



ALLENWARGENT
LONDON · SYDNEY

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

- SYDNEY MARKET NOW FIRING -

In the winter issue of The Buyers Eye, we noted how a strong pick-up in auction clearance rates has historically been a strong leading indicator of price action in the Sydney housing market, and thus it has proved, with Sydney now clearly moving into 'bull market' territory. In spite of the distraction of the

election on September 7 and the traditionally slower winter months, Sydney has seen a wave of investor and homebuyer activity taking off as we come into spring.

In the traditionally soft months of July and August, auction clearance

rates have topped 80% for seven out of eight weeks; representing one of the strongest winter markets the harbour city has ever seen. Property price data providers as always continue to show slightly

different results but our conclusion is clear enough: the Sydney housing market is now in a very strong uptrend, with prices having increased by more than 10% since the market trough in Q2 - 2012 and appreciating by more than 5% over July and August alone.

- A CHALLENGING ENVIRONMENT FOR BUYERS -

The latest data shows that Sydney has the fastest selling property in Australia. Sydney houses are spending an average of just 29 days on the market and units even less at just 28 days according to RP Data.

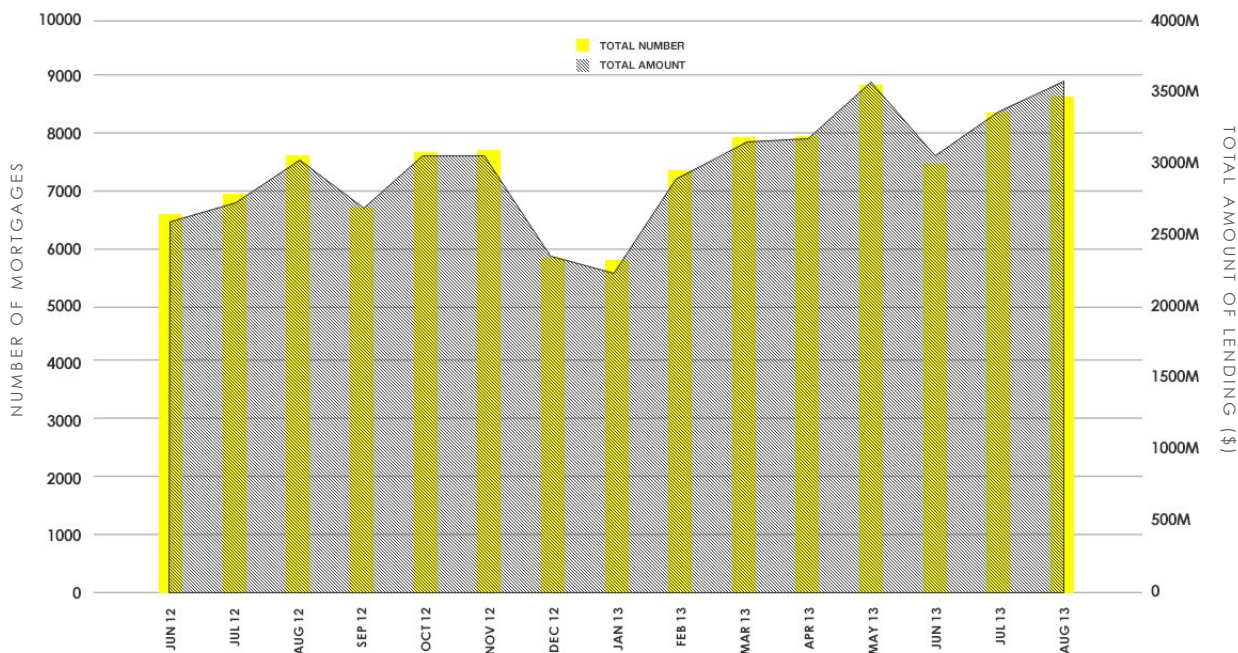
This effectively means that most well located property is selling almost as soon as it comes to market, while properties sold via auction are frequently attaining sales prices well in excess of the reserve.

All of this equates to a challenging market environment for potential buyers at this time. Buyers need to be able to act swiftly and also must have a clear picture of market values in advance of attending auctions or buying privately.

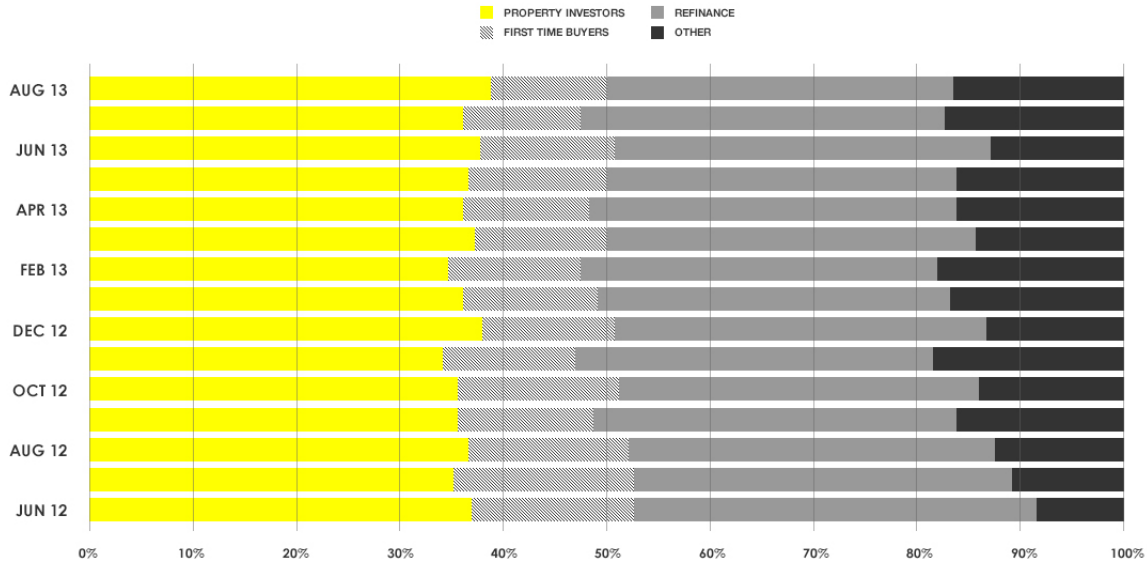
- MORTGAGE APPROVALS POINT TO MORE PRICE GAINS IN THE PIPELINE -

The strength of the market is further endorsed by the latest figures from Australia's largest mortgage

provider Australian Finance Group (AFG) showed that demand for new mortgages has increased dramatically over the past 12 months.



SOURCE: AUSTRALIAN FINANCE GROUP



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The data appears to show the market being driven by investors looking to take advantage of over performance in property in comparison to other investment classes.

With interest rates remaining at the lowest levels in a generation (Australia's official cash rate as set by the Reserve Bank sits at just 2.50%) and levels of stock on the market in Sydney remaining exceptionally tight, further price gains are likely to follow for well-located dwellings.

- RECORD LEVELS OF INVESTOR ACTIVITY -

Closer analysis of the equivalent data set from the Australian Bureau of Statistics shows that New South Wales represents the strongest state in Australia for mortgage finance and, notably, approximately half of all financing activity relates to investors as opposed to homebuyers.

This represents an unprecedented level of investor activity and reflects an on-going shift in Australian attitudes towards residential real estate as an asset class. AFG noted a similar trend for the month of July:

“49.5% OF ALL HOME LOANS PROCESSED IN NSW LAST MONTH WERE FOR INVESTORS, ACCORDING TO AFG, AUSTRALIA'S LARGEST MORTGAGE BROKER. THIS IS THE HIGHEST LEVEL OF INVESTOR ACTIVITY THE COMPANY HAS EVER RECORDED FOR ANY STATE.”

Paradoxically, Sydney looks set to be the prime beneficiary of the relative weakness of certain other capital city markets (in particular, Hobart, Brisbane and Adelaide have been lacklustre in recent years) with the Reserve Bank appearing less likely to resort to interest rate hikes or other macro prudential measures while property price growth on a national

basis remains relatively subdued.

The highly elevated levels of investor activity in Sydney indicate that the strongest price gains are likely to be seen in the property types and locations typically favoured by the investor set.

In particular, we view the traditionally popular eastern suburbs, the inner west and the lower north shore as sectors of the markets which are set to be especially hot over the coming months.

With properties selling so quickly, some investors may be inclined to look a little further afield than was previously necessary in order to participate in the likely market upturn through 2014.

- SYDNEY OFFICE OPENING – OCTOBER 2013 -

Following an exciting 2013 for our London Mayfair office, we are delighted to announce that our Sydney office will be opening at the

MLC Centre in Martin Place on 1 October 2013. We'd love you to get in touch, please contact Pete Wargent to talk about your next move.

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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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