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LONDON · SYDNEY

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

- AUTUMN ACTION -

It's been an eventful few months as we move in to the traditionally slower winter months in the Australian property markets.

The country's economy has been powering along to date, but there may be more testing times ahead. Australia is rapidly approaching what some commentators are choosing to call the "mining cliff" – Australia's very own version of the "fiscal cliff" over the in the US.

Over the past decade, Australia has benefited from what has been an unprecedented boom in mining capital construction which has helped Australia to power through the financial crisis and avert recession for more than 20 consecutive years.

However, the construction phase of the boom may well now be beyond its peak as the numbers released on May 30 by the Australian Bureau of Statistics in its capital expenditure

survey showed, although the forecasts for 2013/2014 remain reasonably strong.

Australia will face a tricky transition period from mining construction to mining production, which is traditionally a less labour-intensive phase of the mining cycle. With unemployment remaining low at 5.5%, retail sales on the increase and inflation remaining benign, Australia appears to be well-placed. However, the Reserve Bank of Australia (RBA) is aware that the

drop-off in mining construction will be a drag on GDP growth and in early May 2013 it took the step of cutting the cash rate to a record low of only 2.75%.

The result of this has been a large upturn of interest in the property market as the latest housing finance data from the ABS clearly shows:

- CONTINUED PROPERTY PRICE ACTIVITY -

After a gentle downturn through 2011 and early 2012, Sydney's property market has turned northwards and the broad middle market has now broken through to new, all-time high prices.

In particular, the apartment market (as opposed to the detached housing market) broke new record highs way back in May 2012.

RP Data records that over the past 12 months, dwelling prices in the city have increased by 5.2%. The median apartment price is now \$470,000 and the median dwelling price \$653,000.

- AUCTION CLEARANCE RATES BOOMING -

The record low interest rates combined with the 'Big 4' major banks beginning to compete for market share (ANZ dropping its standard variable rate in May by 27bps and Westpac cutting its fixed rate mortgages to below 4.90%) has in particular seen a surge of investors return to the market.

Through April and May, Sydney's property markets have begun to record scorching auction clearance rates, consistently hitting above 70%, and seeing clearance rates higher than the city has since in 3 years since the markets were really firing.

On 18 May, Sydney's preliminary recorded auction clearance rate according to Australian Property Monitors was a staggering 79%. The hot sectors of this market included the Canterbury-Bankstown area (83% clearance) rate, the north shore (80%) and the ever-popular inner west (80%).

Our long term view is that the inner west is an outperforming sector of the market with auction clearance rates consistently hitting 80-85% or above and price action outperforming the wider Sydney market.

- OUTLOOK FOR THE WINTER -

The winter months are traditionally a slower period of the year for Australia's property markets and there will be some headwinds facing the market.

Economic uncertainty as Australia heads over the mining cliff may represent one challenge to consumer confidence.

Another speed-bump could be the federal election on September 14. Although the markets now seem fairly certain that Labor's tenure will come to an end and the Tony Abbott's Coalition will take over the helm, little is expected in the way of policy change to affect the property markets.

Nevertheless, election years have historically had a habit of slowing down Australia's investment markets and this may again prove to be the case later in 2013.

That said, the cash rate futures markets are still anticipating yet a further interest rate cut to just 2.50% by September in order to counter the mining investment billions tapering off and the RBA looks to get Australians spending again. For this reason, property market analysts anticipate strong price growth of around 7%-10% through to the end of 2014.

Our view of the wider market is slightly more conservative, but we recognise that similar levels of growth could be achieved in the right sectors of the market.

The fastest selling property type in Australia at this time is apartments in Sydney, spending just 32 days on the market on average. Well-located one and two bedroom apartments in the inner west represent one such sector with strong growth potential over the next 18 months.

- CASE STUDY : SYDNEY'S GEN X MIGRATION -

Traditionally in Sydney, the beachside eastern suburbs have been the most popular suburbs for families.

However, in recent years, the housing stock in suburbs located close to the beaches has become increasingly unaffordable. It remains typical for young professional to buy apartments in these popular suburbs in their twenties.

But increasingly families are looking towards houses in the inner western suburbs when it comes to the time to have children.

Previously bohemian suburbs such as Newtown as well as close-by Erskineville and Summer Hill are increasingly benefiting from the migration of the Gen X-ers into this part of Sydney.

The popular suburbs tend to be around 4-6km from the CBD (where many are employed) and have spacious houses which are significantly more affordable than their eastern suburb counterparts. This is presently driving up house prices in the inner west.

While apartments continue to perform strongly in the inner eastern suburbs, driven by a very significant pick-up in investor activity in 2013, the premium market of detached housing in the east has not yet sparked into life.

The major action in Sydney's markets at the moment is in the \$600,000 to \$1.2 million bracket and consequently the broad middle market continues to outperform.

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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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SYDNEY - OPENING LATE 2013

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