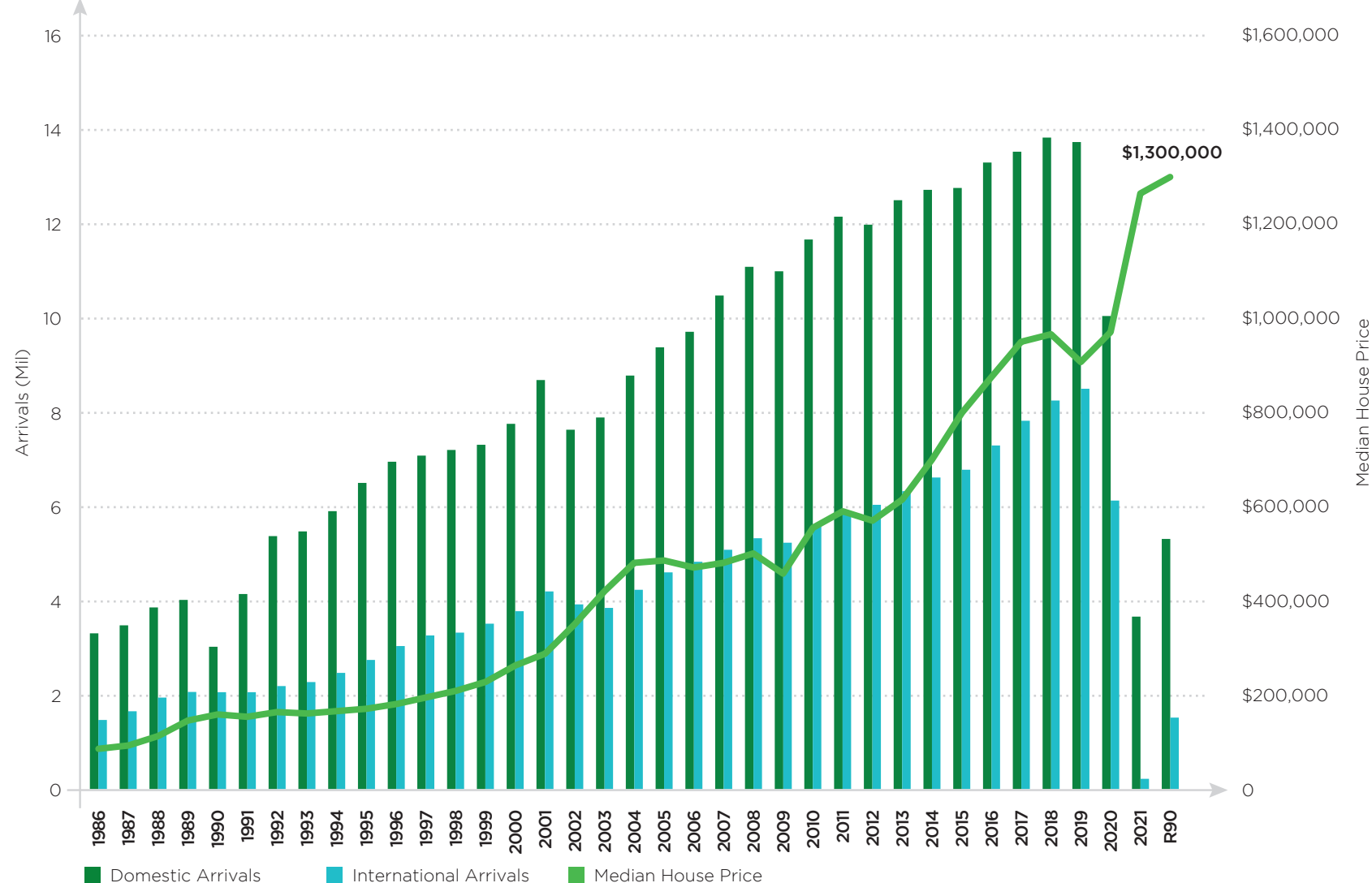
This graph shows the amount of foreign investment approvals for the state's residential market since 2005. Approvals are broken down into established property and developed/for development.



POSITIVE

AIRPORT ARRIVALS V. MEDIAN HOUSE PRICE

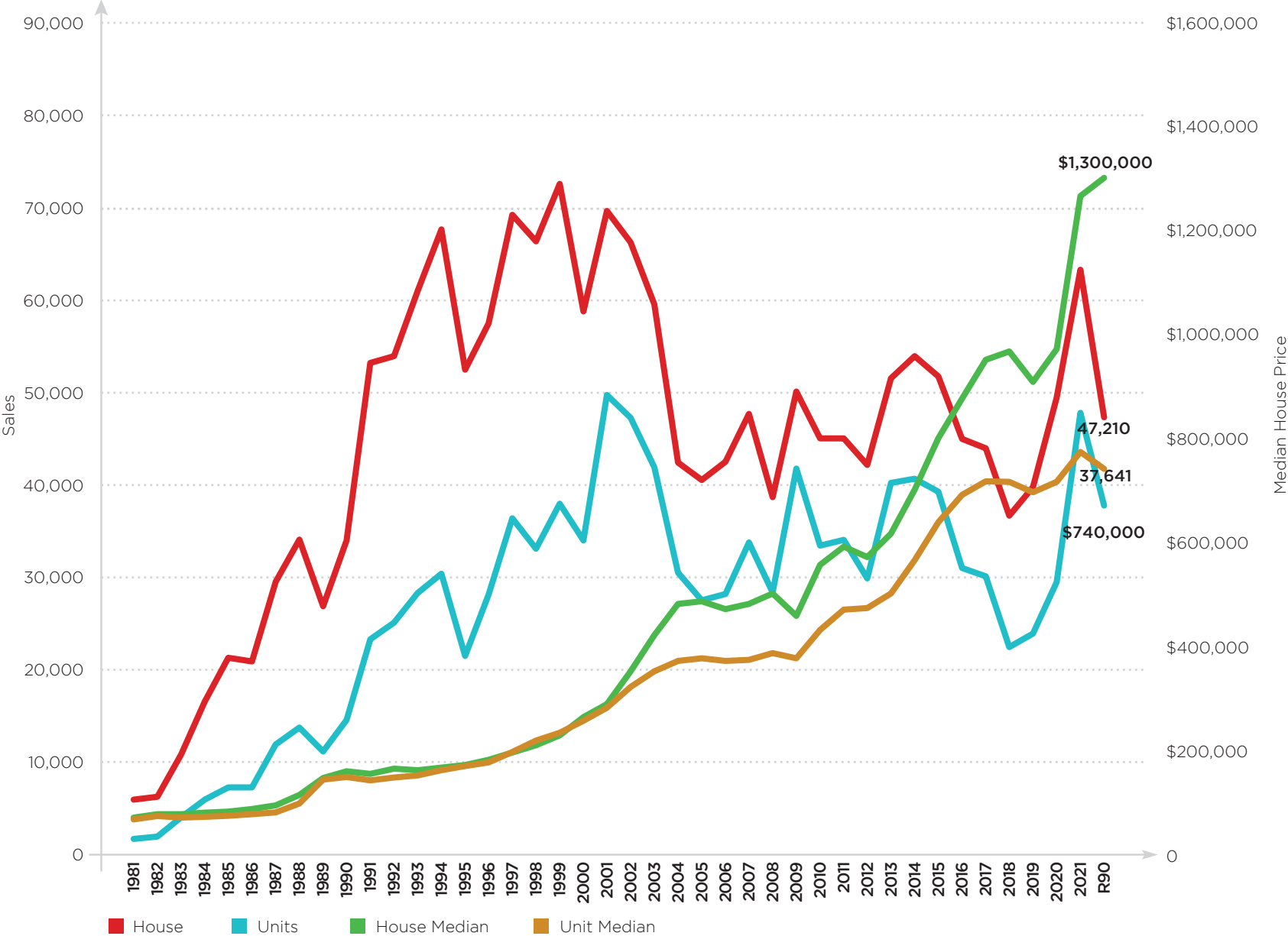
This graph shows the numbers for International and Domestic arrivals into the city's airport from 1986 plotted against the median house price. For the current year 2021, the rolling 90 days (R90) depicted with dotted line, is specifically shown to give emphasis on current house median movement.



NEGATIVE

DWELLING SALES

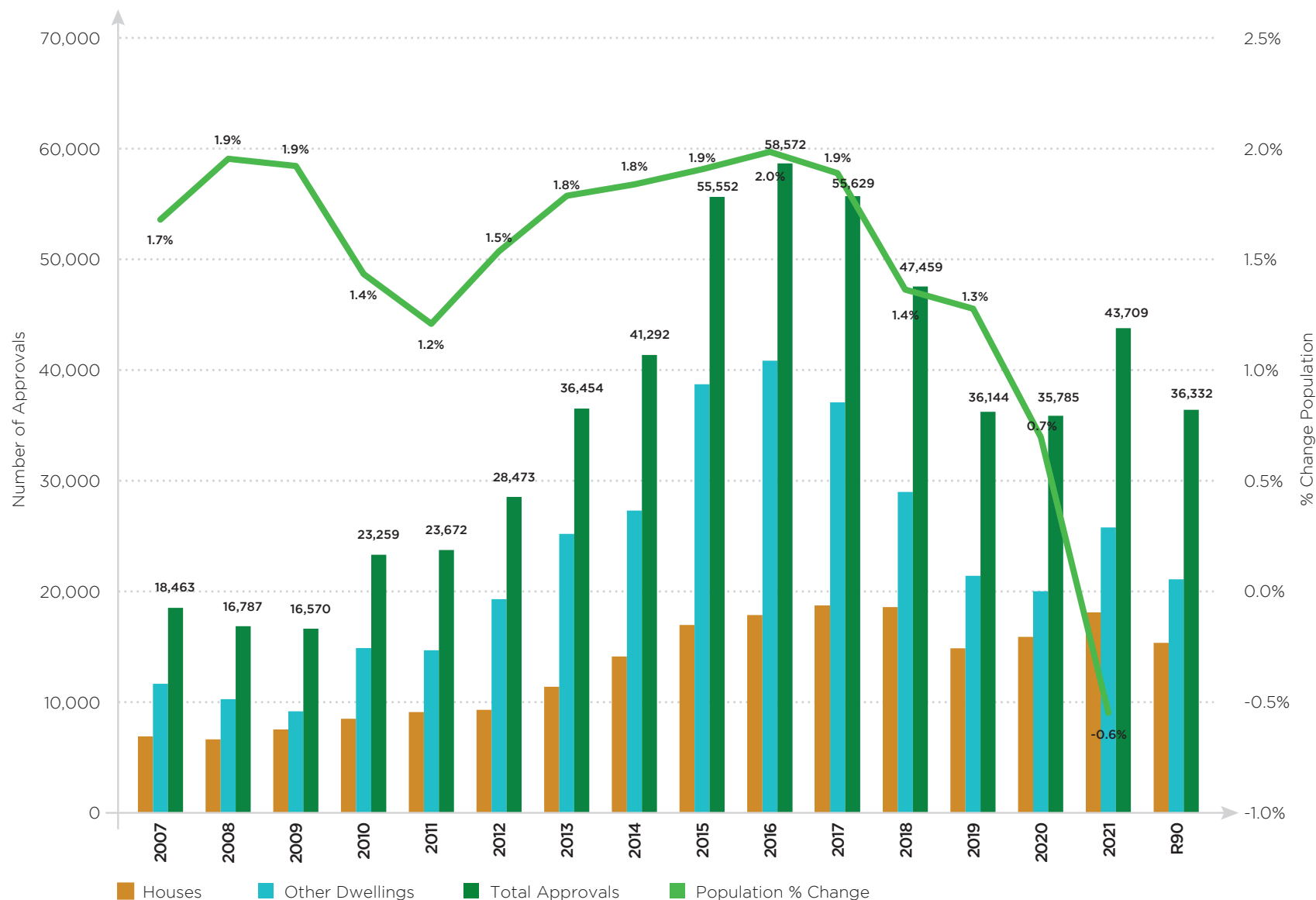
This graph displays the number of unit and house sales.



POSITIVE

DWELLING APPROVALS V. POPULATION

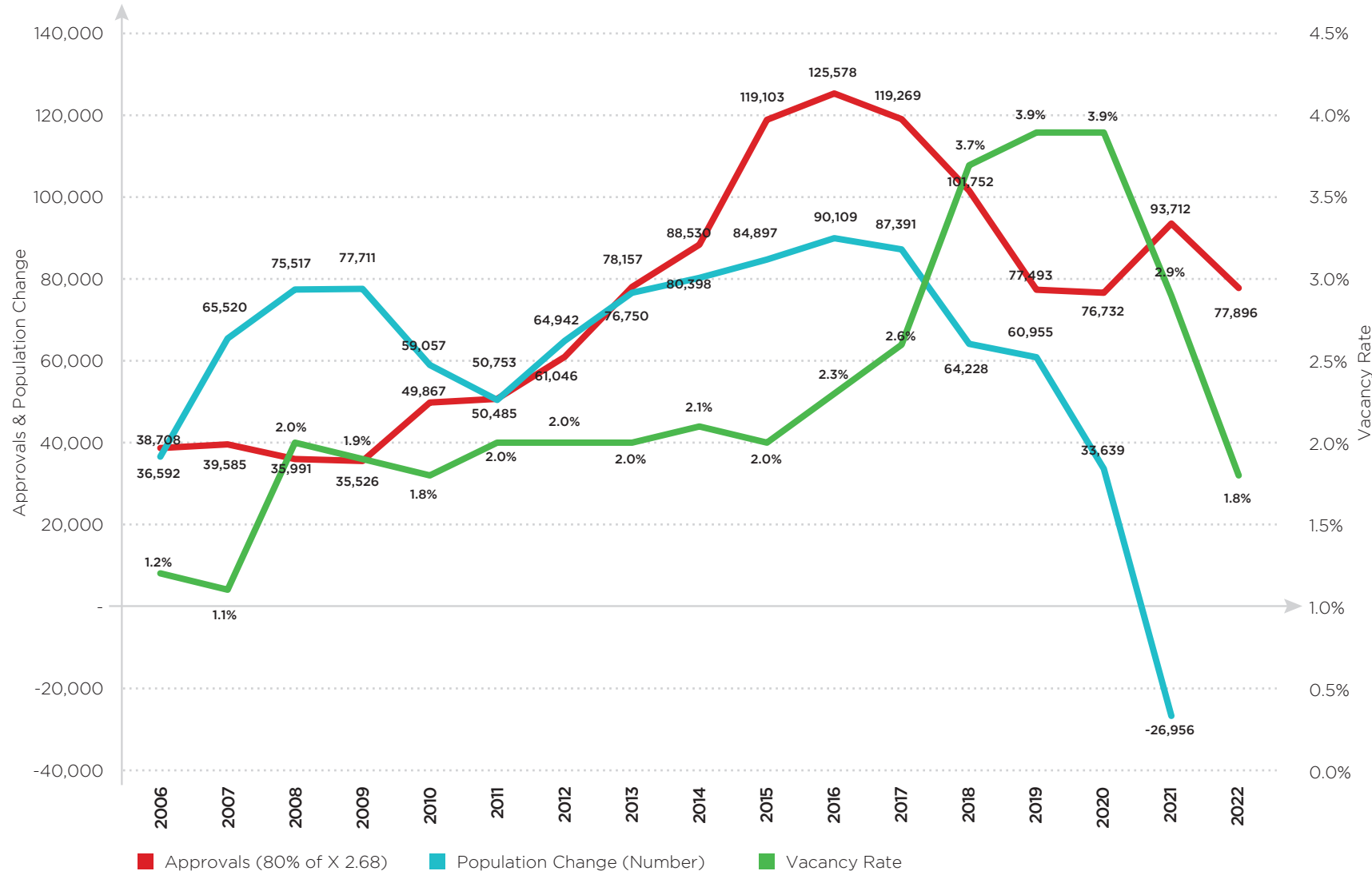
This graph shows the relationship between population growth and dwelling approvals in the Greater City region.



POSITIVE

BEDROOM APPROVALS V. POPULATION CHANGE

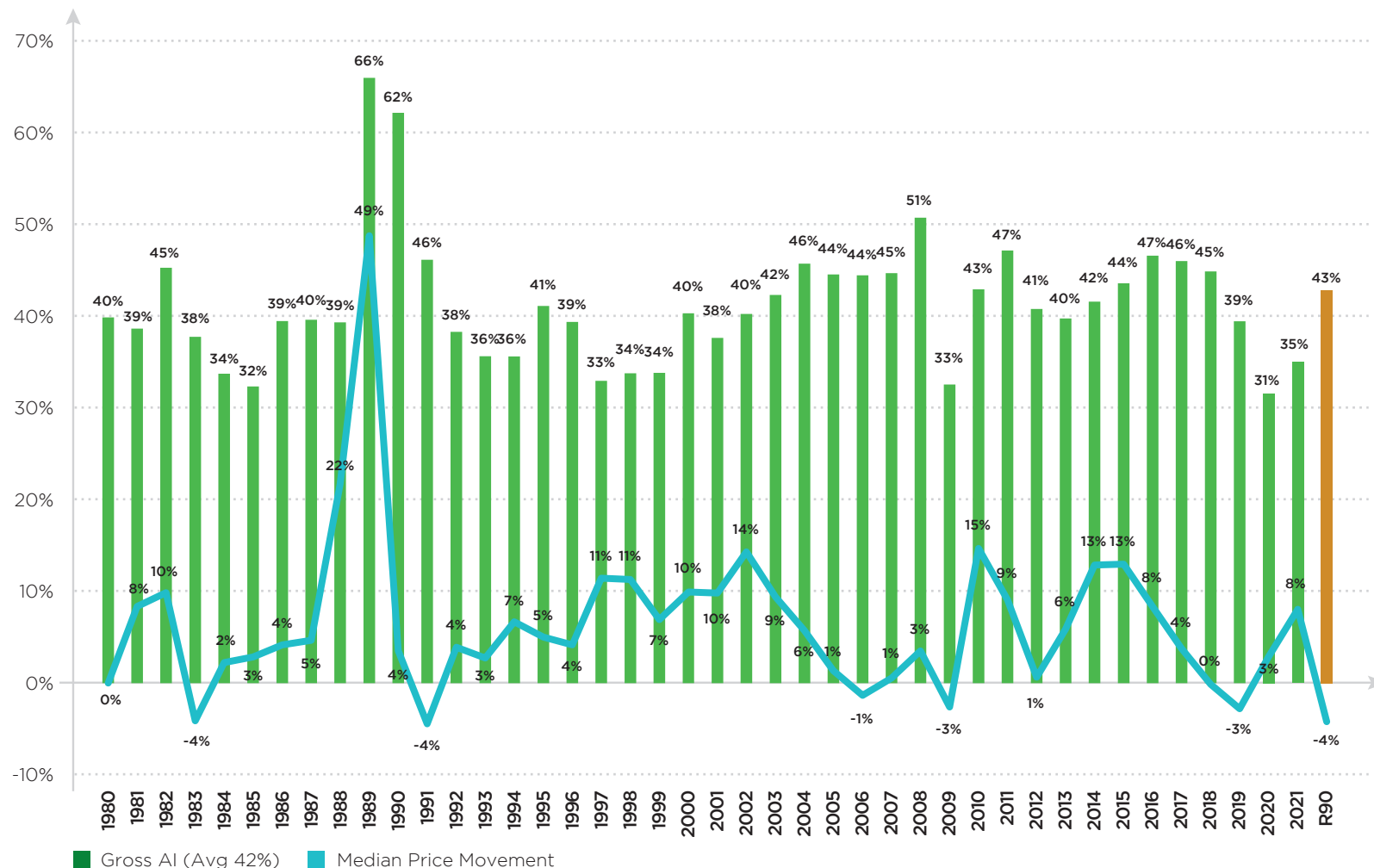
This graph shows the relationship between the assumed number of bedrooms being commenced, the change in population numbers and the vacancy rate. PPA calculates this assuming 80% of approvals commence, and multiplying by the average household size of the city.



NEGATIVE

AFFORDABILITY INDEX V. PRICE MOVEMENT (UNIT)

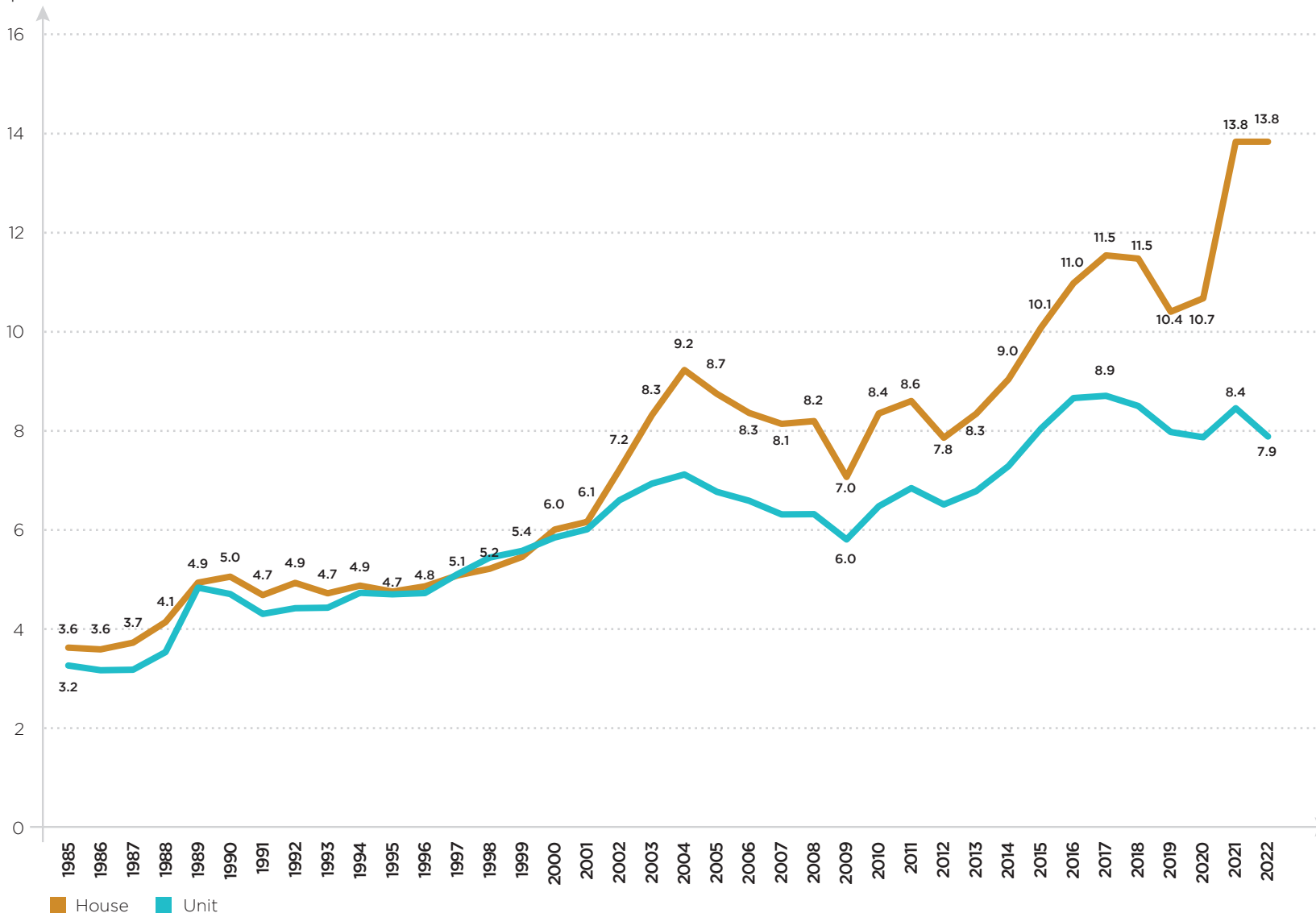
This graph displays the impact interest rates have on unit price movements. PPA's Gross Affordability Index (AI) is a measure of the average mortgage repayments versus the average income. The AI is calculated using the median price, average wage (before tax), assumes a 20% deposit, the current variable interest rate and Principle & Interest repayments over a 30 year loan term. For the current year 2021, the rolling 90 days (R90) is depicted as a stacked shown to convey latest market status.



SLIGHTLY
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PRICE TO INCOME RATIO

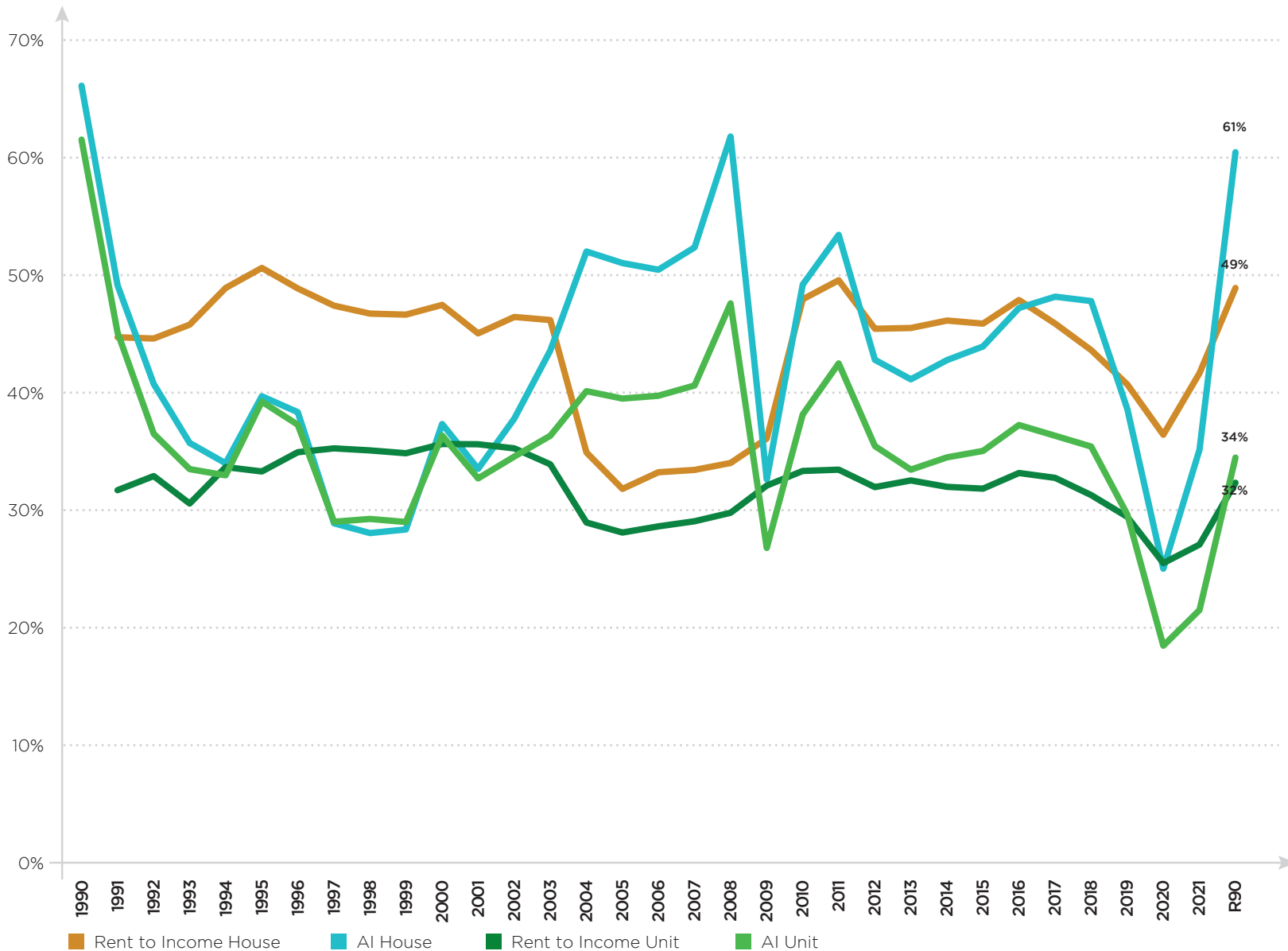
This graph displays the price to income ratio which is the relationship between the median house price and the average annual income. This also represents the average time taken to save a 20% deposit when assuming 20% of the average wage is saved. For the current year 2021, the rolling 90 days (R90) depicted with dotted line, 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 PPA Affordability Index for houses, calculated using an Interest only loan.



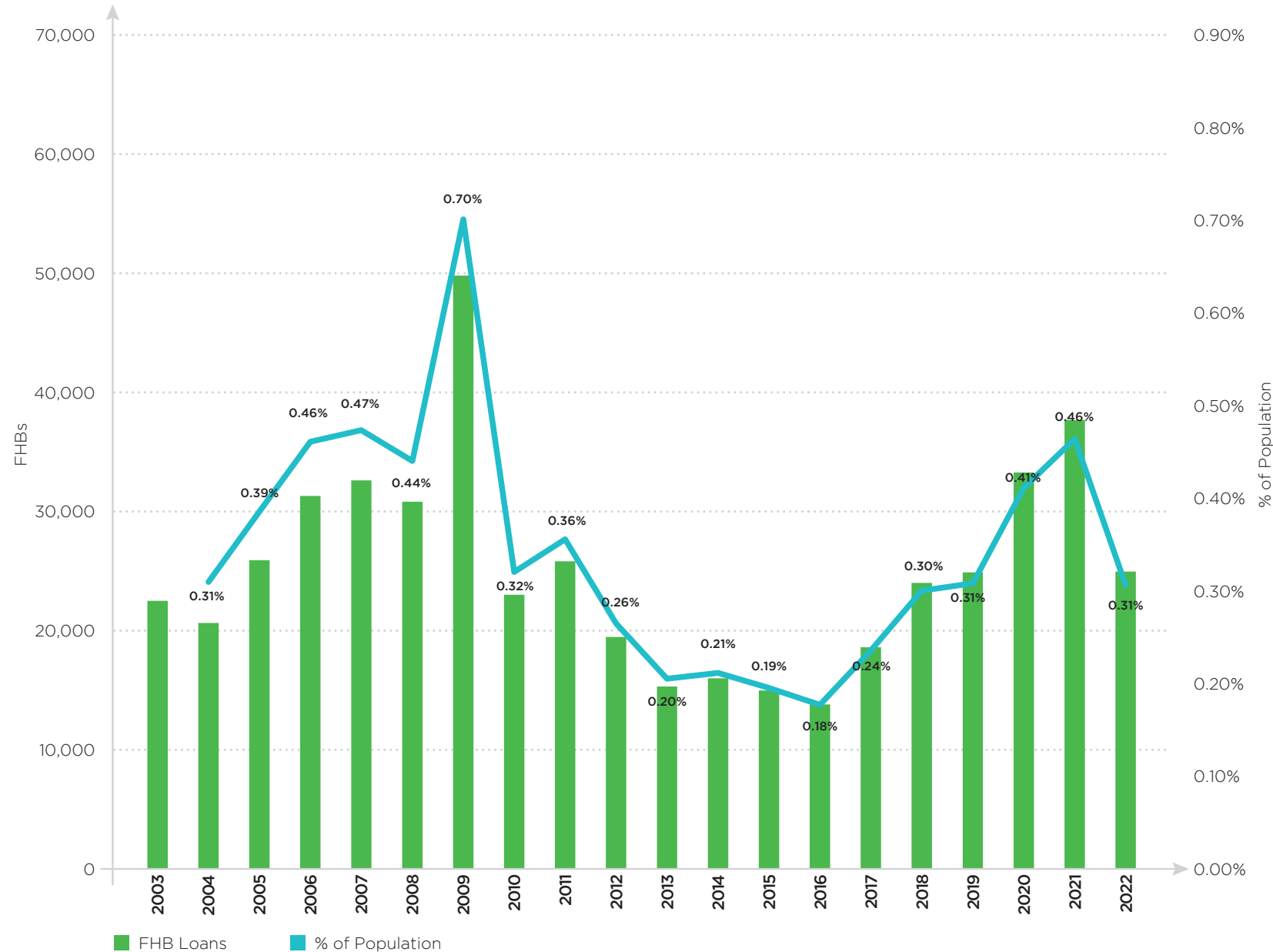
NEGATIVE

FHBS AS A % OF POPULATION

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



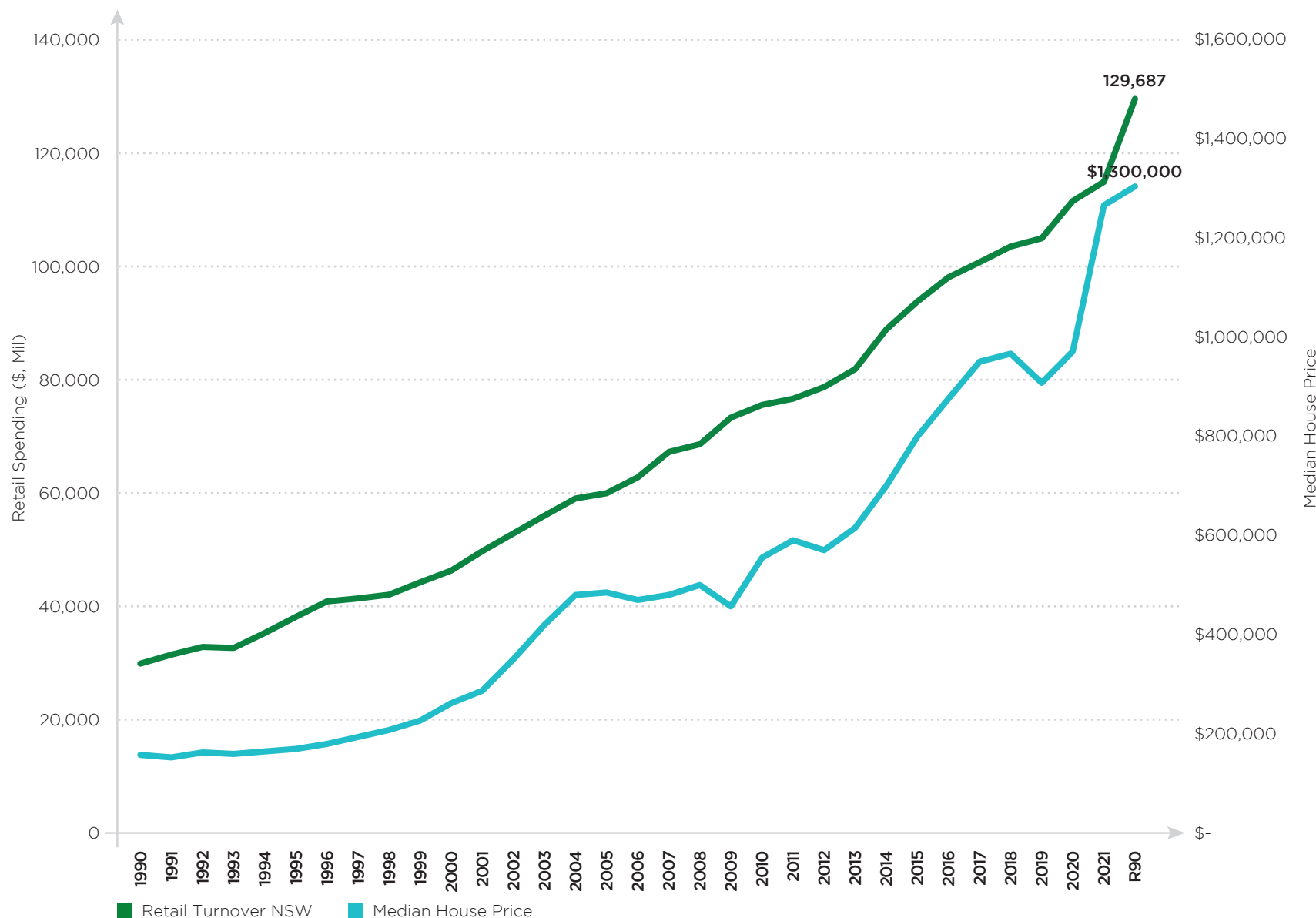
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RETAIL TURNOVER GROWTH

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This graph displays levels of retail turnover for the state charted against the median house price. For the current year 2021, the rolling 90 days (R90) depicted with dotted line, is specifically shown to give emphasis on current median house price movement.



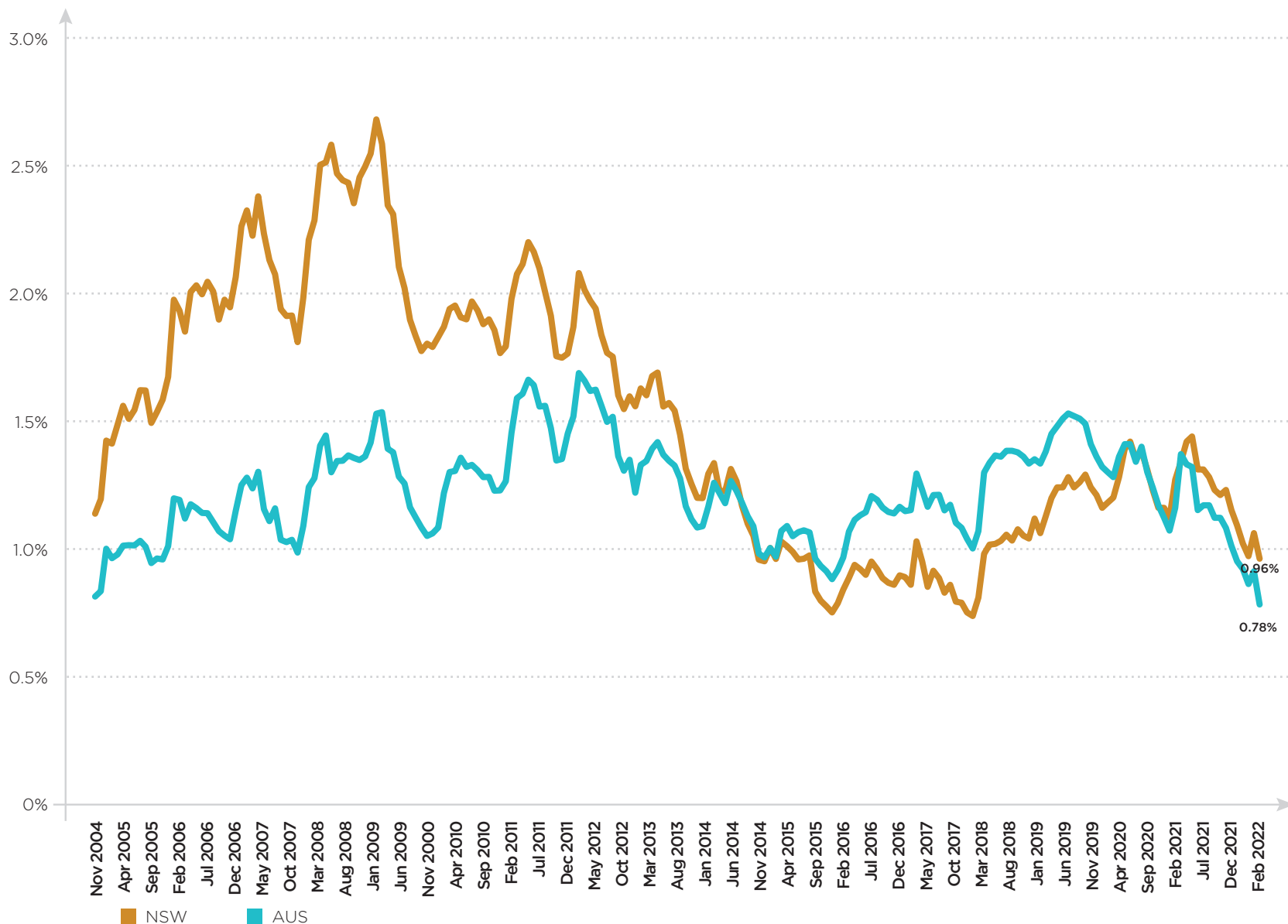
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MORTGAGE ARREARS

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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.

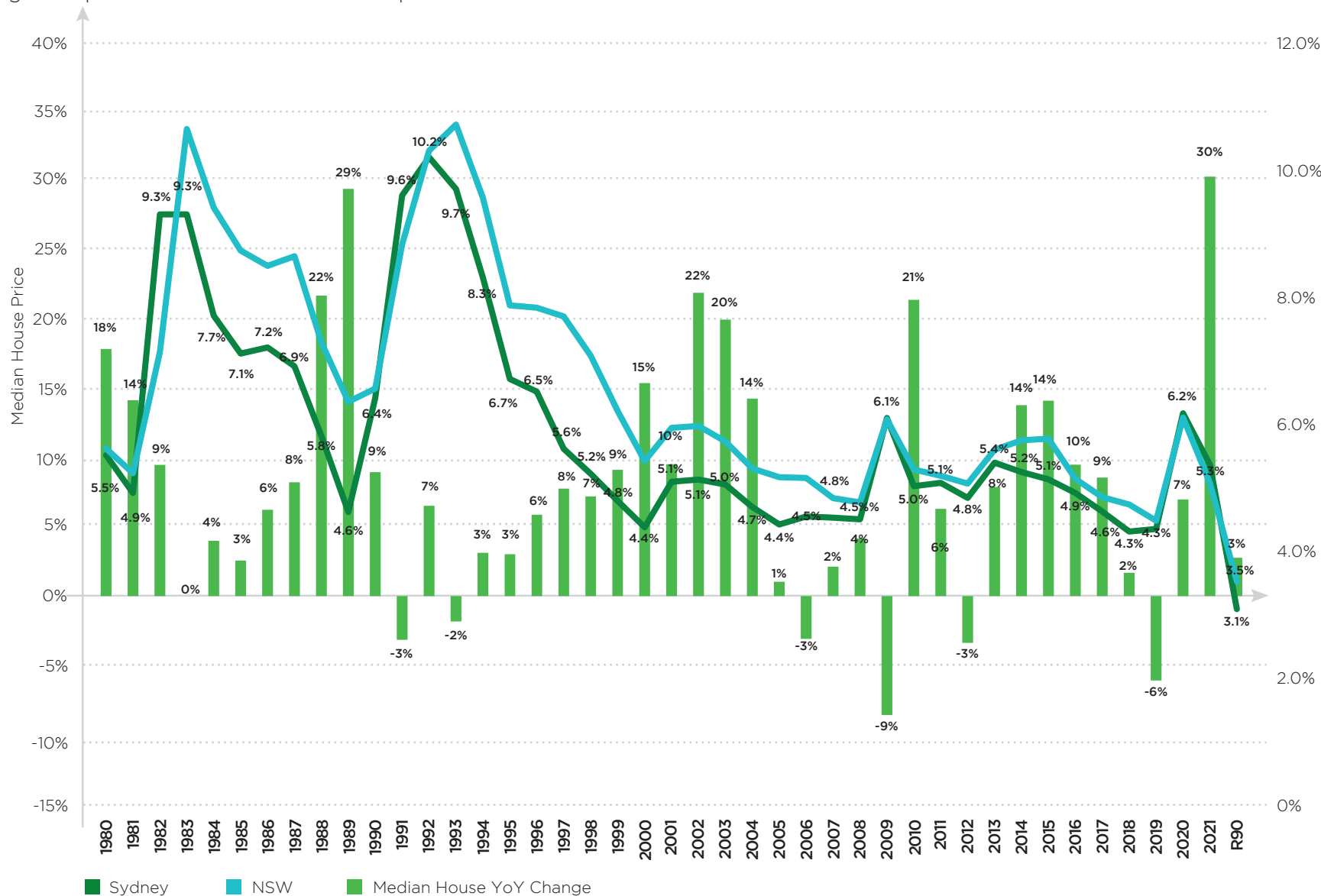


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UNEMPLOYMENT

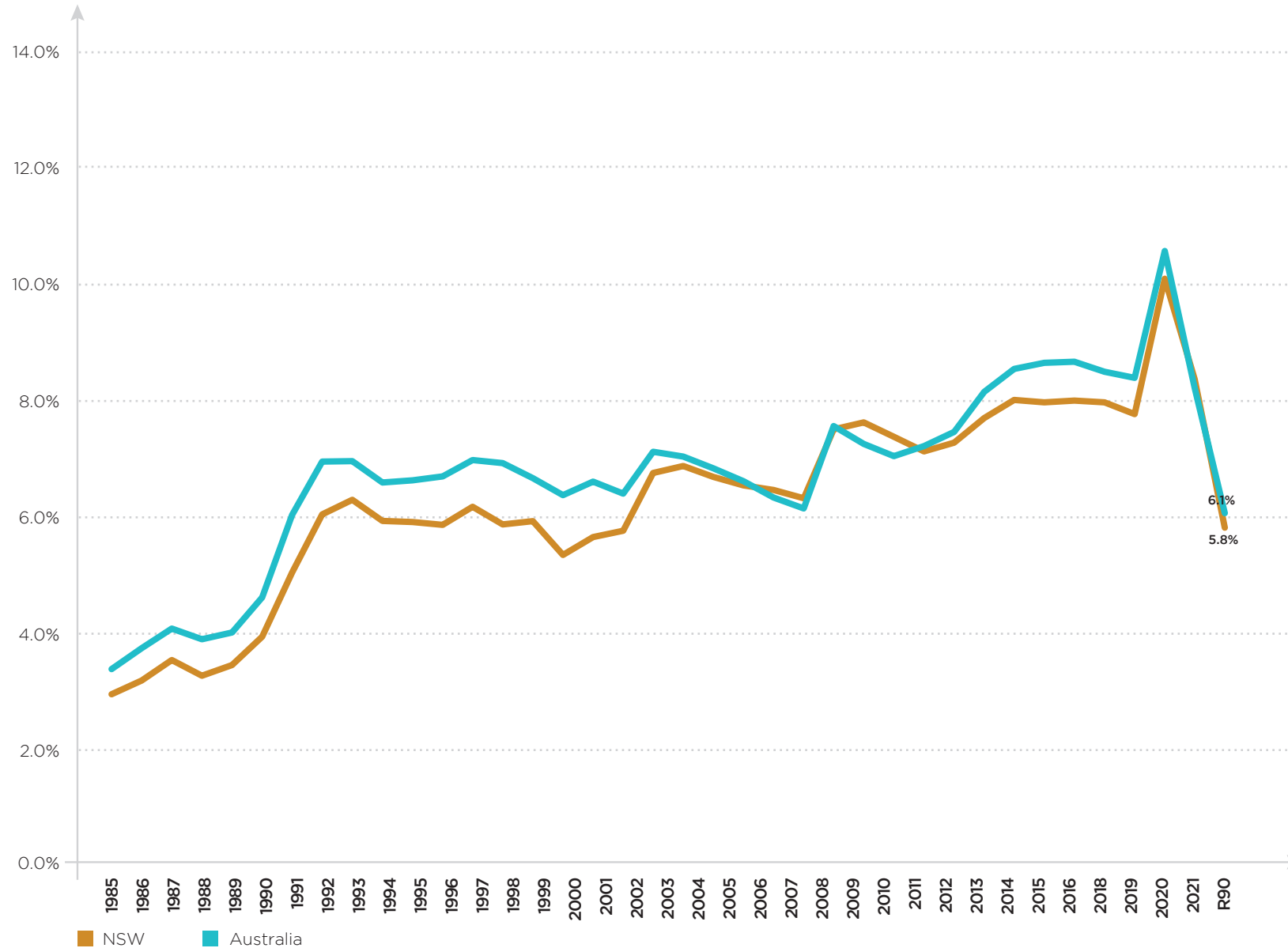
This graph shows the relationship between the state and national underemployment rate as a yearly average from 1985 and the current, most recent rate. For the current year 2021, the rolling 90 days (R90) depicted with dotted line, is specifically shown to give emphasis on current median house price movement.



POSITIVE

UNDEREMPLOYMENT

This graph shows the relationship between the state and national underemployment rate as a yearly average from 1985 and the current, most recent rate.



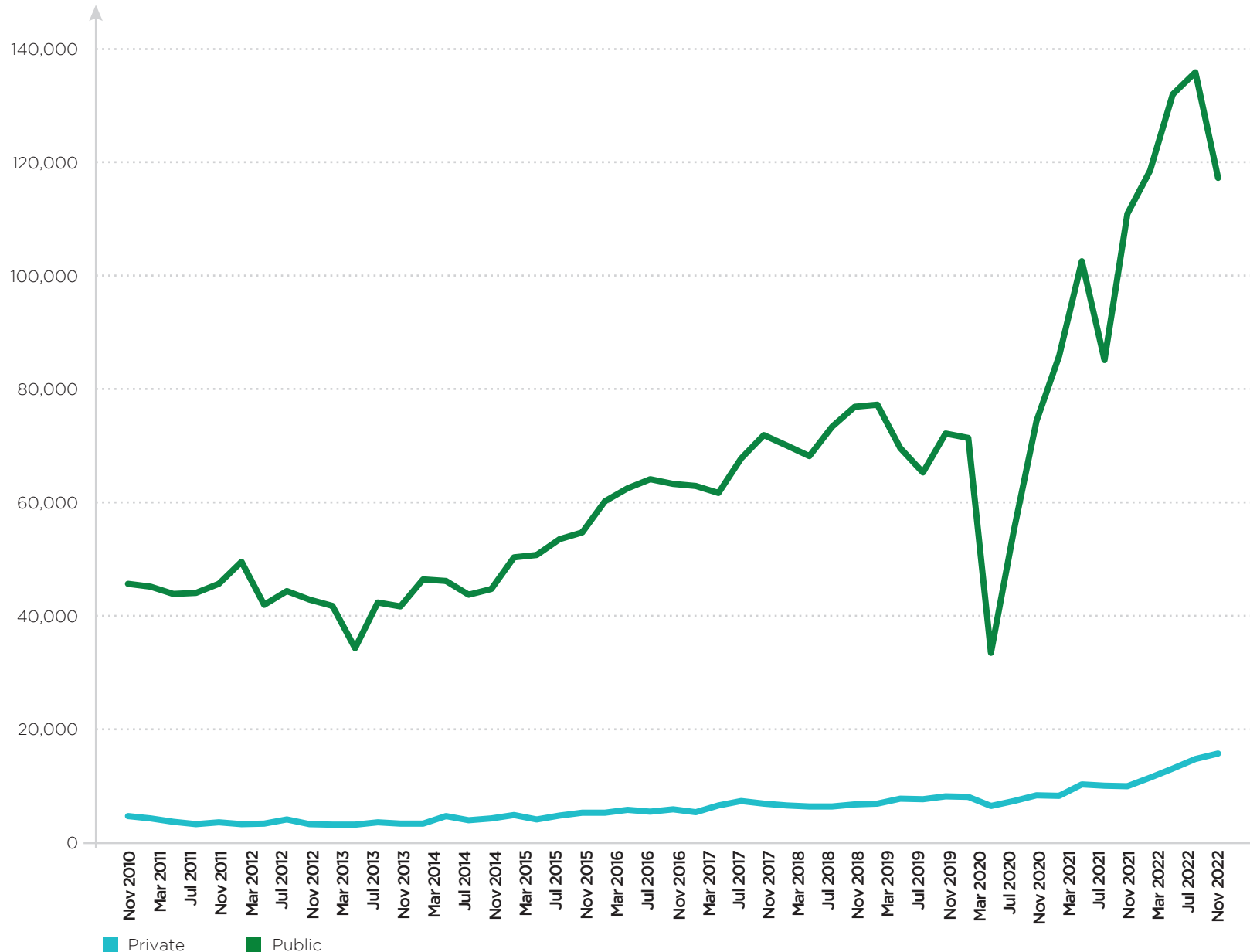
POSITIVE

STATE JOB VACANCIES

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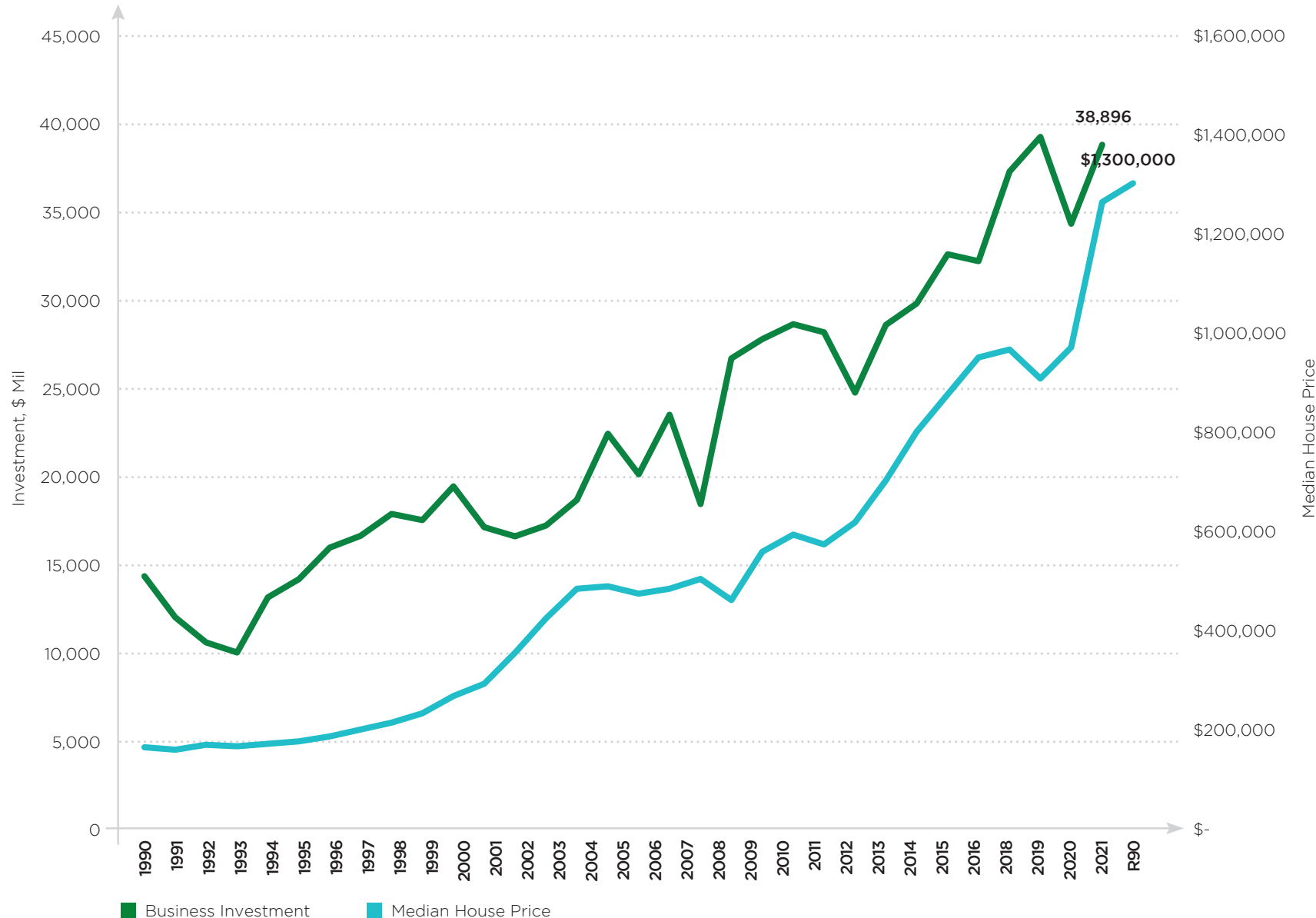
This graph displays the ABS figure for the number of jobs created in the private and public sectors state wide.



POSITIVE

BUSINESS INVESTMENT

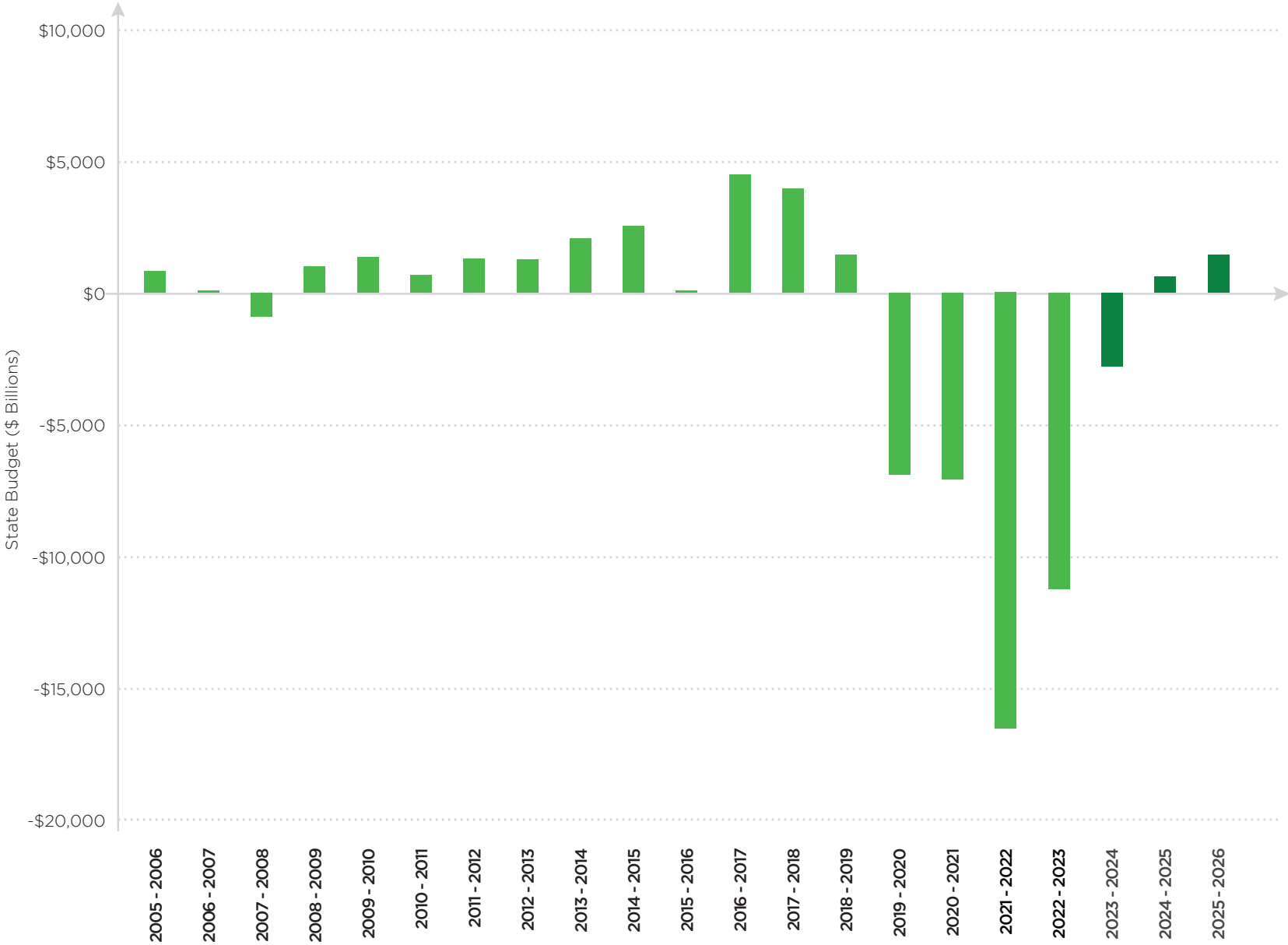
This graph displays private business investment into the state charted against the median house price. For the current year 2021, the rolling 90 days (R90) depicted with dotted line, is specifically shown to give emphasis on current median house price movement.



NEUTRAL

STATE BUDGET

This graph displays the State Government position of either a surplus or deficit.



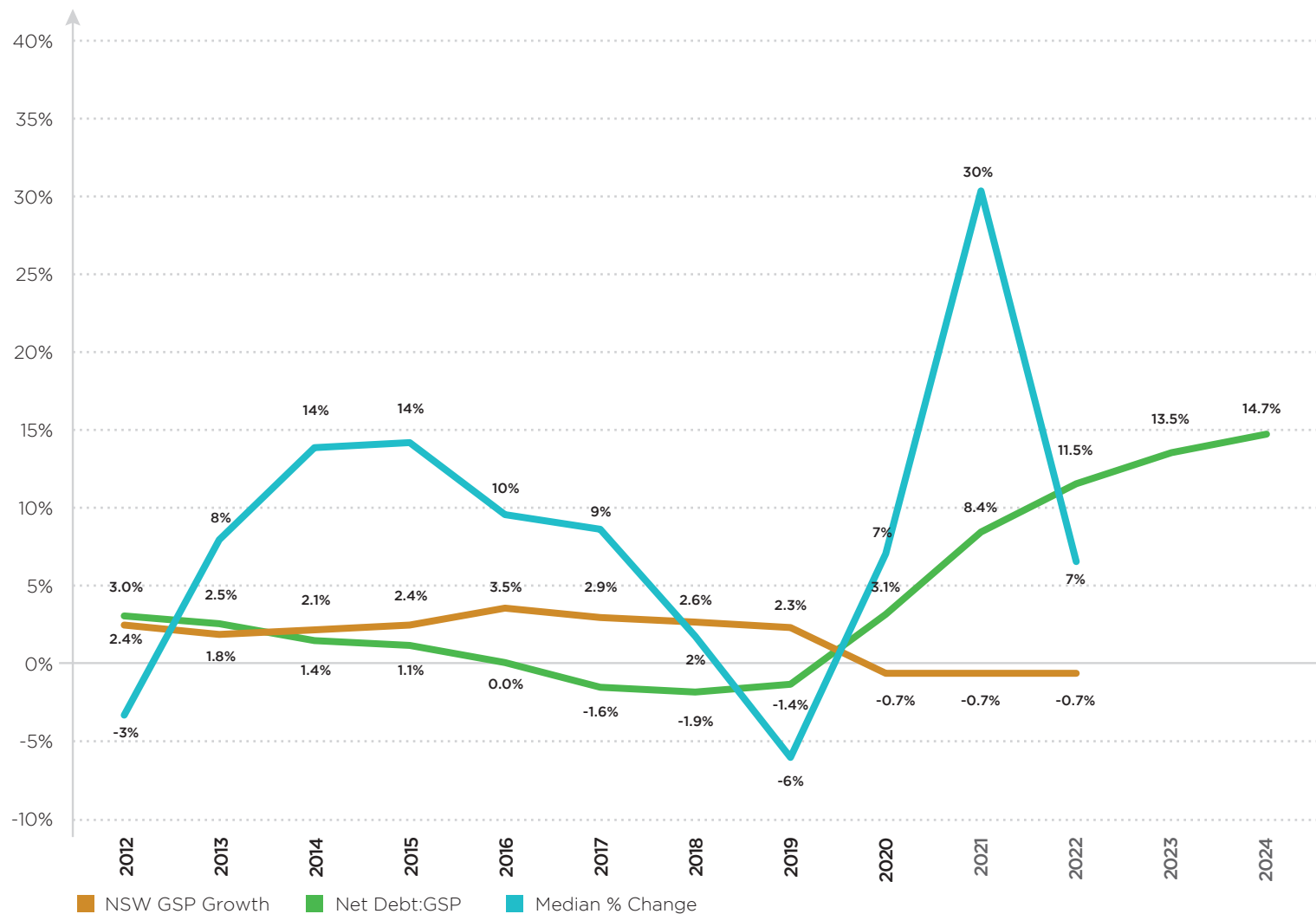
NEGATIVE

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

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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. For the current year 2021, the rolling 90 days (R90) depicted with dotted line, is specifically shown to give emphasis on current median house price movement.



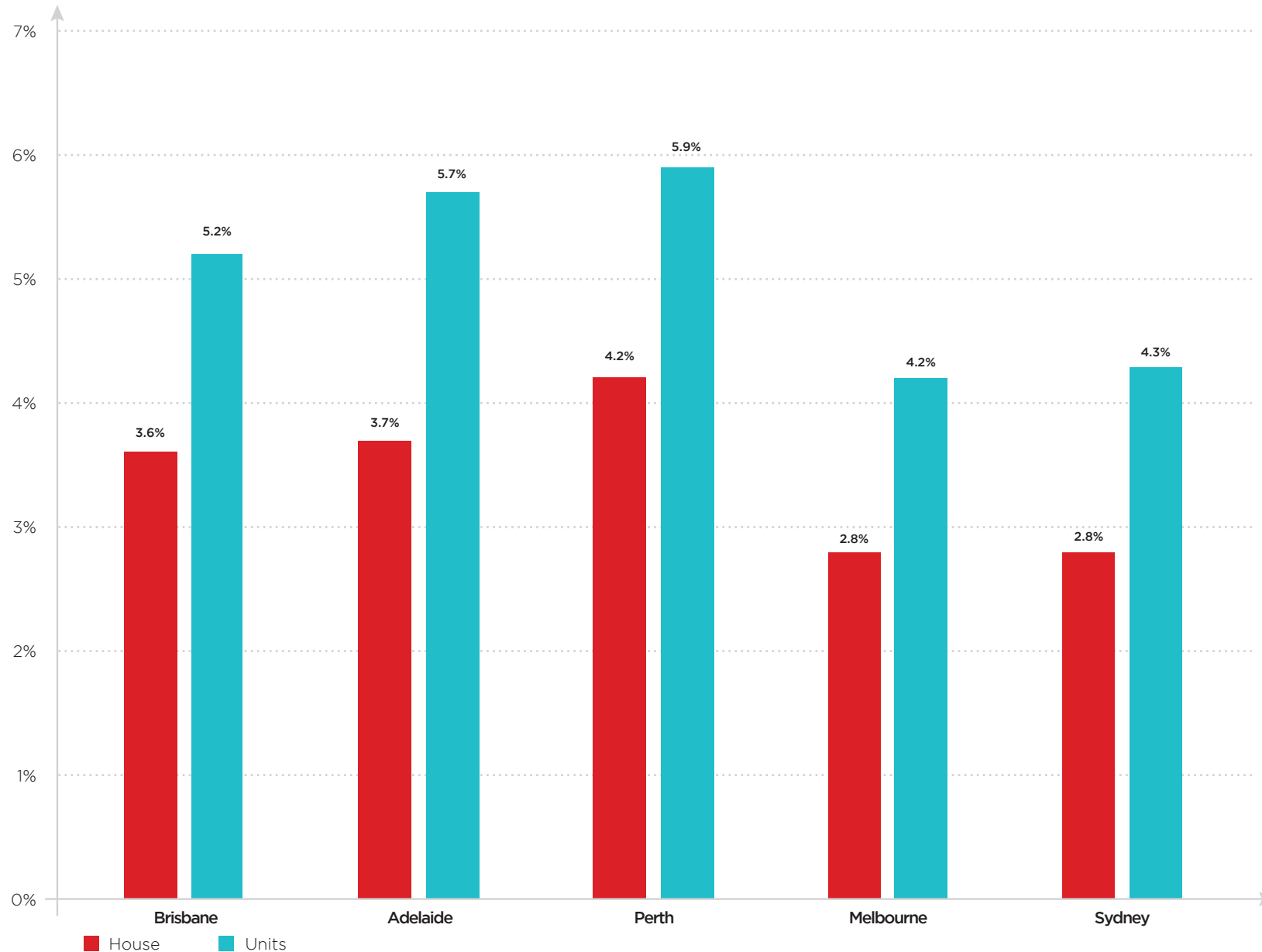
NEGATIVE

CURRENT INVESTMENT VALUE

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

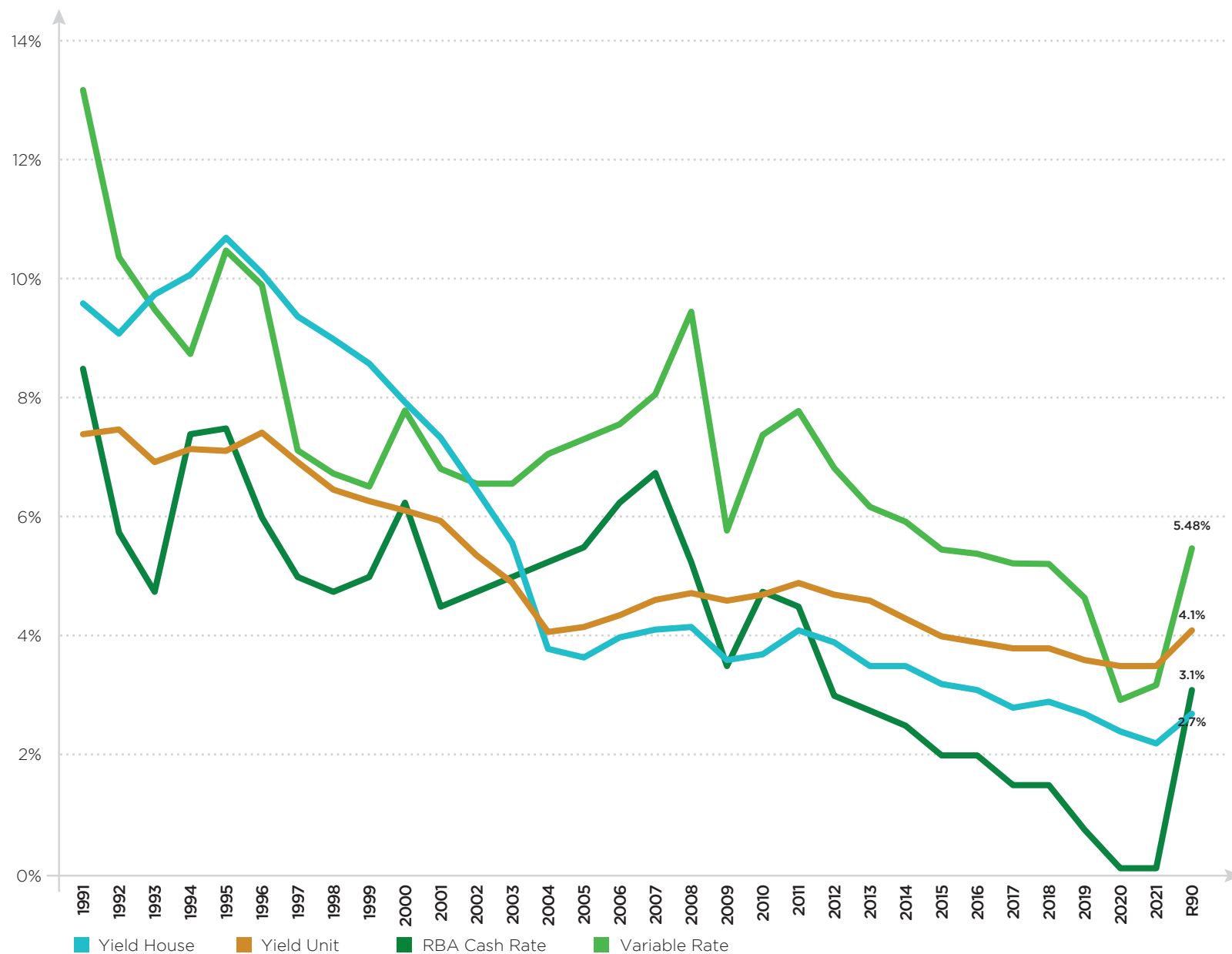


SLIGHTLY
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YIELD V. INTEREST RATES

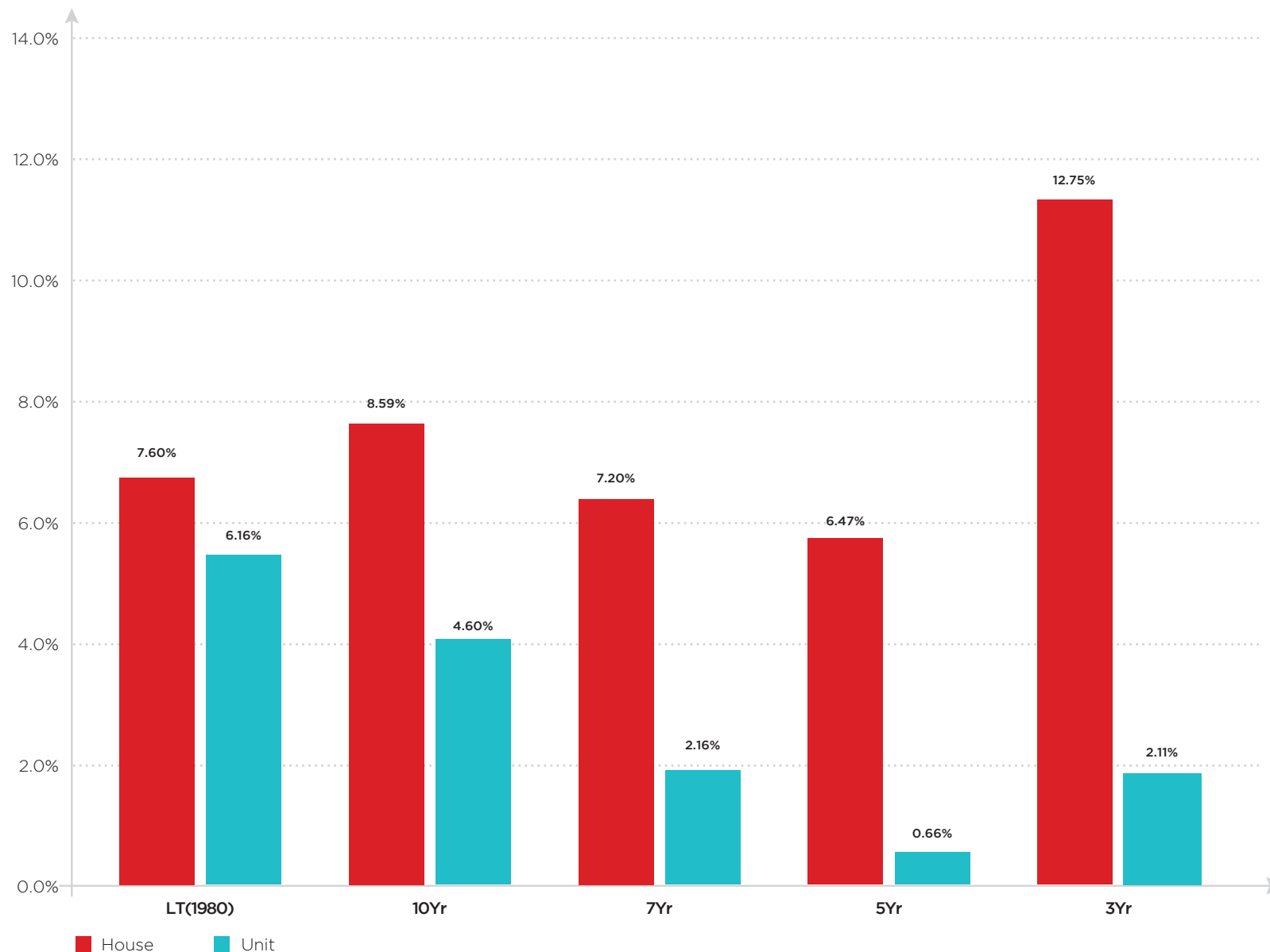
This graph displays house and unit yields against the variable and cash rates.



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.



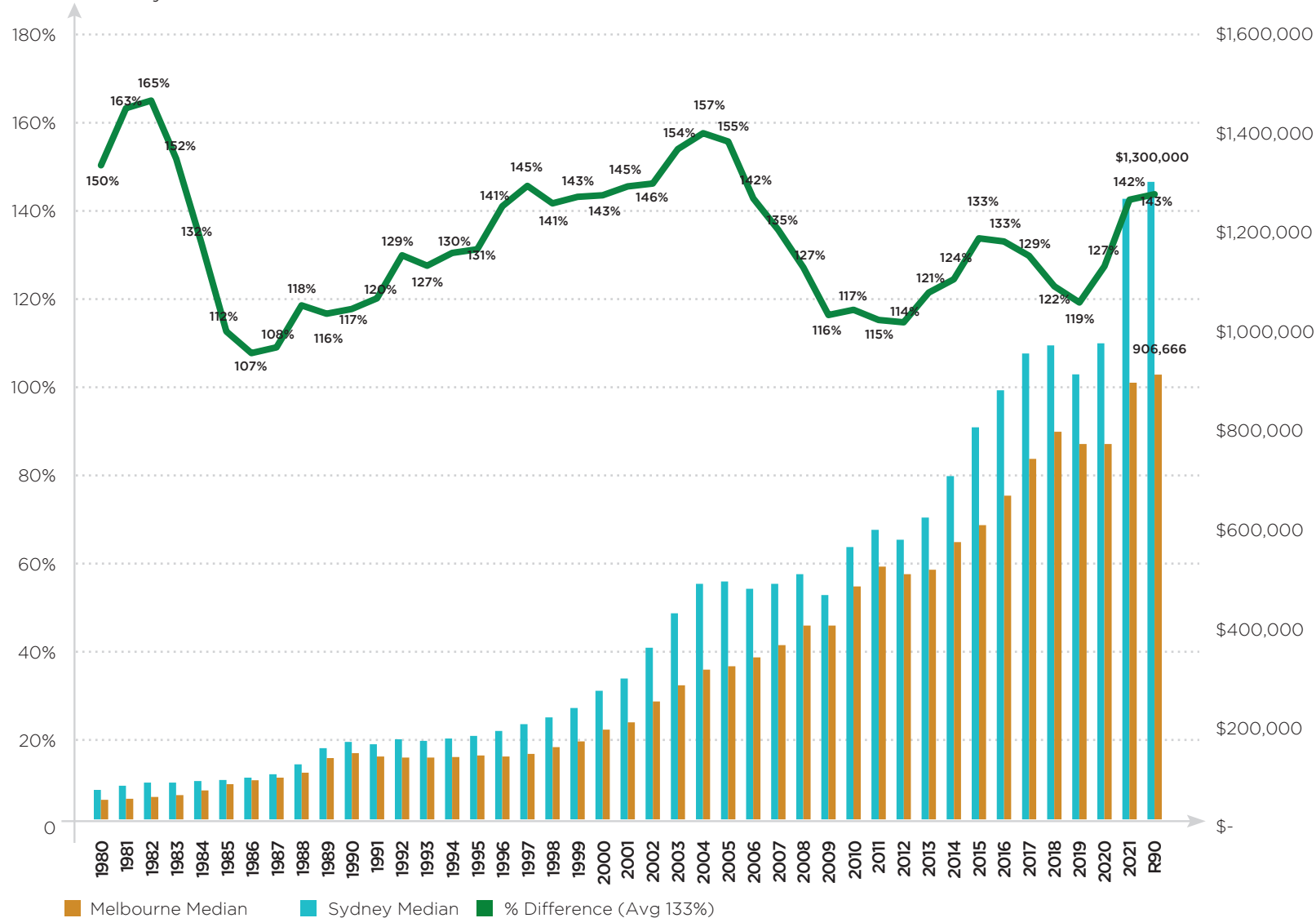
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MELBOURNE VS. SYDNEY PRICE COMPARISON (HOUSE)

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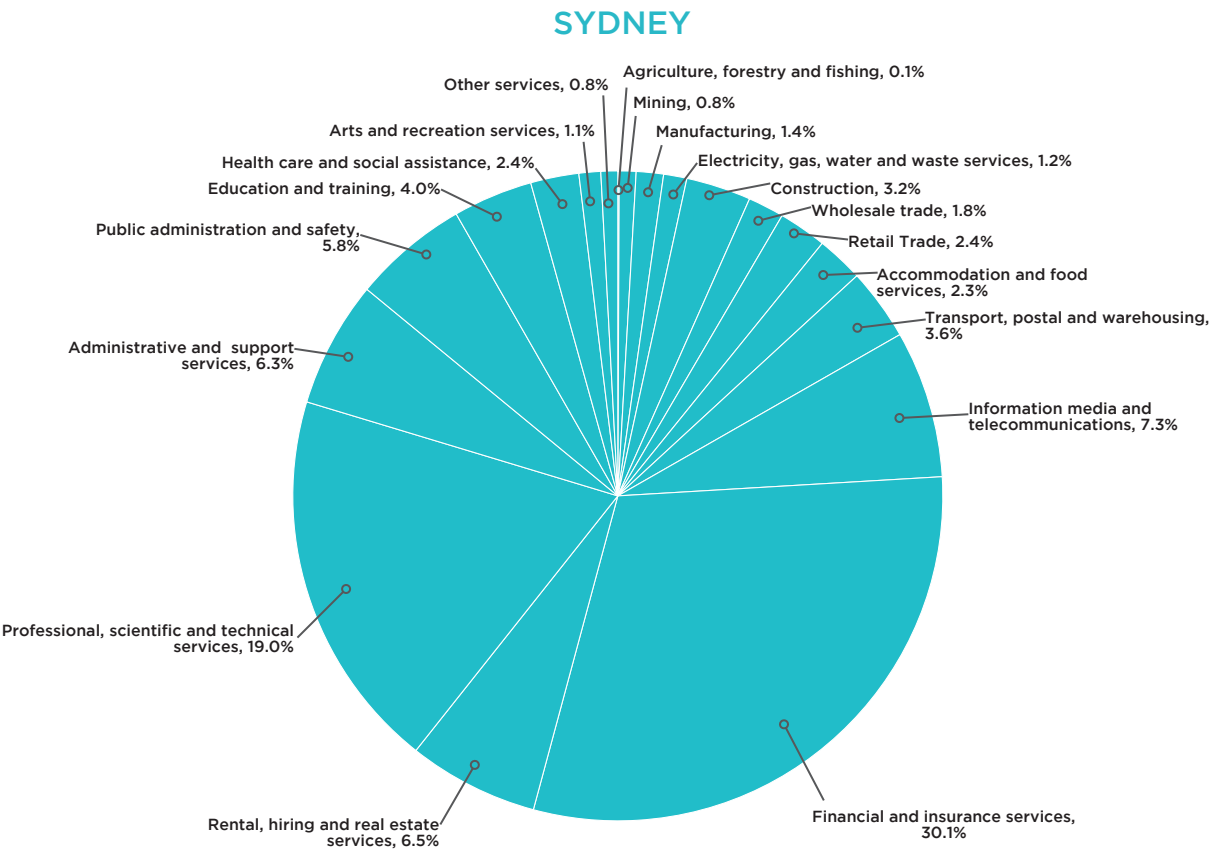
This graph shows a relationship between the Brisbane median and the Sydney median and the percentage difference between them for each year.



SLIGHTLY
NEGATIVE

INDUSTRY VALUE ADDED

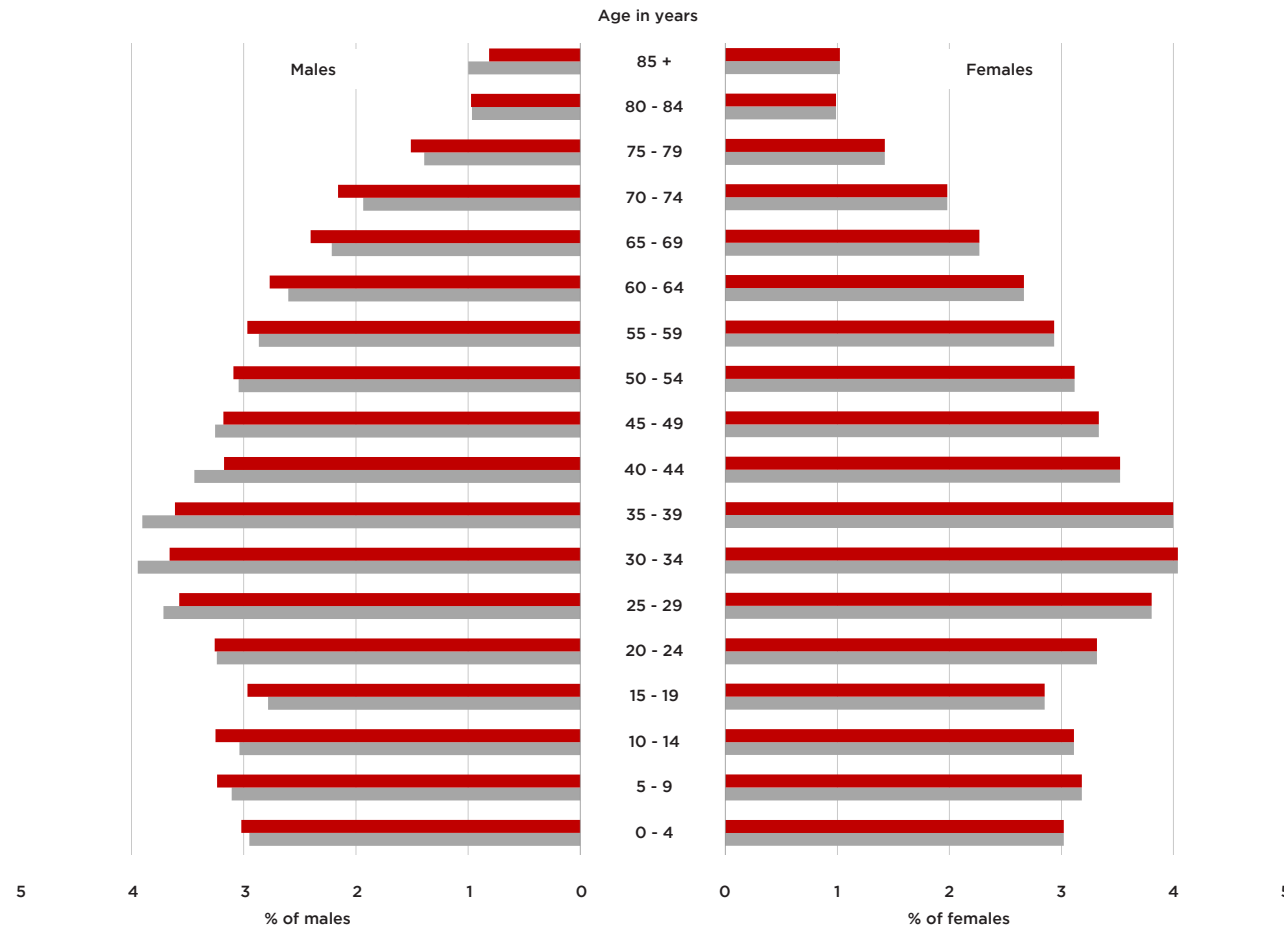
Industry Value Added is the total value of goods and services produced by an industry after deducting production costs.



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

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INVESTMENT PHILOSOPHY

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Macro Micro Property

ACQUIRE

Find Assess Negotiate

MANAGE

Property Management

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

IMPORTANT INFORMATION



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Capital Cities and Regions Median House Price

