

MEDIA RELEASE

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Immediate Release

Sydney | More likely in a frothy boom than a bubble

Statement by Toby Adams | Strategic Research Principal

Over the last two years, Sydney has returned to its role as Australia's best performing economic region, which has coincided with a more stable political environment and commencement of major infrastructure projects.

In 2014 almost 25,000 dwellings were completed, which was the highest number achieved since 2000. Charter's proprietary apartment database highlights that approximately 14,000 of these new dwellings were apartments.

The combination of historically low interest rates, strong population growth, renewed business and consumer confidence and unprecedented levels of investor activity has helped propel the Sydney's median house price to \$914,000 at an annual growth rate of 15%.

"While investors and owner-occupiers are very active in the current market, first home buyers are increasingly missing out. First home buyers now account for less than 15% of market activity compared to the long term average of 25%.

"Foreign capital is also being invested in apartment development projects with an increasing number of major entities entering the Sydney market and achieving success" said Adams.

Charter considers that the Sydney apartment market is at the early stages of its supply cycle, which will be underpinned over a longer period by the shortage of available development sites and difficulties in securing development approval for project scale.

The greenfield market has experienced the most dramatic change with the metro median lot price now at \$395,000 and an annual growth of 12%.

"The view from Charter is that Sydney is not in a bubble situation, but rather a "frothy" boom underpinned by solid fundamentals. Conditions should gradually moderate through 2016 and 2017 without the feared price crash given Australia's benign economic conditions will reduce the likelihood of a rapid return to higher interest rates" said Adams.

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For any further information on the above, please find a full copy of the referenced report attached and online or contact Katrina Toone.