



ALLENWARGENT  
LONDON · SYDNEY

- THE BUYER'S EYE -  
- SYDNEY - AUTUMN 2013 -

## - WHY BUY PROPERTY IN SYDNEY? -

Sydney is a world-class city with a multi-cultural population of over 4.6 million people.

The city is well-known across the globe today for its stunning natural harbour, great climate, quality of life and beautiful beaches. The hosting of the hugely successful 2000 Sydney Olympic Games helped to truly put the city on the map.

Purchasing a property in the Sydney real estate market has the opportunity to provide strong capital gains over the long term.

The Australian 2011 Census showed that the population of Sydney had increased to 4.63 million people, representing a tremendous increase since the previous Census:

2011 and 2012 represented a property market downturn for most of Australia, with property prices sliding by around 6-7% nationally, in spite of continued strong wages household income growth fuelled by the boom in mining capital investment.

In spite of the downturn, Sydney's property market remained strong and did not record the price falls seen in other Australian capital cities. Australian Property Monitors reported that in 2012, house prices continued to increase in 2012 by 3.4%.

Apartment prices have been outperforming house price growth over the past half-decade and once again recorded strong median price growth of 5.6% in 2012.

With the urban spread of Sydney capped by the Blue Mountains to the west and national parks to the north and south (and, of course, the Pacific Ocean to the east) the long-term outlook for the city's residential property market is very strong.

IN THE YEAR TO JUNE 2011, THE POPULATION OF SYDNEY INCREASED BY 59,800 PEOPLE TO REACH 4.63 MILLION, REMAINING THE LARGEST CAPITAL CITY POPULATION IN AUSTRALIA. SYDNEY REPRESENTED 63% OF THE TOTAL STATE POPULATION AND HAD THE HIGHEST ANNUAL GROWTH RATE (1.3%) OF ANY PART OF NEW SOUTH WALES.

## - DOES SYDNEY HAVE ANY CAPITAL GROWTH POTENTIAL? -

Some of the best prospects for capital growth in Australia over the long term are to be found in properties with scarcity value that are located within comfortable distance of the Central Business District (CBD).

While investors have at times been lured to the outer suburbs in search of apparently higher rental yields, lower demographic suburbs in Australia have historically remained in low demand and have demonstrated poor levels of capital growth - as evidenced by today's low prices in outer suburbs and regional markets respectively.

In a city with such strong population growth prospects, it is vital to seek out landlocked suburbs with limited potential for new stock to come online thereby flooding the market with new residential properties.

For this reason we would not advocate looking at lower demographic outer suburbs where cheaper land is available for release and a glut of new developments have the potential to adversely impact residential property markets.

Instead we continue to focus on quality suburbs with a proven history of capital growth, a strong population growth and a capped supply.

Dependent upon the suburb in question, often either residential houses or townhouse/apartment-style properties can have the potential to deliver strong capital growth.

While historically houses have been the strongest capital growth properties in Australia, rapidly falling household sizes and an increased desire for residents to live in lifestyle suburbs close to the city has seen this trend reverse in the past half-decade.

That's why the long term investor should look for scarcity value and properties which in some way set themselves apart from others.

## - WHAT ARE THE PROSPECTS FOR THE FUTURE? -

Australia's capital cities tend to move in residential property cycles that are not coterminous with each other. In the past decade, Sydney property prices have materially underperformed the growth in household incomes, leading many to believe that Sydney will be the next capital city to show an extended period of capital growth.

While Australian property prices performed strongly through 2009 and 2010, the fallout of the financial crisis led to most Australian residential property markets stalling through 2011 and 2012.

Through that time, in response to the comparatively weak performance of the non-mining sectors of the economy, the Reserve Bank of Australia dropped interest rates from 4.75% to half-century lows of just 3.00%. The yield curve currently implies that the interest rate easing cycle may yet have further to run with the futures markets pricing in one further cut to just 2.75% in 2013.

This cheaper cost of capital reversed property price declines and prices appear to be rising strongly once again through the final quarter and 2012 and the first quarter of 2013, particularly in the cities of Perth and Sydney.

With Bloomberg's recent survey of major economists tipping Australia to avert recession by a comfortable margin over the coming years and unemployment remaining stubbornly low at below 5.5% the outlook for residential property is bright.

Population growth is projected to continue at extremely strong levels over coming decades, therefore with an inadequate supply of appropriate residential developments coming online, quality high capital growth suburbs located close to the city continue to attract homebuyers and investors alike.

Meanwhile, Australia is ideally located to capitalise on the booming Chinese economy which has been tipped to grow at a staggering 8% per annum over the next 20 years.

The vast mineral wealth located in Australia has led to unprecedented levels of mining capital investment over the past half-decade, and the country is now set to transition to the production phase of this incredible mining boom through 2013 and beyond.

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AllenWargent are residential property buying advisors focusing on delivering a tailored approach to property search and purchase in London and Sydney. We offer an all encompassing property acquisition service managing the process from property search to completion on your behalf.

We fix all our fees as we believe this embodies our company value of transparency, ensuring our clients independence throughout the process. We are one of a small number of buying advisors to be professionally accredited by the Royal Institution of Chartered Surveyors.

LET'S TALK ABOUT YOUR NEXT MOVE,  
WE'D LOVE TO HEAR FROM YOU.

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