

The Sydney property market has received significant media attention over the past year, both nationally and internationally, after observations were made that the median house price across Sydney has risen to \$930,000. In order to consider the makeup of the headline number, it is necessary to dig deeper!

We have explored in detail the residential property market within Sydney and a variety of data which depicts that while there has been significant growth in the property market, a substantial number of districts remain below the headline sales price of \$930,000. To form a greater insight to the makeup of the sales price it is necessary to breakdown the market geographically.

According to the Real Estate Institute of Australia, the Sydney metropolitan area is generally divided up into 3 geographical rings, an approach we have adopted throughout our reporting. The local government areas (LGAs) within Sydney's Statistical Division that make up the 3 geographical zones are explained in greater detail below.

**Inner Sydney** = 10km proximity to Sydney CBD.

LGAs: Ashfield, Botany, Drummoyne, Lane Cove, Leichhardt, Marrickville, Mosman North Sydney, Randwick, Sydney, Waverley, Willoughby and Woollahra.

**Middle Sydney** = 20km proximity to Sydney CBD

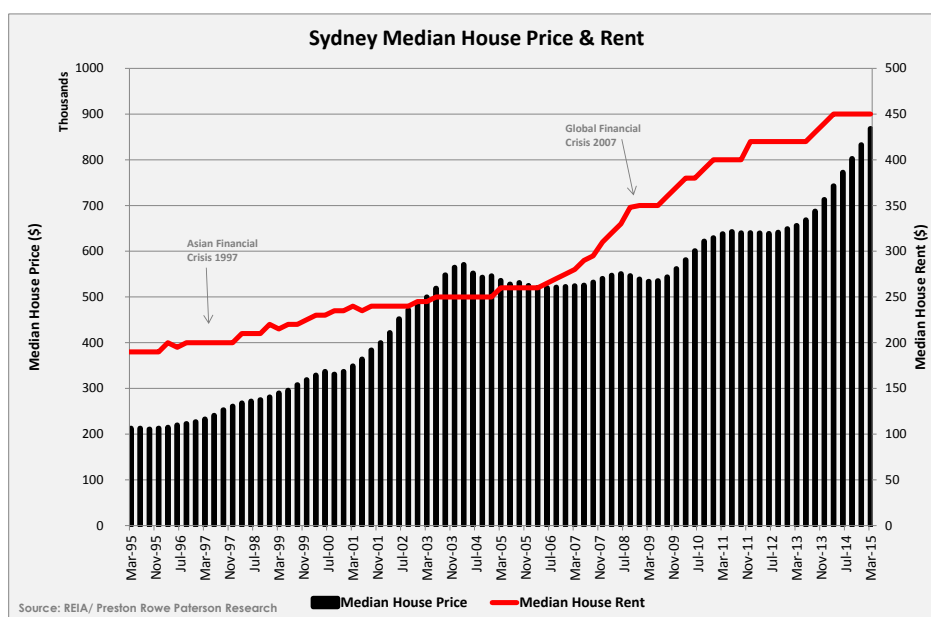
LGAs: Auburn, Bankstown, Burwood, Canterbury, Concord, Hunters Hill, Hurstville, Kogarah, Ku-ring-gai, Manly, Parramatta, Rockdale, Ryde and Strathfield.

**Outer Sydney** = 30km proximity to Sydney CBD.

LGAs: Baulkham Hills (The Hills), Blacktown, Blue Mountains, Camden, Campbelltown, Fairfield, Gosford, Hawkesbury, Holroyd, Hornsby, Liverpool, Penrith, Pittwater, Sutherland, Warringah, Wollondilly and Wyong.

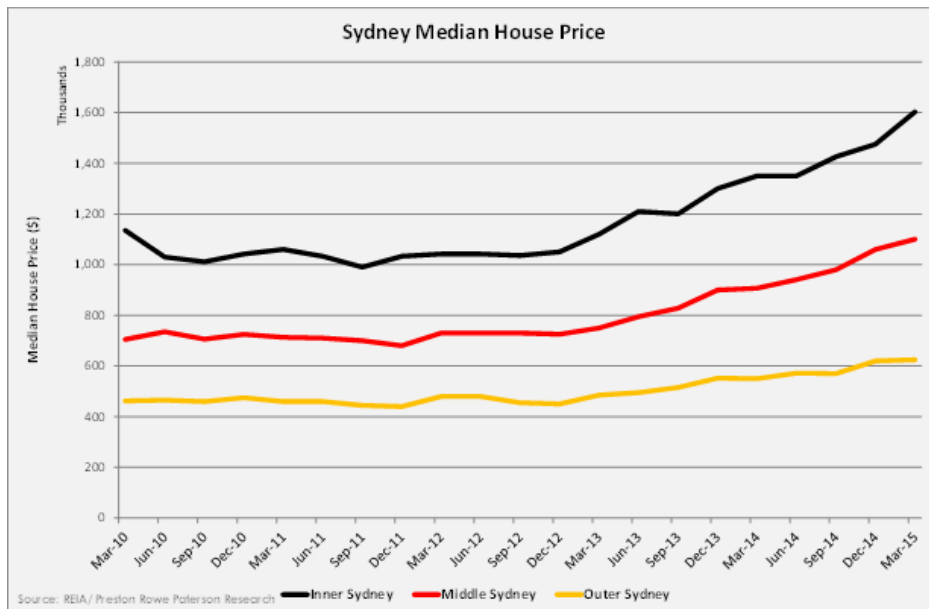
## Buying a house in Sydney

As represented in the graph below, the overall Sydney median house price, based on a 3 bedroom house, is \$929,800 (4.9% quarterly growth or 17.9% annual growth) [REIA revised estimate of \$868,300]. We've seen this figure exemplified by the media as the average sales price of a house throughout the wider Sydney metropolitan area. Based on our observations we've found this figure does not take into account the varying degree of median house prices across metropolitan Sydney.



Not surprisingly, the majority of highly skewed sales can be found in the Inner and Middle Sydney rings where house prices average above the million dollar mark. Throughout the March quarter, Inner Sydney's median house price was recorded at \$1.603 million and Middle Sydney registered an average sales price of \$1.1 million. Both areas have seen quite significant growth over the year; Inner Sydney house prices increased by 17.9% and Middle Sydney by an even higher 22.2%. The Inner Sydney house have recorded a 7.2% growth in the March quarter alone which equates to a median difference of \$128,000.

When examining the graph below, it is apparent that Outer Sydney's house price growth has been substantially more subdued in comparison to Inner and Middle Sydney. Over the year, the Outer Sydney median house price has increased by 13.6% to reach a median house price of \$625,000; a figure far from the headline sales price of \$930,000. And, over the last quarter the Outer Sydney median house price has remained relatively stable with a small 1.3% rise which equates to a \$5,000 median price difference. This means that the Outer Sydney property market is a more achievable and realistic access point for first home buyers where you can buy a house below the million dollar mark.



In summary, based on March quarter results we've observed:

- The Inner Sydney median price for a 3 bedroom house is \$1.603 million,
- The Middle Sydney median price for a 3 bedroom house is \$1.1 million, and
- The Outer Sydney median price for a 3 bedroom house is \$625,000.

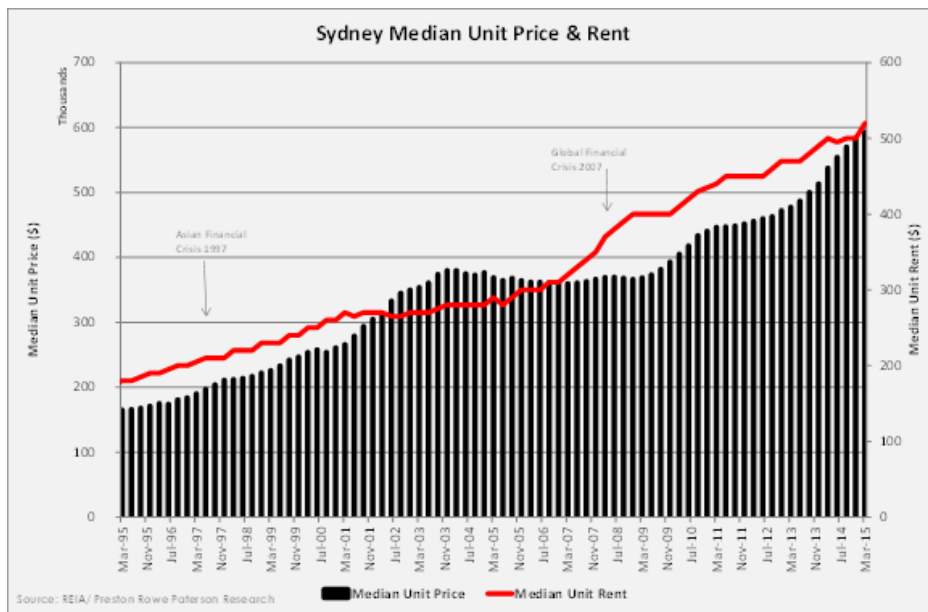
### Renting a house in Sydney

In comparison to the other states and territories around Australia, the cost of renting a house in Sydney is relatively higher with median weekly house rent sitting at \$450. According to REIA though, the only rental price movement for the March quarter was in the Inner Sydney market where the weekly median house rent grew to \$845. Over the past year, Middle and Outer Sydney median weekly house rent has remained fairly stable at \$550 and \$425 respectively.

## Buying a unit in Sydney

The rising price of units has also been well highlighted throughout the media, with studies suggesting that housing affordability has not spared units. The overall Sydney median unit price for a 2 bedroom unit, based on March quarter results, was \$615,500 (2.3% quarterly growth or 5.6% annual growth) [REIA revised estimate of \$593,600].

The Inner Sydney unit median price was recorded at \$755,500, which to put in perspective is significantly more expensive than an average 3 bedroom house in Outer Sydney. Meanwhile, Middle and Outer Sydney have both registered price rises, in Middle Sydney a 2 bedroom unit is averaging \$615,300 reflecting 11.9% annual growth; a 2 bedroom Outer Sydney unit has a median price of \$510,000 which reflects 10.9% annual growth.



Over the last quarter we've observed signs of stability in Inner and Outer Sydney. In Inner Sydney, units have recorded a 0.7 growth in the median price, and in Outer Sydney we've observed a -1.6% decline in the median price of a unit.

## Renting a unit in Sydney

In summary, based on March quarter results we've observed:

- The Inner Sydney median weekly rent for a 2 bedroom unit is \$640, which translate to 1.5 times the Outer unit rent.
- The Middle Sydney median weekly rent for a 2 bedroom unit is \$480, and
- The Outer Sydney median weekly rent for a 2 bedroom unit is \$404.

According to the REIA there are no observable sudden price rises in median rents across all 3 Sydney regions as of late.



### Investing in the Sydney property market

Due to historically low interest rates, lenient lenders and the low Australian Dollar investing in residential property within Sydney has been very appealing for a variety of local and foreign investors.

We observed a significant difference between the current yield of a house and a unit within Sydney. The yield for a Sydney unit was recorded at 4.6% compared to the Sydney house yield of 2.7%. It's interesting to note however, that the only observed growth in unit property yield was recorded in the March 2015 quarter which does not match the rapid growth of unit median prices.

### Historically, where how is the property market performing?

Looking at historical data for the past 20 years, there's been only two noticeable sharp rises in residential prices; taking place between March 2000-March 2004 and March 2011-March 2015. As stated below the current market boom have registered 45.71% growth in the residential house market and 37.9% growth in the residential unit market. Two figures that have fall short of the growth that took place from March 2000-March 2004.

To break it down further we've put together the following chart:

<i>Median Prices</i>	<b>House</b>	<b>Unit</b>
<b>Mar-00</b>	\$ 329,000	\$ 254,000
<b>Mar-04</b>	\$ 517,000	\$ 380,000
<b>Growth</b>	<b>57.14%</b>	<b>49.61%</b>
<b>Mar-11</b>	\$ 638,100	\$ 446,700
<b>Mar-15</b>	\$ 929,800	\$ 615,500
<b>Growth</b>	<b>45.71%</b>	<b>37.79%</b>