



AUTUMN 2015

SYDNEY PROPERTY BOOM WON'T STOP FURTHER INTEREST RATE CUTS

Anticipation is always high at the beginning of the year; this year no less than last. Sydney recorded capital growth of 13% last year (compared to nationwide growth of just 5%) and a boom-like 57% since 2009 according to a report in February by the CoreLogic Group. Sydney's property market continues to be the best performing in the country by a significant margin. The factors driving the growth in the Sydney market are both the continuing low interest rate environment and accelerated overseas investor interest in our markets partially because of the lower Australian dollar and the perception that there is still real value in our markets.

In the final months of 2014 sentiment was that we were reaching an "Affordability Ceiling" and there was going to be a considerable slow-down in price growth in Sydney and on the Lower North Shore. We were never convinced that was the case and those predictions are now a lot less certain based on the accelerating growth in the market in the final months of 2014 as well as the Reserve Bank's trimming of the Cash Rate to 2.25% at its February meeting. The latest Jobs Numbers released 12th February have simply added to the logic for a further rate cut in the next few months as confidence in the wider economy falters.

Based on the new developments just mentioned we have adjusted our expectations about price growth this year. Rises over 2015 may well be more in the order of 10-12% rather than the 5-10% band predicted late last year. The first few auction weeks have Auction Clearances running 80% plus and are providing strong evidence this year is shaping as not too different to last year.

With the 17.4% surge in investor buying last year, low inflation rates and new apartment construction in some areas (such as North Sydney) there is continued pressure on rental yields. High migration and interstate staff transfers have helped mitigate this somewhat but there are signs that with the increase in supply of rental accommodation on the Lower North Shore those properties that are not presenting well and are not competitively priced will be more difficult to shift than has previously been the case. Good quality property on the Lower North Shore continues to attract good rental yields.

With buyer interest at exceptional levels, sellers in the Autumn Market will have every opportunity to transact with confidence as current demand is decisively outstripping supply.

We are only too happy to give you an informed Market Appraisal and put together a powerful, cost-effective marketing strategy for you.

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