31/10/19

MARKET TRENDS

STAFF REPORTER | 11 OCTOBER 2019

Sydney property set to be back on the boil: James Nihill

Strap yourself in, because the Sydney property market is set to take off again. Just when investors started looking further afield and first home-buyers thought affordable prices and buyer's market conditions would continue – experts have predicted that Sydney property prices could return to peak levels by 2022.

Domain's economists recently announced that Sydney's property market has rebounded more strongly than expected on the back of recent interest rate cuts and price growth over the next 12 months is expected to be between five and 10 per cent.

It isn't too surprising that Sydney has bounced back quicker than expected. In addition to reduced borrowing costs, lending criteria has also eased and the Federal Election earlier in the year secured negative gearing tax incentives for investors with all of these factors contributing to improved market sentiment.

Sydney property continues to outperform other capital cities due to its strong population growth, relatively low levels of unemployment and abundant job prospects.

Investor appetite also remains strongest in Sydney with recent housing figures showing that 32 per cent of mortgage demand in NSW is from investors – much higher than that of any other state.

According to the latest CoreLogic figures, Sydney is leading the national property recovery, along with Melbourne. While the average median dwelling value lifted just 0.9 per cent to $524,744 in September, median property values in Sydney jumped 1.7 per cent to $805,424.

Sydney dwellings have shown an overall increase of about 3.5 per cent over the last quarter.

Further price growth in Sydney is set to be fuelled by a drop in supply of new homes, with building approval numbers down. According to the Australian Bureau of Statistics, total unit dwellings approved has reduced by 25.9 per cent since August, 2018 with houses also down by 15.8 per cent.

However, the good news is there is still time for all buyers to jump into the Sydney market while it is still relatively affordable.

For investors, the news is even better, with the potential to reap capital growth again in a relatively short period of time – providing they pinpoint growth locations and snap up property before further price hikes. This is something we didn't expect to see again for a long time.

Improvements to Sydney's transport and infrastructure can dramatically reposition a suburb's potential and must be factored into decision-making.

A great example is pockets of South Sydney that may have been considered sleepy suburbs for investors before could really start to kick off thanks to the Westconnex. Similarly improvements to our railway and light rail system also radically improve connectivity to other suburbs including in the North-West and West.

As always investors need to be savvy and engage professionals to ensure they clearly identify their investment goals and make sound investment decisions – as not all investment properties are equal and not all parts of Sydney will show the same levels of growth.

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