

EDITION 18



SYDNEY

SYDNEY CAPITAL CITY REVIEW



PERFORMANCE
PROPERTY DATA

SYDNEY AT A GLANCE

Price Parameters - Adjusted for Current Interest Rate

AFFORDABILITY INDEX		PRICE
AI FLOOR	33%	\$800,000
AI CURRENT	41%	\$935,000
AI CEILING	60%	\$1,450,000

3 Year Price Target - \$1,000,000 - \$1,150,000 - Low Conviction

In the current stage of cycle

The Sydney house market has a **Hold Rating**.

If buying, it would be best suited to a **Long Term Hold Strategy**.

We classify the Sydney house market currently as a **Medium-High Risk Investment**, based on the stage of cycle.

Legend

Medium Term Strategy = **4 to 7 years**

Long Term Strategy = **10+ years**

HOUSE
YIELD **2.9%**

UNIT
YIELD **3.5%**

\$10.0B

Total infrastructure spending is **\$10** billion or approximately **\$1929** per person in **2020**.

Based on major projects worth \$10 million or more.

POPULATION



Current: **4,914,343**

Current Growth Rate: **1.74%**

Avg 10 Yr Growth Rate: **1.75%**

NSW NOM: **70,545**

NSW NIM: **-22,447**

NSW Natural Increase: **42,839**

CURRENT MEDIAN

\$935,000 House

\$712,000 Unit

UNEMPLOYMENT
RATE **6.7%**

UNDEREMPLOYMENT
RATE **12.0%**

LONG TERM COMPOUNDED
GROWTH PA IS **8.03%** (1966) &
7.11% (1980) FOR HOUSES & **6.4%**
(1980) FOR UNITS.

Houses the last 5 years have seen 3.19%
PA growth, units 2.3%.

8.03%

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Average Days
on Market

Houses : **50**

Units : **51**

EXECUTIVE SUMMARY

DEMAND - Neutral

Does Demand Exceed Supply?

- Population
- Population Type
- NSW Lending By Month
- NSW Lending Annualised
- Foreign Investment
- Airport Arrivals
- Number of Sales
- Dwelling Approvals V. Population % Change
- Bedroom Approvals V. Population Change
- Vacancy Rate V. Rent
- Stock on Market V. Days on Market

AFFORDABILITY - Slightly Positive

Is Property Affordable?

- Affordability Index HOUSE V. Price Movement
- Affordability Index UNIT V. Price Movement
- Price to Income Ratio
- Rent as % of Income V. Affordability Index
- FHBs as % of Population

CONFIDENCE - Negative

Is There Confidence In The Market?

- Retail Turnover Growth
- Unemployment
- Underemployment
- Job Creation Index
- State Job Vacancies
- Business Investment
- Infrastructure Spending

MONEY SUPPLY - Slightly Positive

Will There Be More or Less Money Into The Economy?

- State Budget
- GSP Growth/Net Govt Debt V. Median House Price
- Net Debt as % of GSP
- Economic Benefit V Median House Price

INVESTMENT VALUE - Slightly Negative

Is this market showing value?

- Current Investment Value - Per Capital City
- Yield V. Interest Rates
- Capital City Long Term Price Comparison House
- Long Term Trends
- House V. Units

RISK - Neutral

Is there potentially downside Volatility?

- Mortgage Arrears
- Industry Value Added
- Population Pyramid

Positive

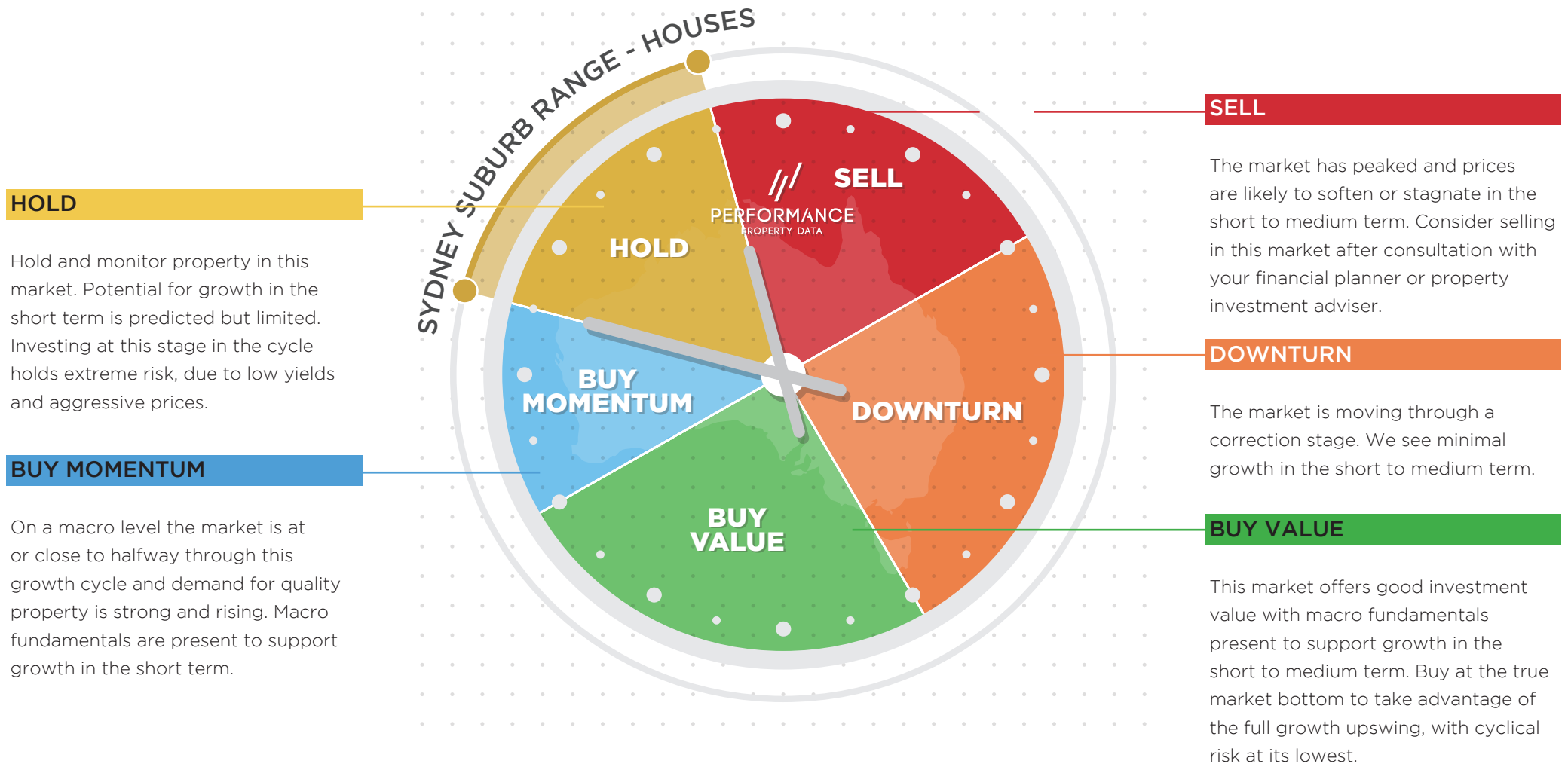
Slightly Positive

Neutral

Slightly Negative

Negative

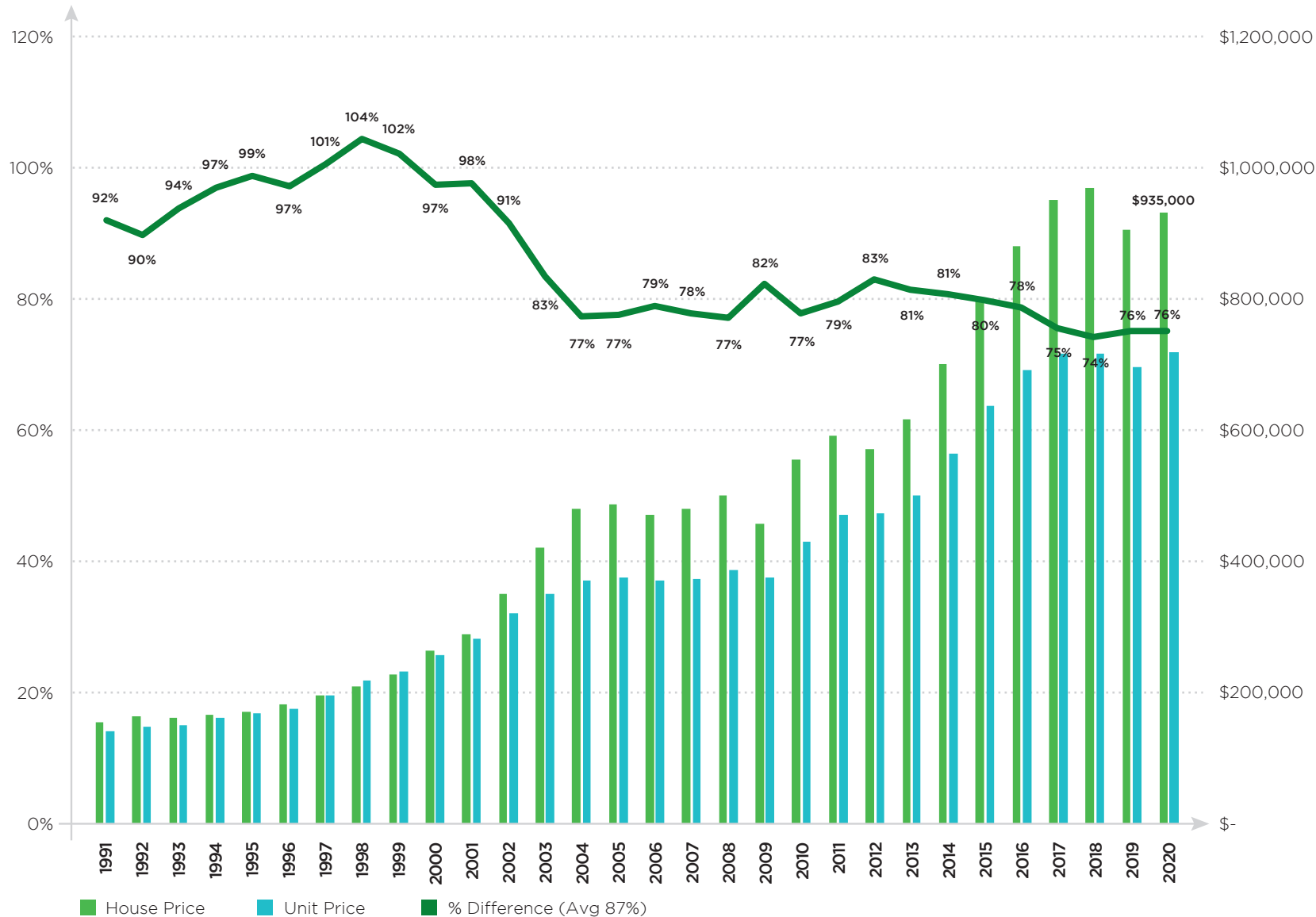
OUR VIEW OF THE SYDNEY HOUSE MARKET



For more information on the Sydney market, including individual property and suburb information, call to speak to one of our professional property advisors on 1300 088 932.

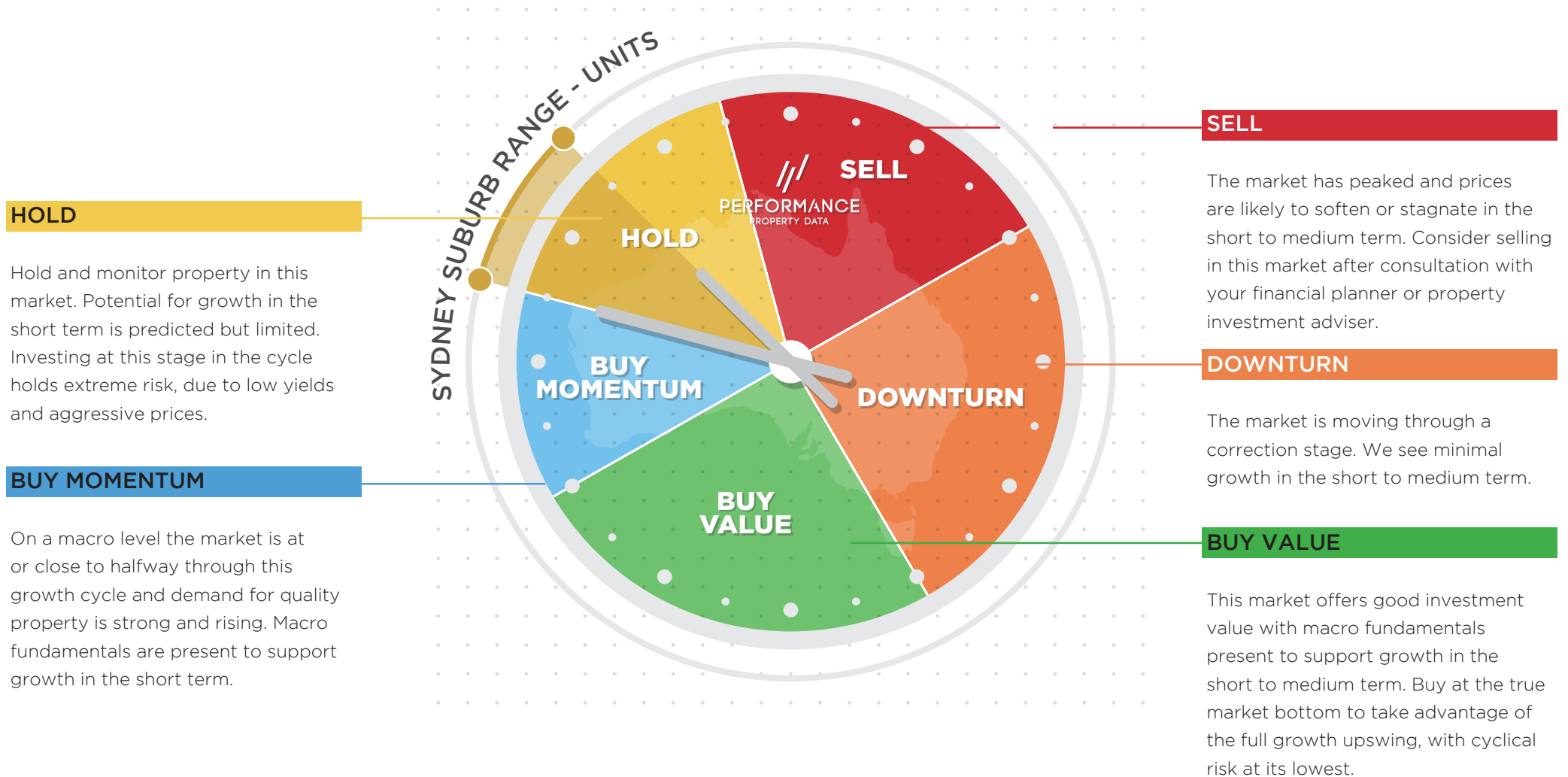
SYDNEY HOUSE V. UNIT PRICE COMPARISON

This graph shows the comparison between house and unit price movements and the percentage difference for each year.



NEUTRAL

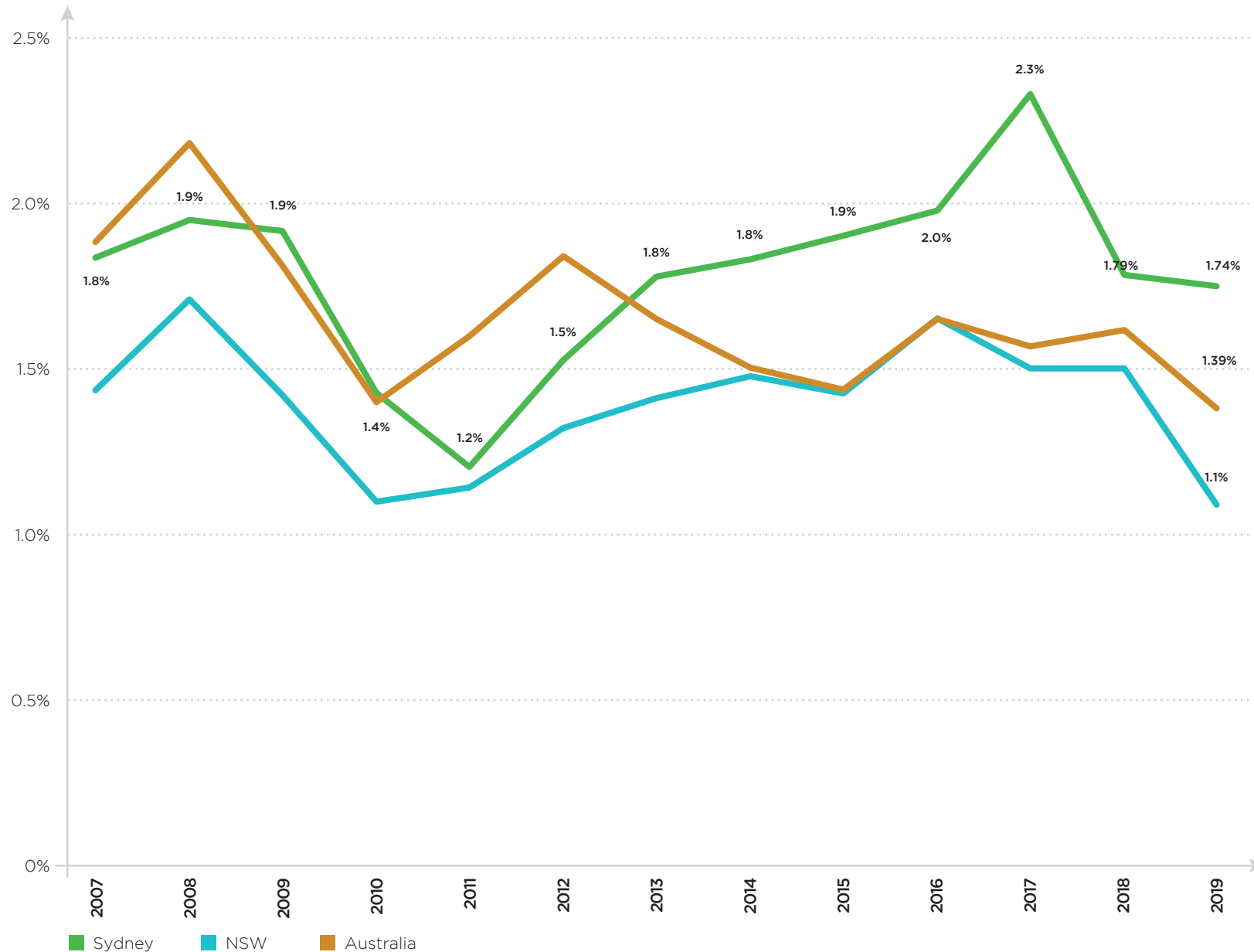
OUR VIEW OF THE SYDNEY UNIT MARKET



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CHANGE IN POPULATION

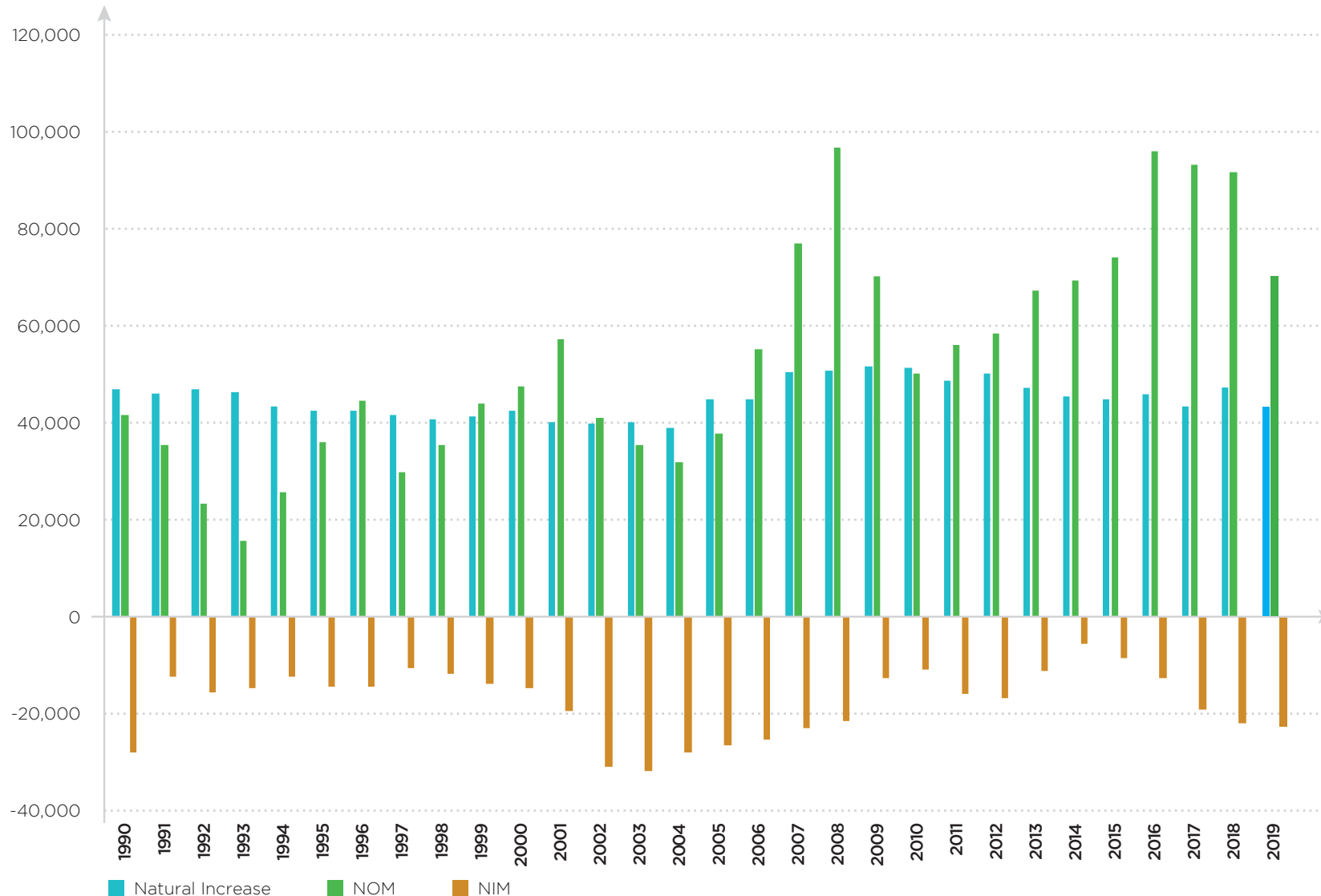
This graph shows the percentage change in the population growth rate for the city, state and Australia.



POSITIVE

NSW POPULATION MOVEMENT TYPE

This graph demonstrates the breakdown of Natural Increase, Net Overseas Migration (NOM) and Net Interstate Migration (NIM) for the state.



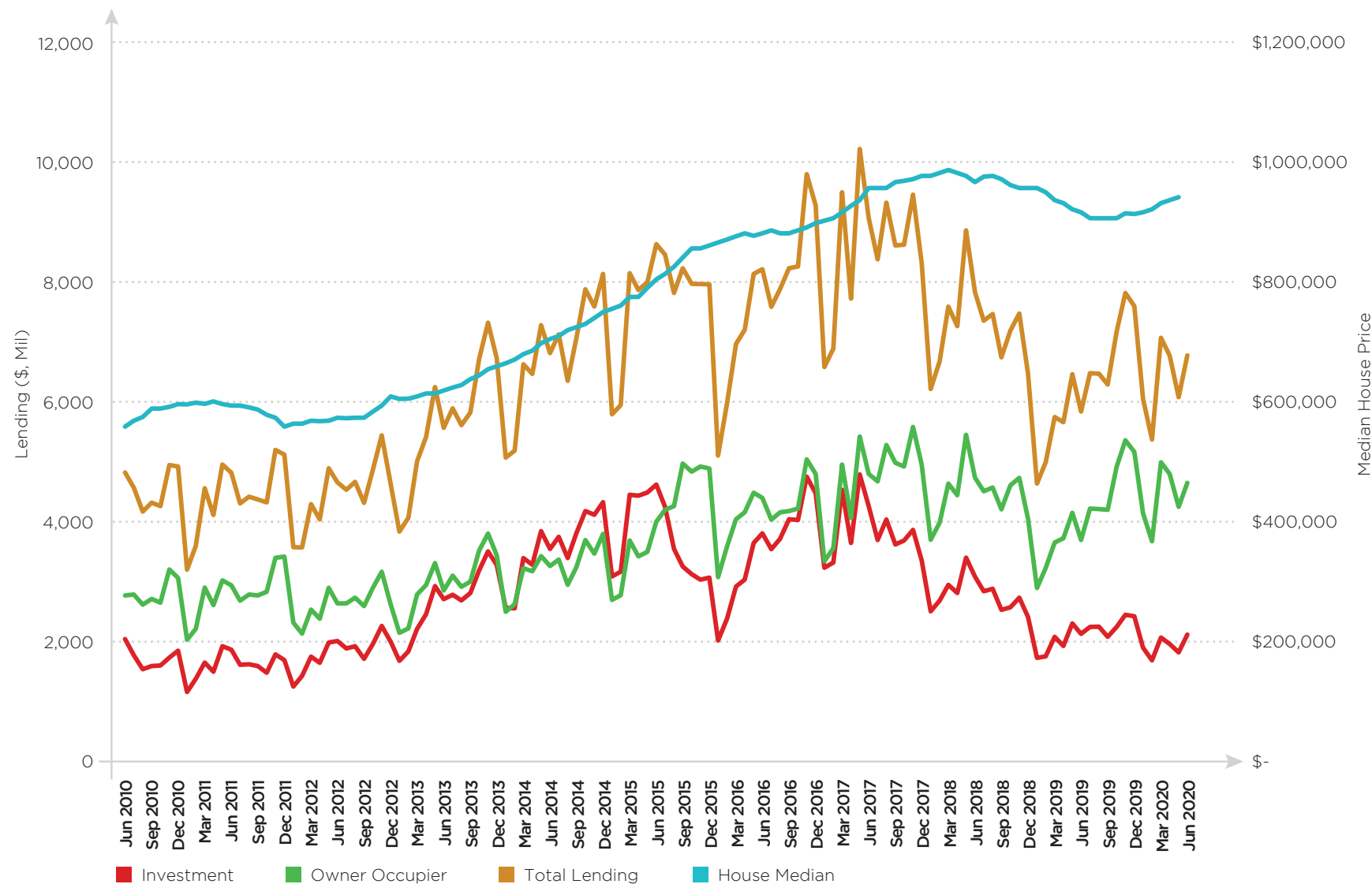
**SLIGHTLY
POSITIVE**

NSW MONTHLY HH LENDING TO OC V. MEDIAN HOUSE PRICE

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This graph displays the value of housing finance for the state each month for owner occupiers and investors versus the median house price.



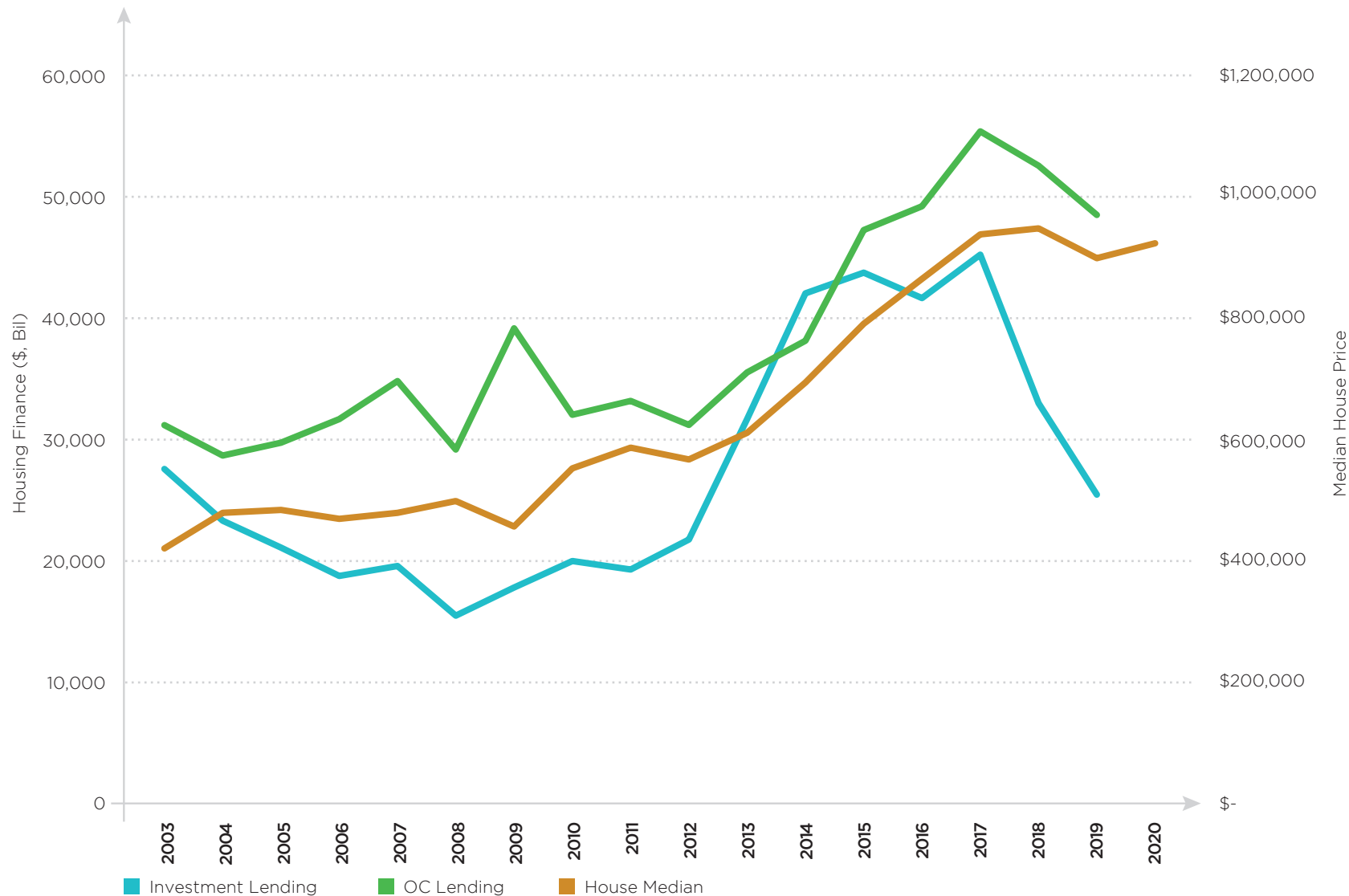
**SLIGHTLY
NEGATIVE**

PERFORMANCE
PROPERTY DATA

STATE LENDING TO HOUSEHOLDS V. MEDIAN HOUSE PRICE

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This graph displays the value of housing finance for the state annualised for owner occupiers and investors versus the median house price.

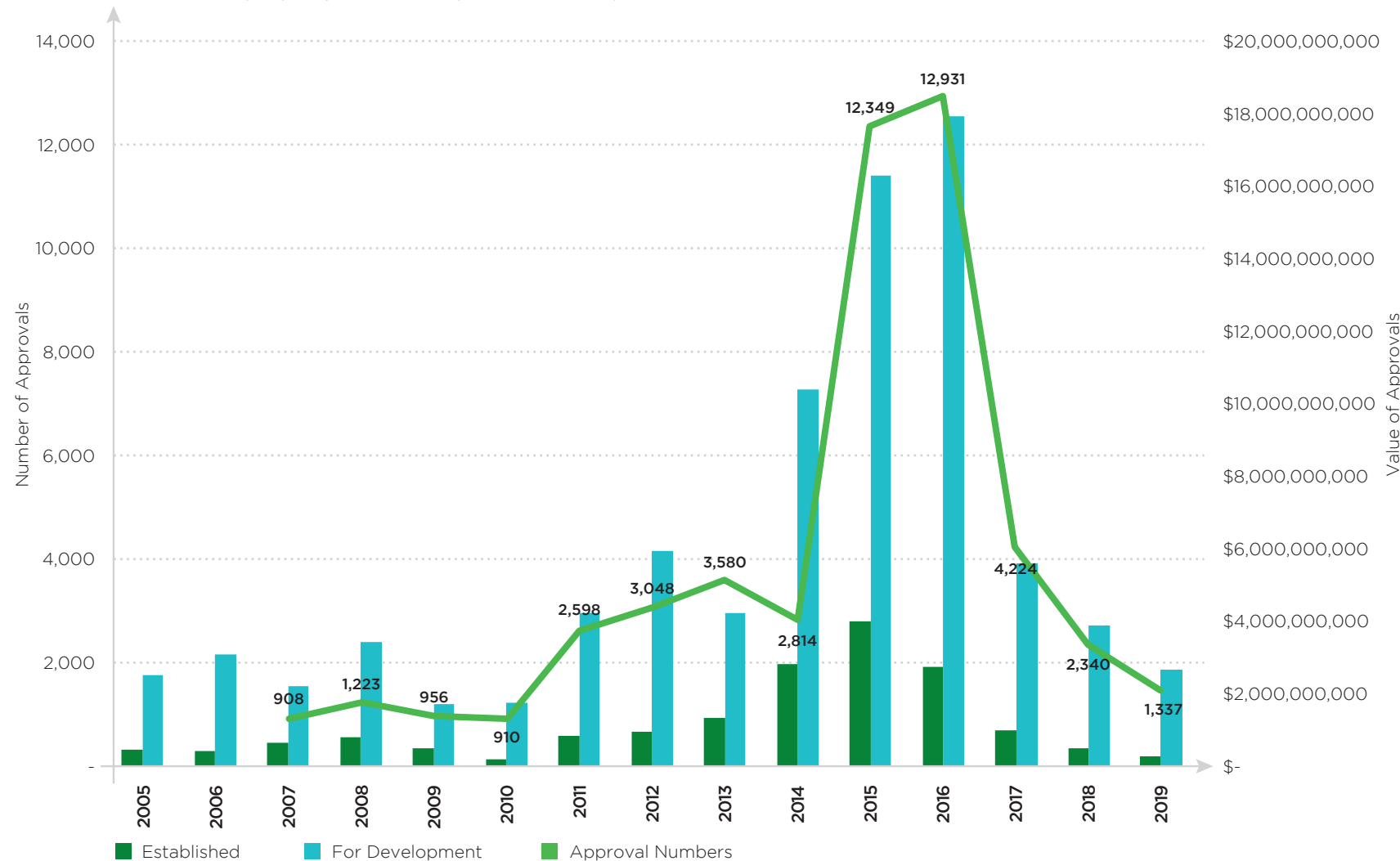


NEGATIVE

PERFORMANCE
PROPERTY DATA

FOREIGN INVESTMENT APPROVALS - NEW V. ESTABLISHED PROPERTY

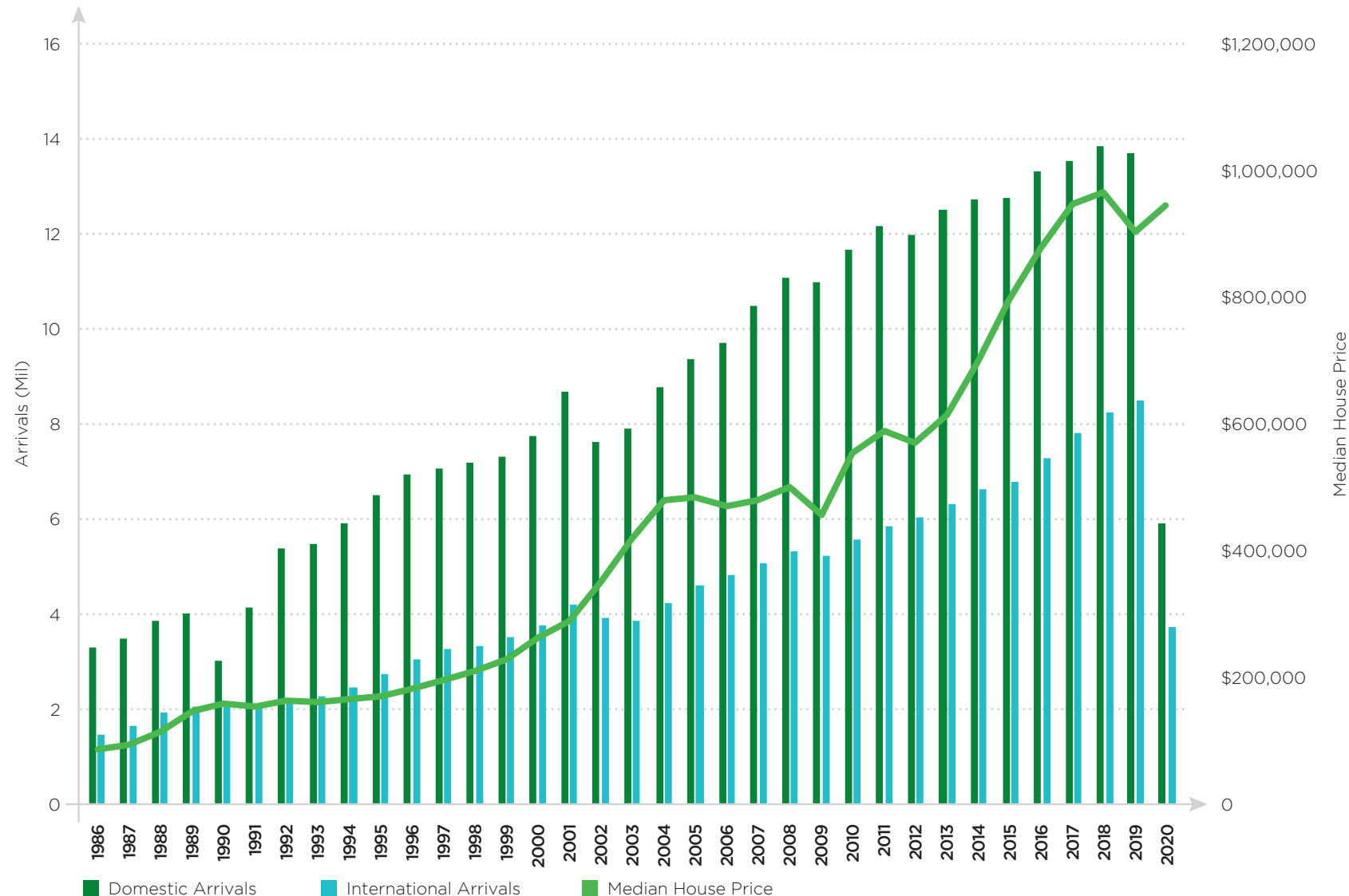
This graph shows the amount of foreign investment approvals for the state's residential market since 2005. Approvals are broken down into established property and developed/for development.



POSITIVE

AIRPORT ARRIVALS V. MEDIAN HOUSE PRICE

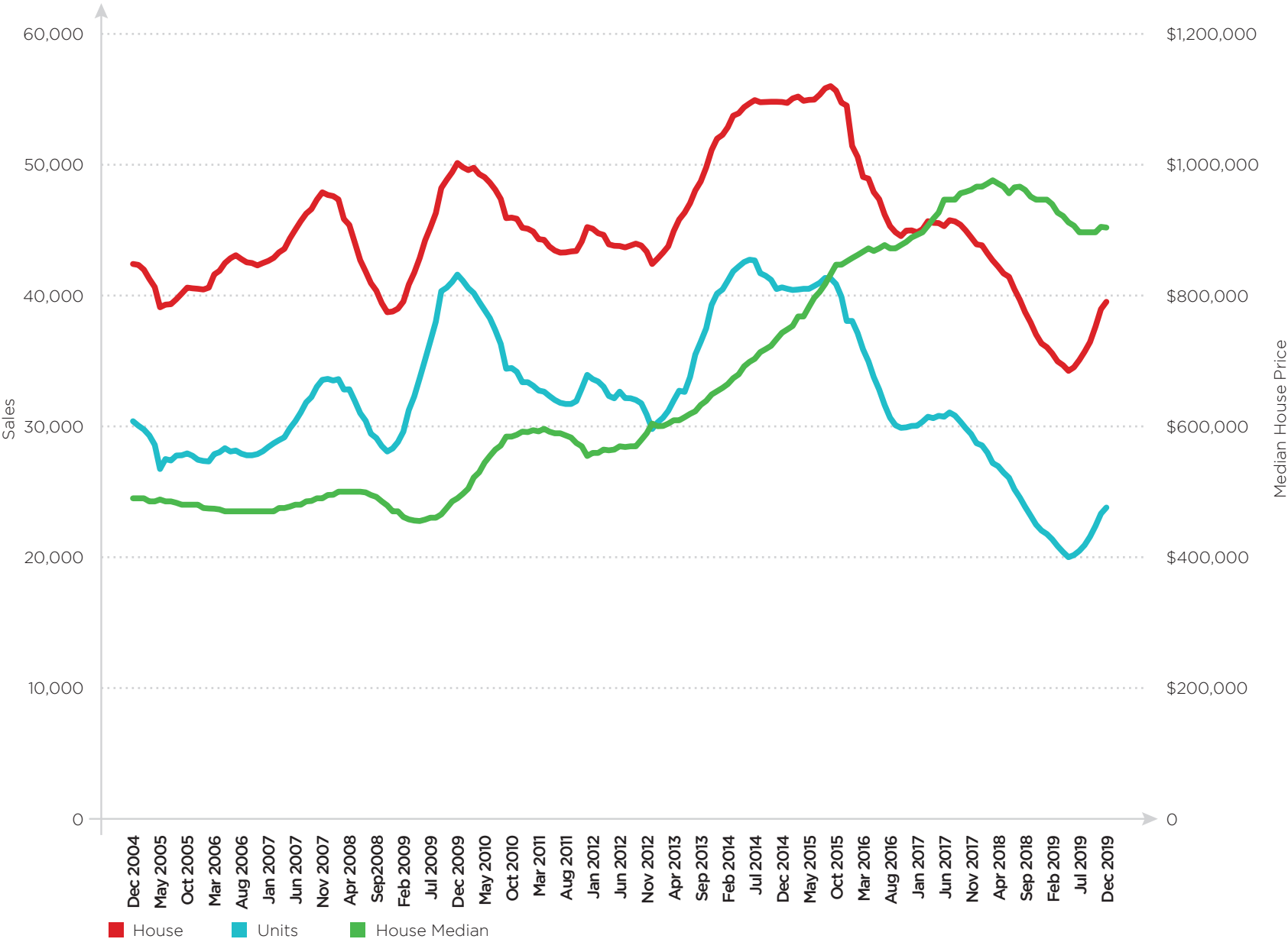
This graph shows the numbers for International and Domestic arrivals into the city's airport from 1986 plotted against the median house price.



NEGATIVE

DWELLING SALES

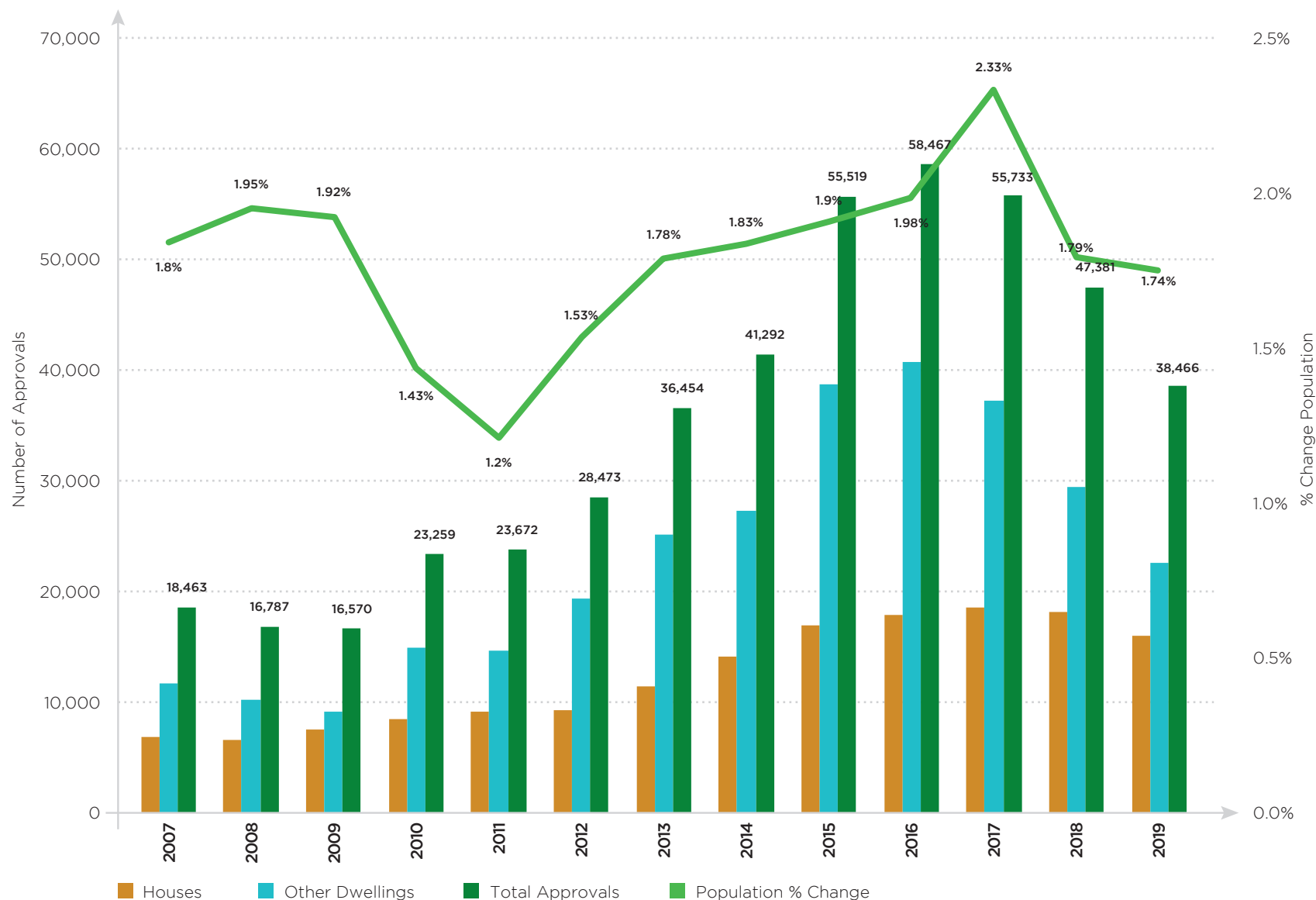
This graph displays the number of unit and house sales.



NEGATIVE

DWELLING APPROVALS V. POPULATION

This graph shows the relationship between population growth and dwelling approvals in the Greater City region.



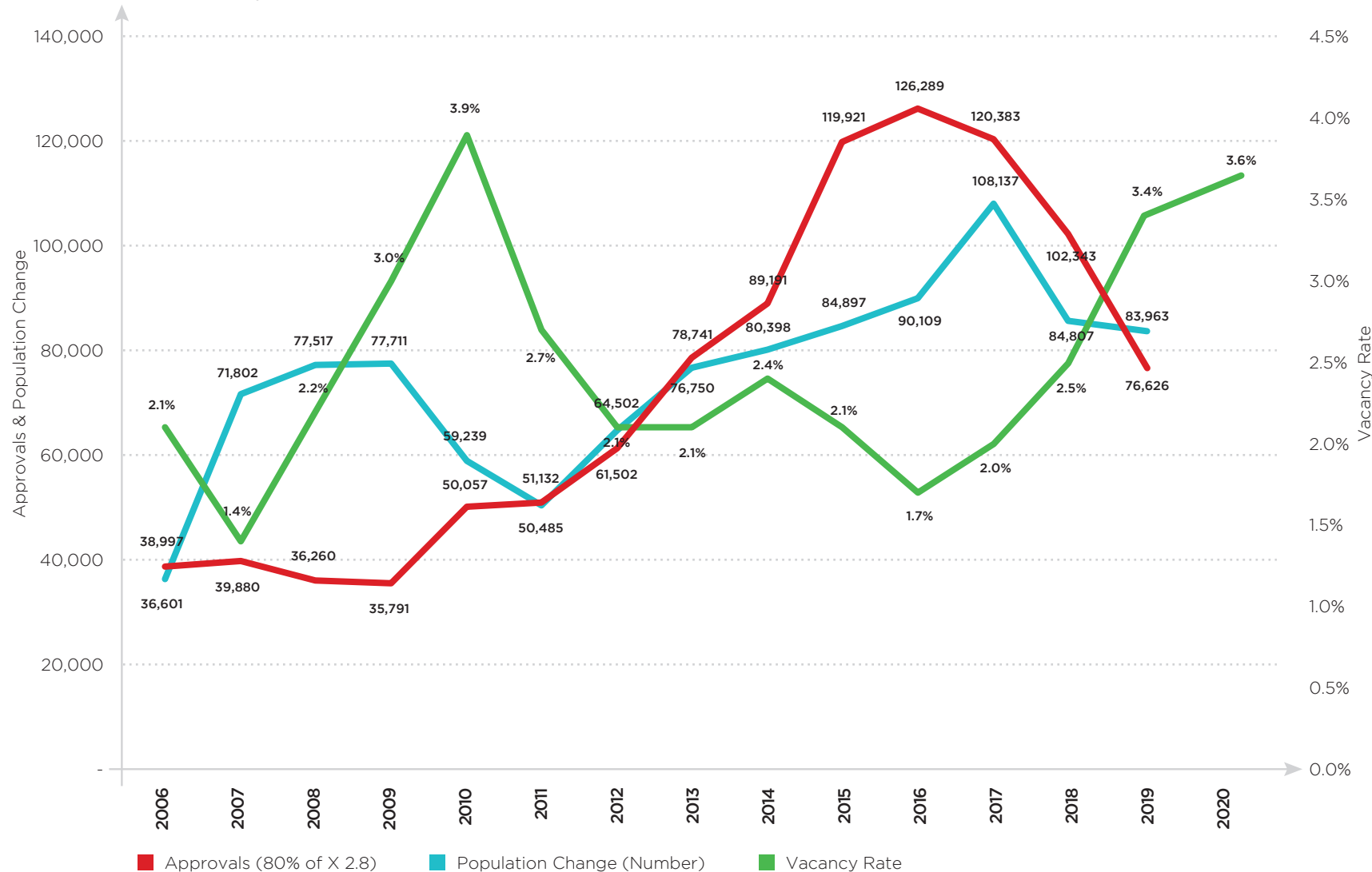
POSITIVE

BEDROOM APPROVALS V. POPULATION CHANGE

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This graph shows the relationship between the assumed number of bedrooms being commenced, the change in population numbers and the vacancy rate. PPA calculates this assuming 80% of approvals commence, and multiplying by the average household size of the city.



**SLIGHTLY
POSITIVE**

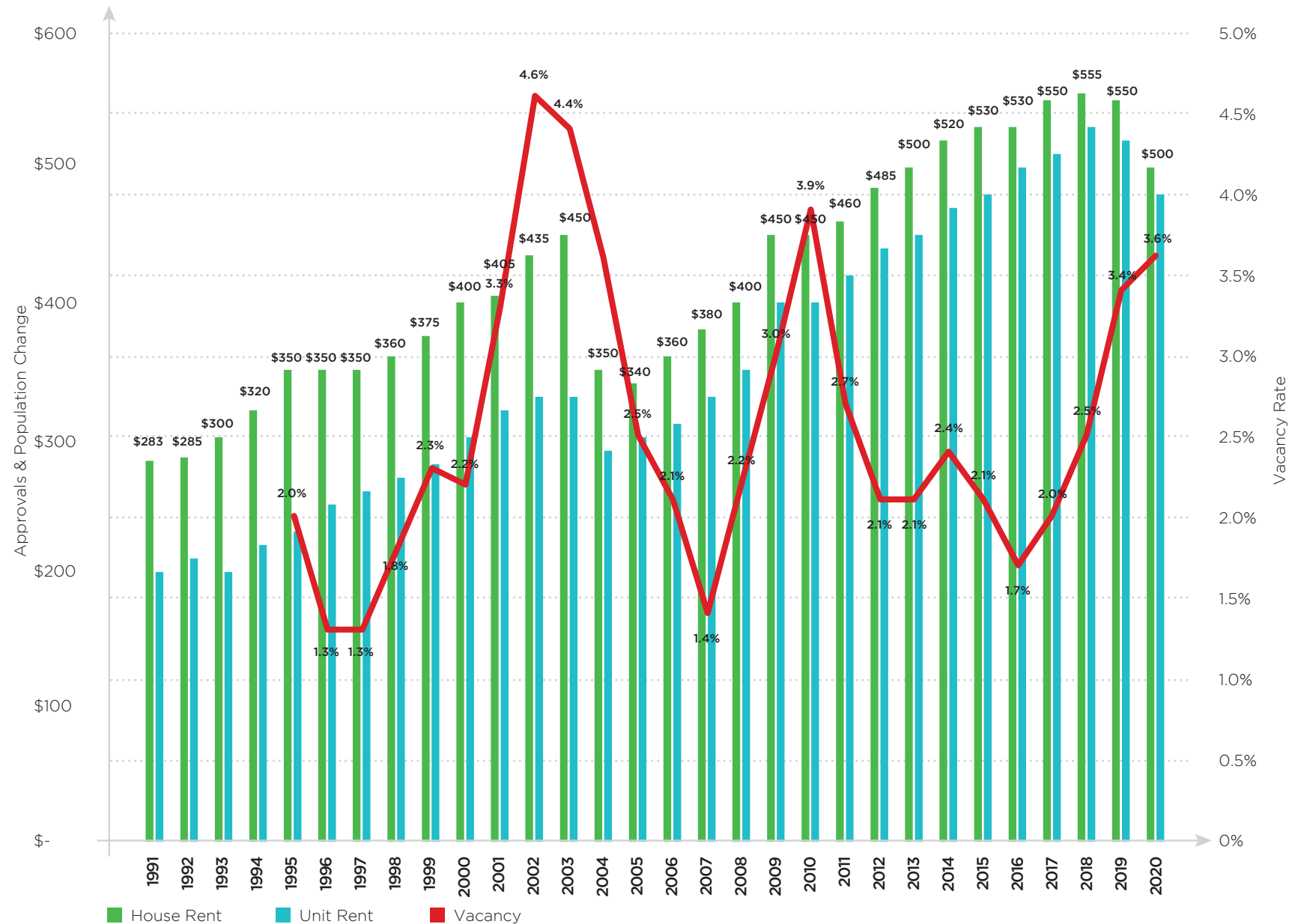
PERFORMANCE
PROPERTY DATA

VACANCY RATE V. RENT

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This graph displays the relationship between rental growth for both houses and units and the vacancy rate.



NEGATIVE

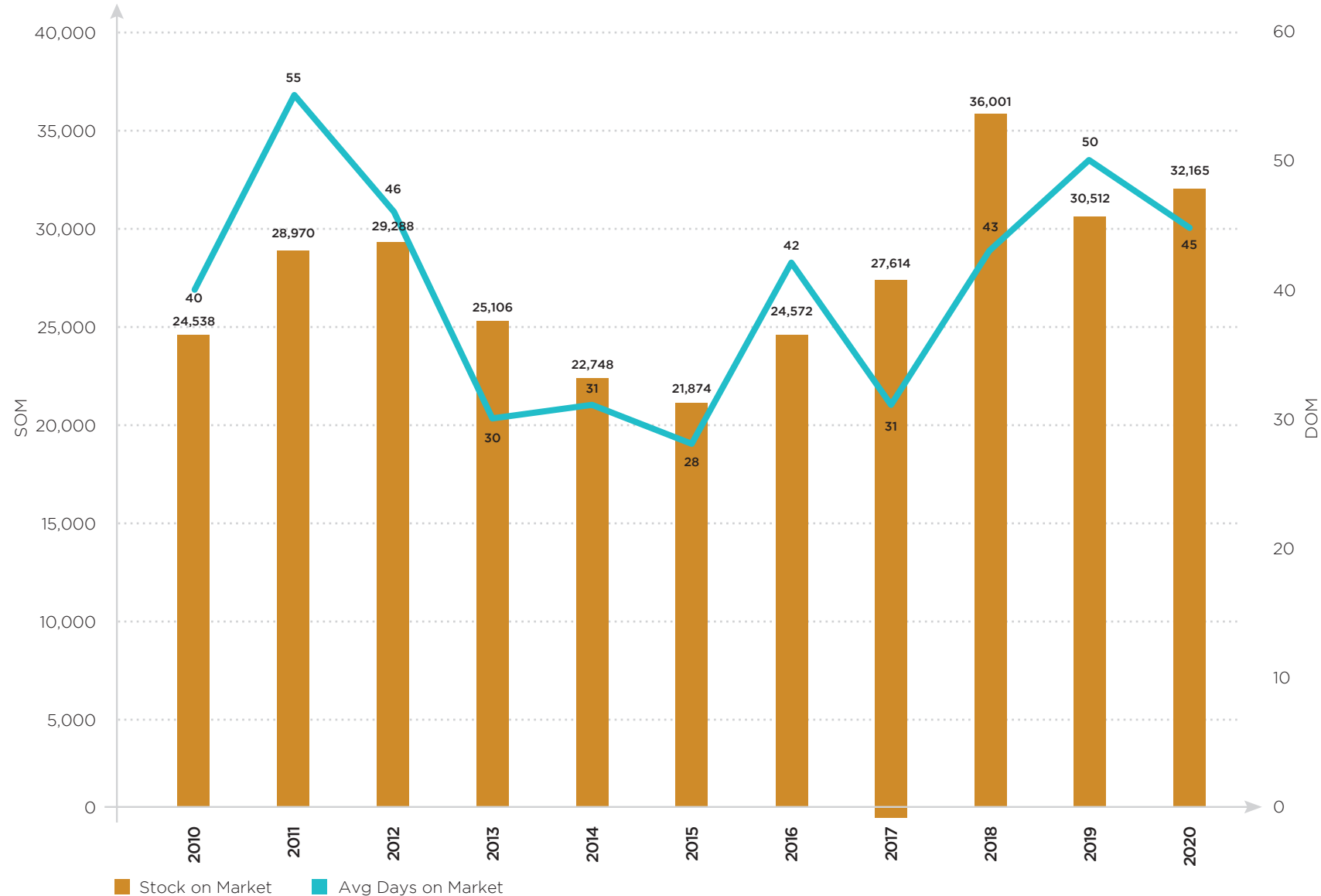
PERFORMANCE
PROPERTY DATA

STOCK ON MARKET V. DAYS ON MARKET

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This graph displays the average days on market and stock on market in one month of each year.

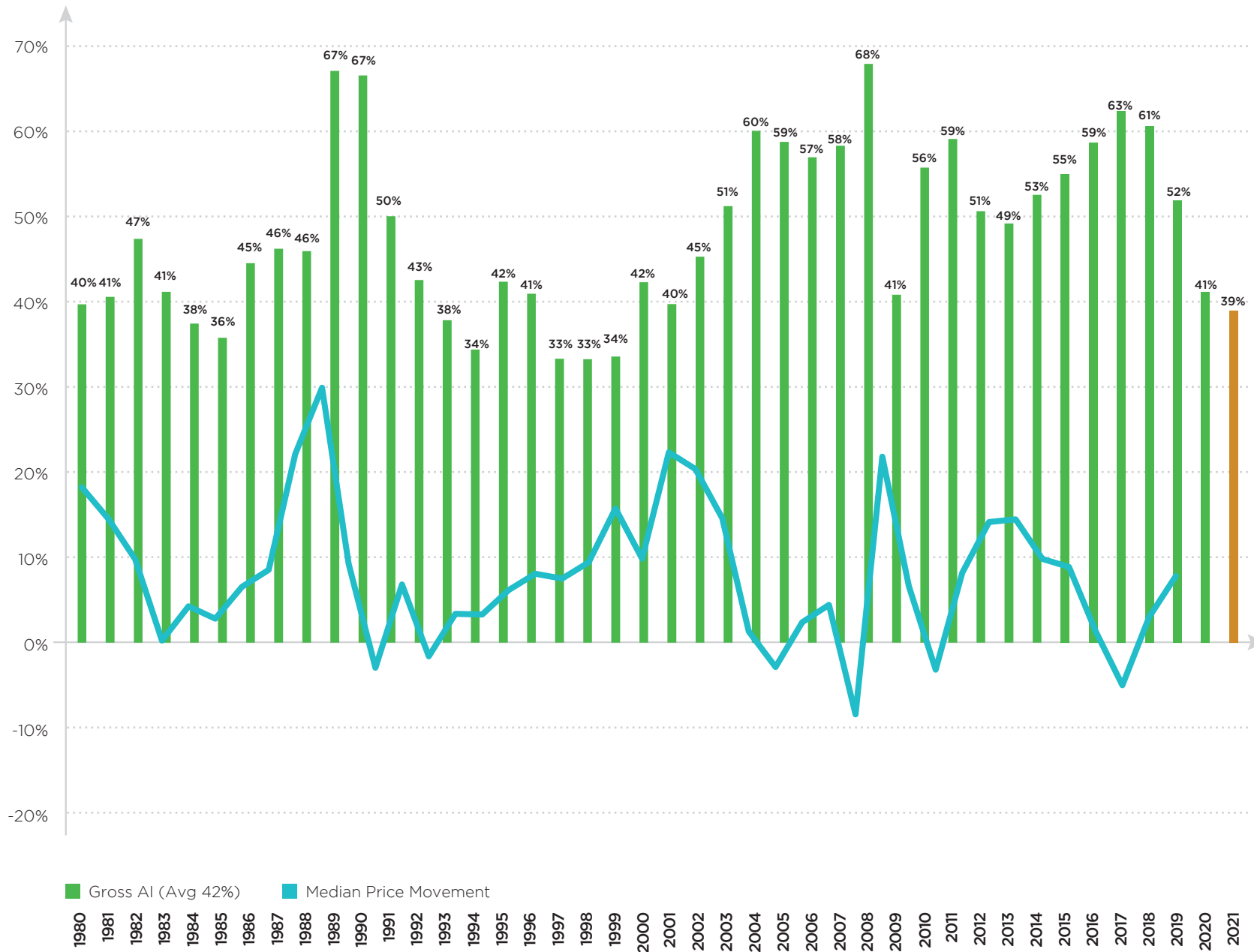


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PERFORMANCE
PROPERTY DATA

AFFORDABILITY INDEX V. PRICE MOVEMENT (HOUSE)

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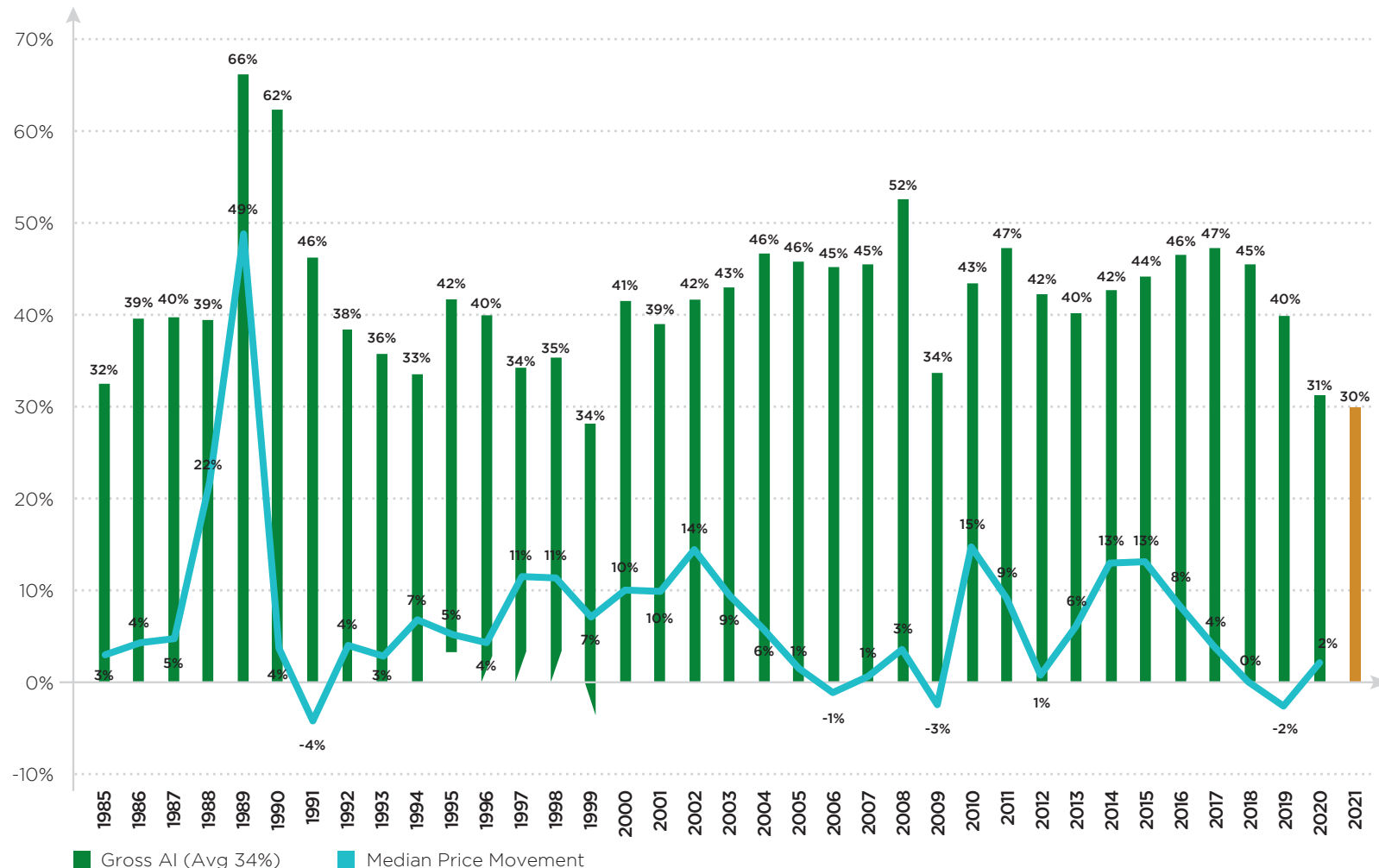


**SLIGHTLY
POSITIVE**

PERFORMANCE
PROPERTY DATA

AFFORDABILITY INDEX V. PRICE MOVEMENT (UNIT)

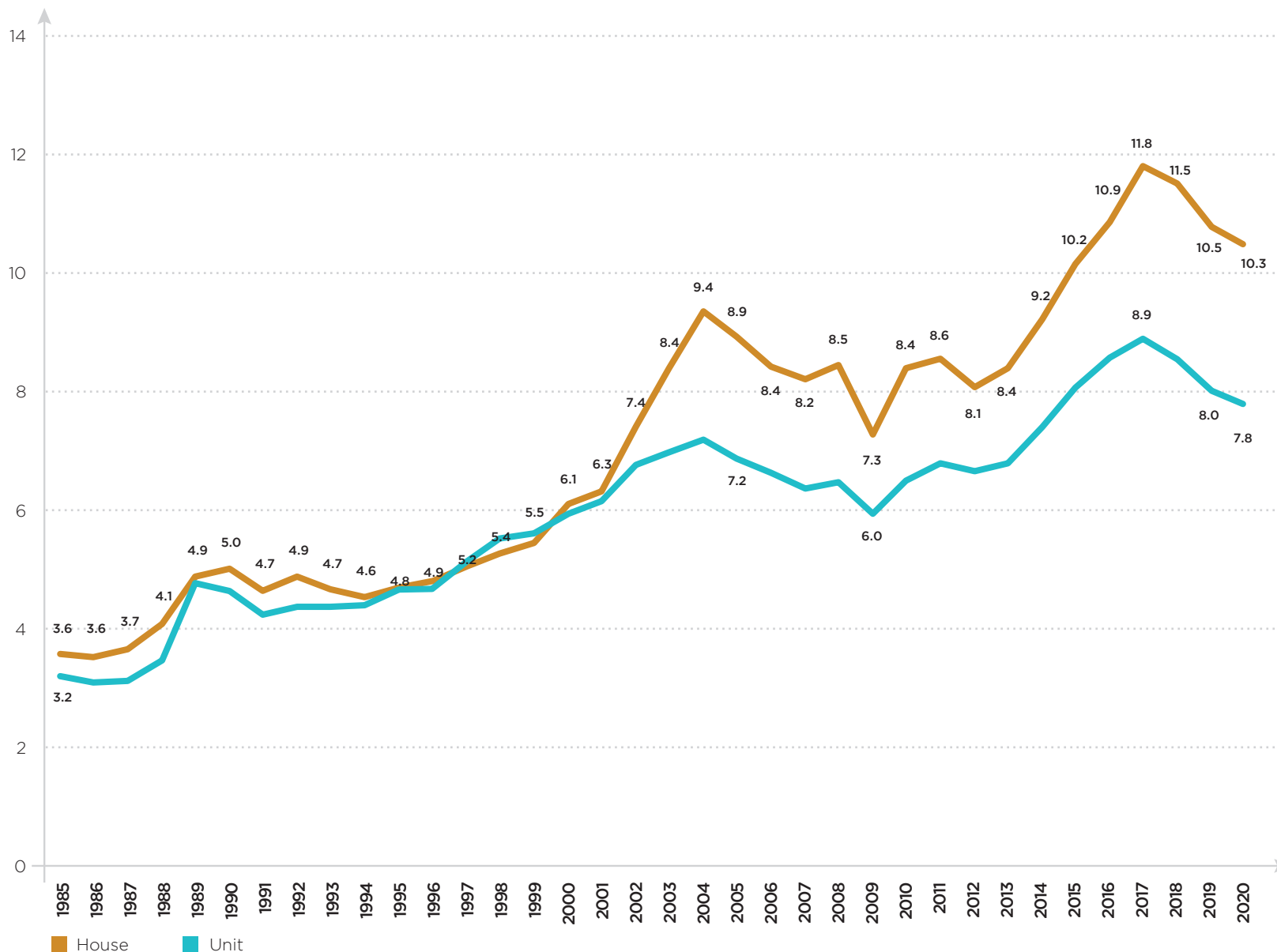
This graph displays the impact interest rates have on unit price movements. PPA's Gross Affordability Index (AI) is a measure of the average mortgage repayments versus the average income. The AI is calculated using the median price, average wage (before tax), assumes a 20% deposit, the current variable interest rate and Principle & Interest repayments over a 30 year loan term. The futures market forecast for a 25bp fall has been factored into the forecasted 2020 AI and assumes no price movement and 3% wage growth.



POSITIVE

PRICE TO INCOME RATIO

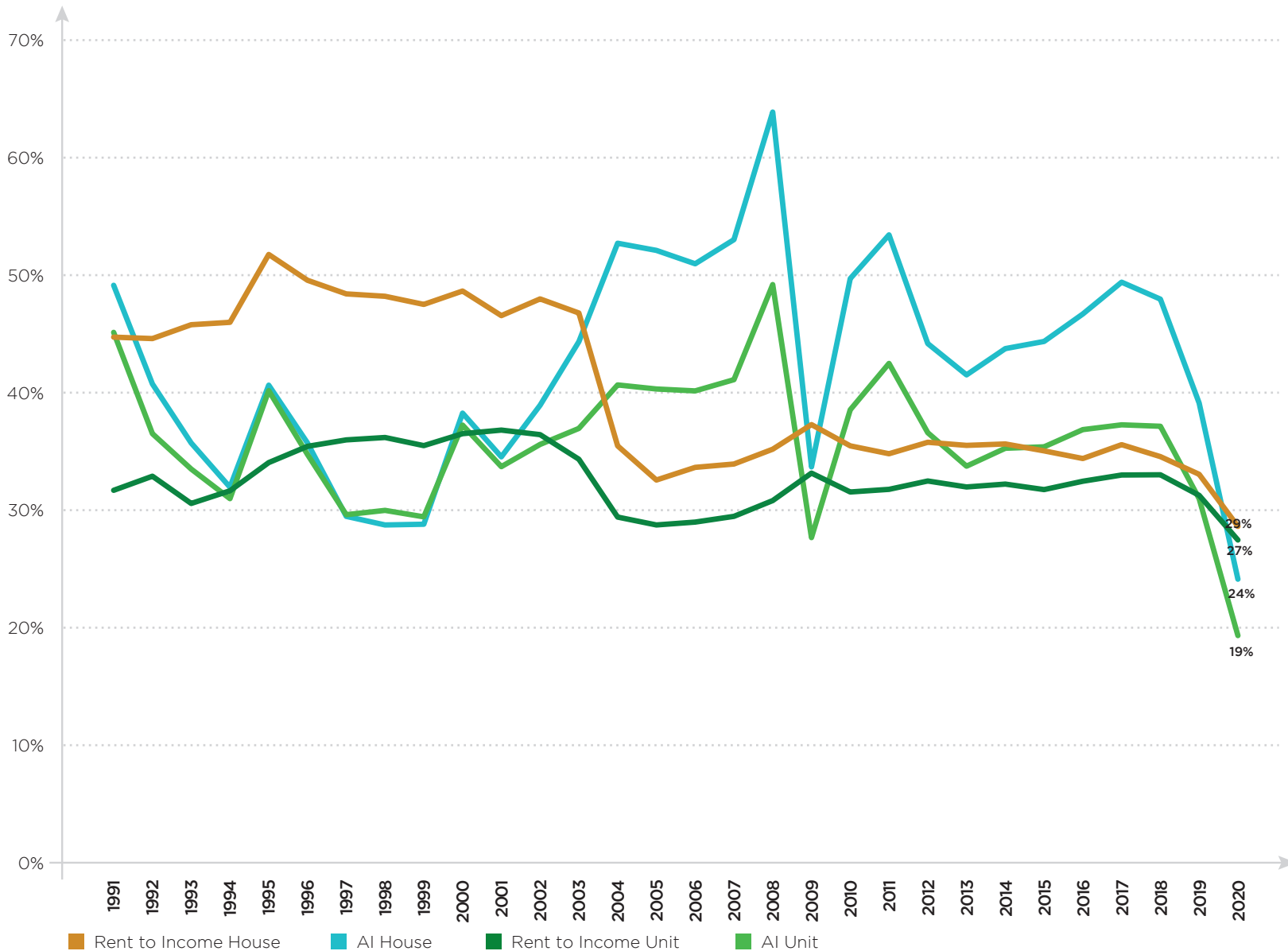
This graph displays the price to income ratio which is the relationship between the median house price and the average annual income. This also represents the average time taken to save a 20% deposit when assuming 20% of the average wage is saved.



**SLIGHTLY
NEGATIVE**

INCOME TO RENT

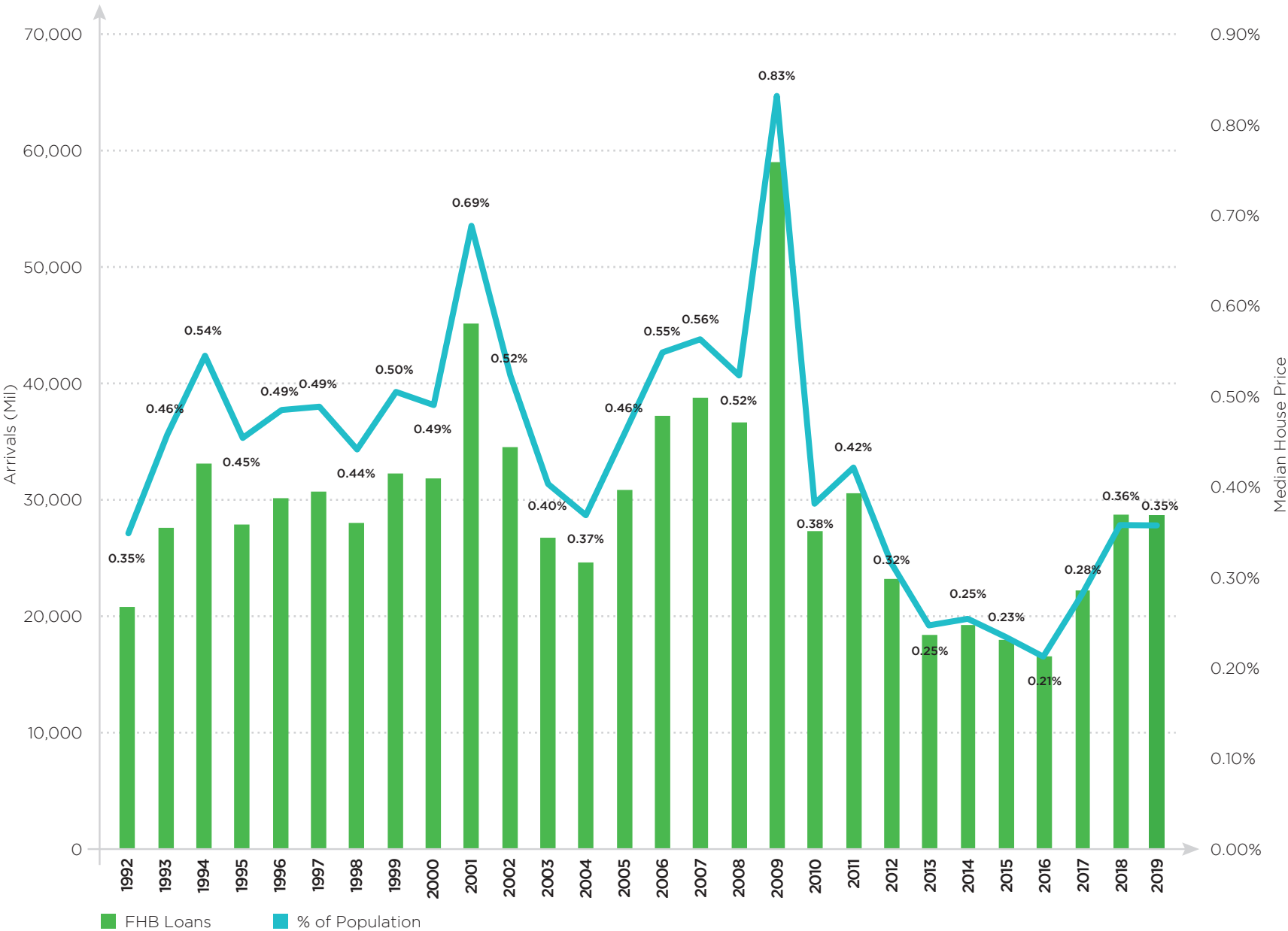
This graph displays the percentage of the average wage that pays the median house rent versus the PPA Affordability Index for houses, calculated using an Interest only loan.



**SLIGHTLY
POSITIVE**

FHBS AS A % OF POPULATION

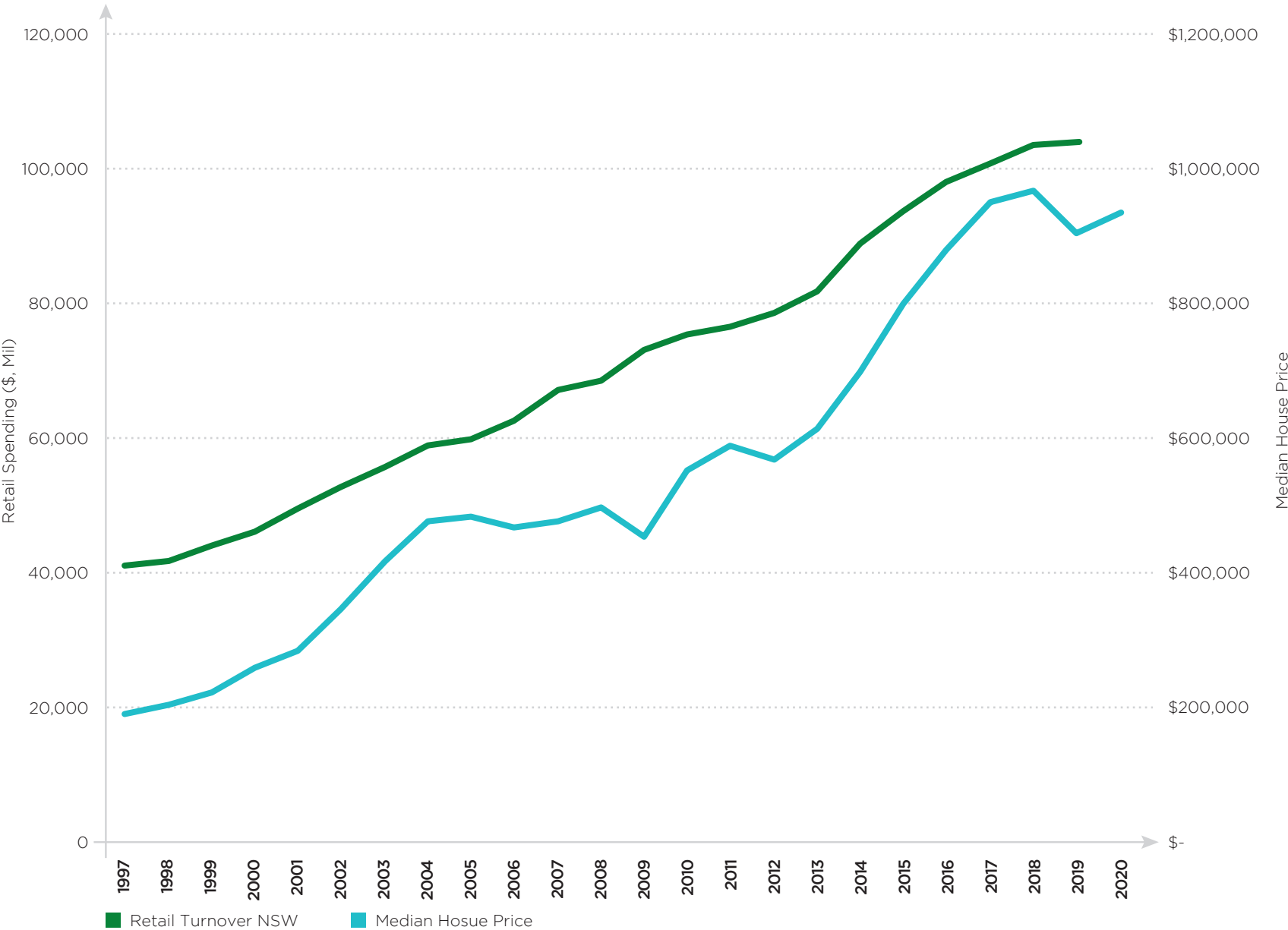
This graph shows the percentage of first home buyers (FHB) relative to the state population.



SLIGHTLY
POSITIVE

RETAIL TURNOVER GROWTH

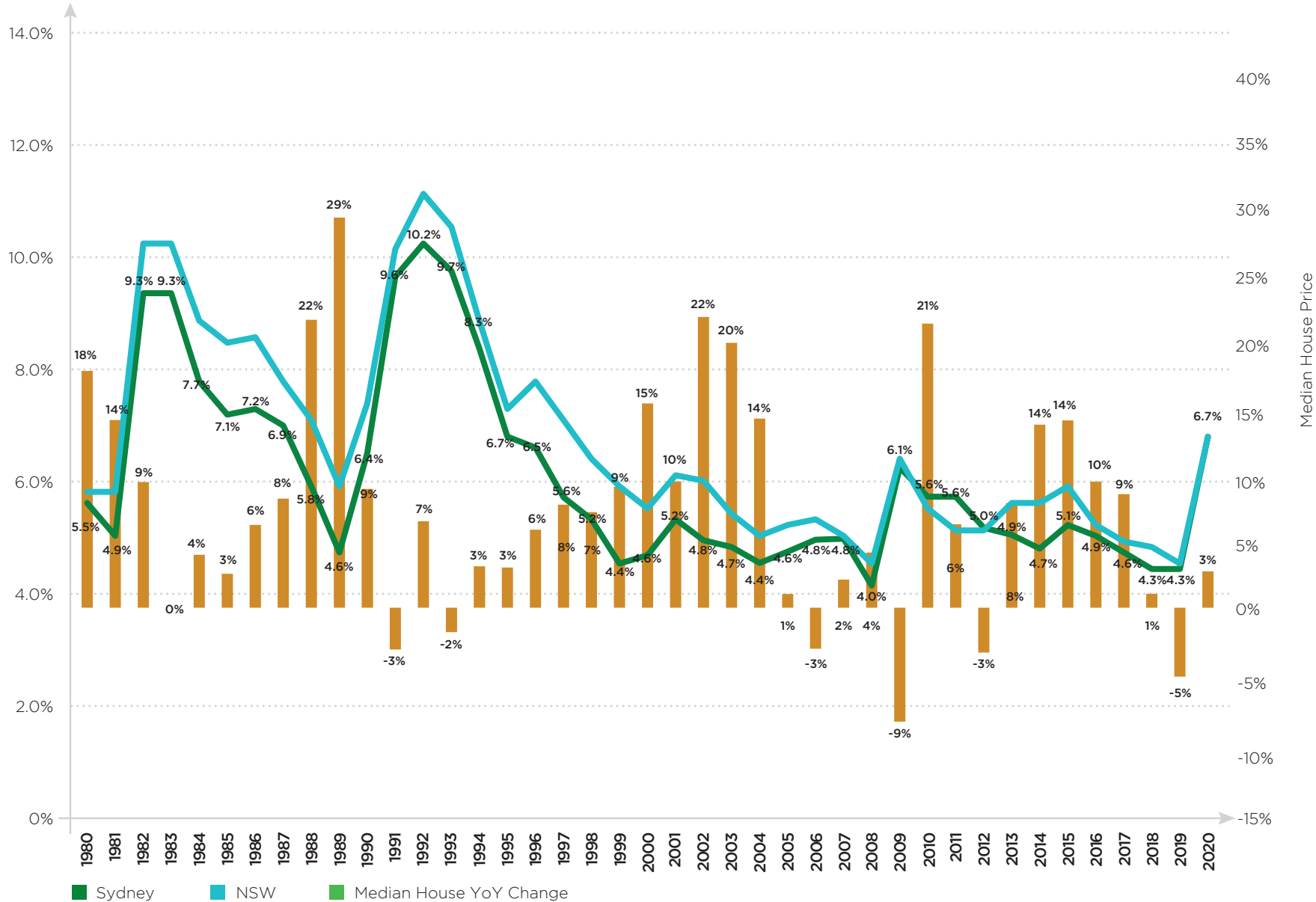
This graph displays levels of retail turnover for the state charted against the median house price.



POSITIVE

UNEMPLOYMENT

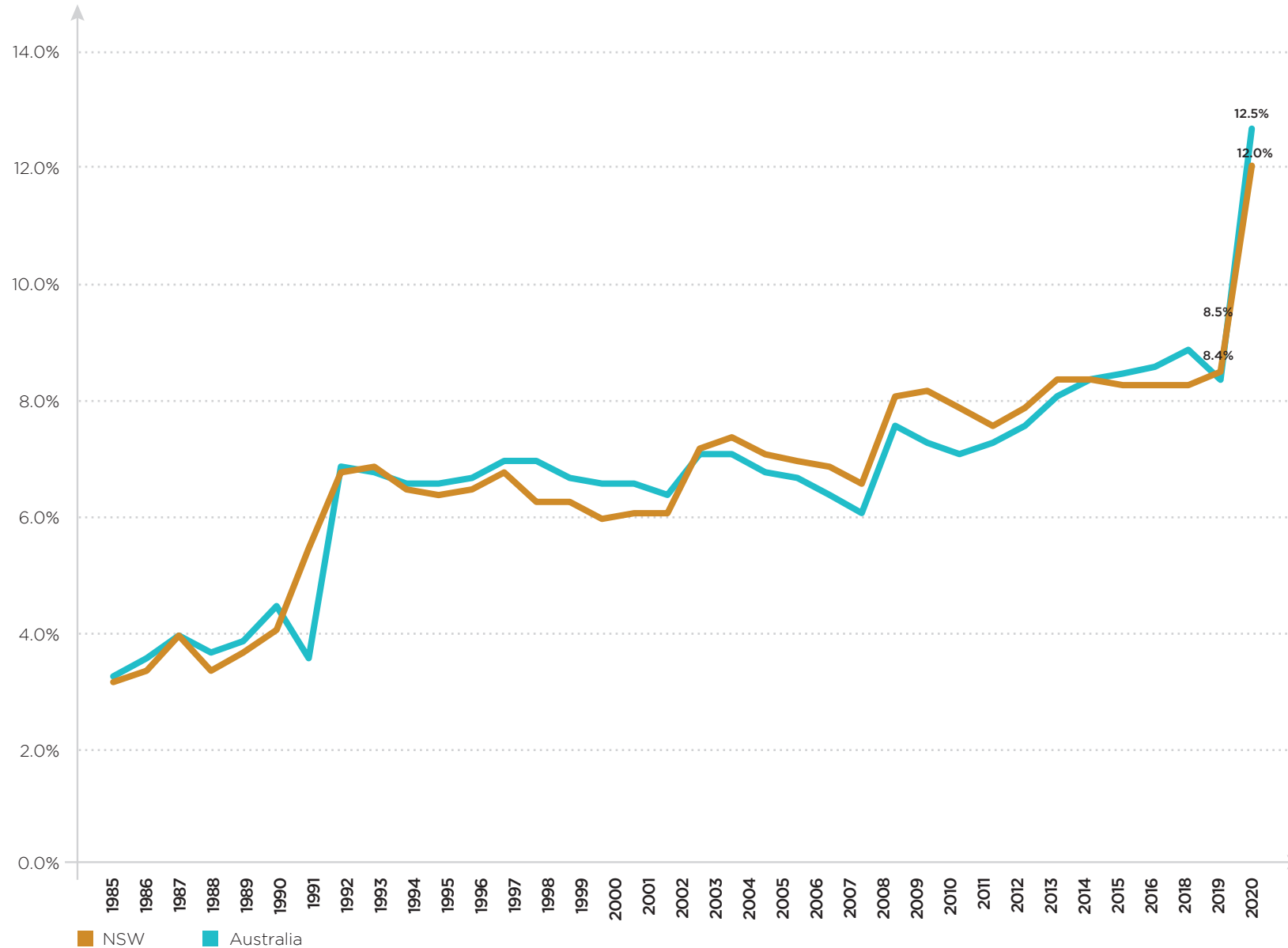
This graph shows the relationship between the state and national underemployment rate as a yearly average from 1985 and the current, most recent rate.



**SLIGHTLY
NEGATIVE**

UNDEREMPLOYMENT

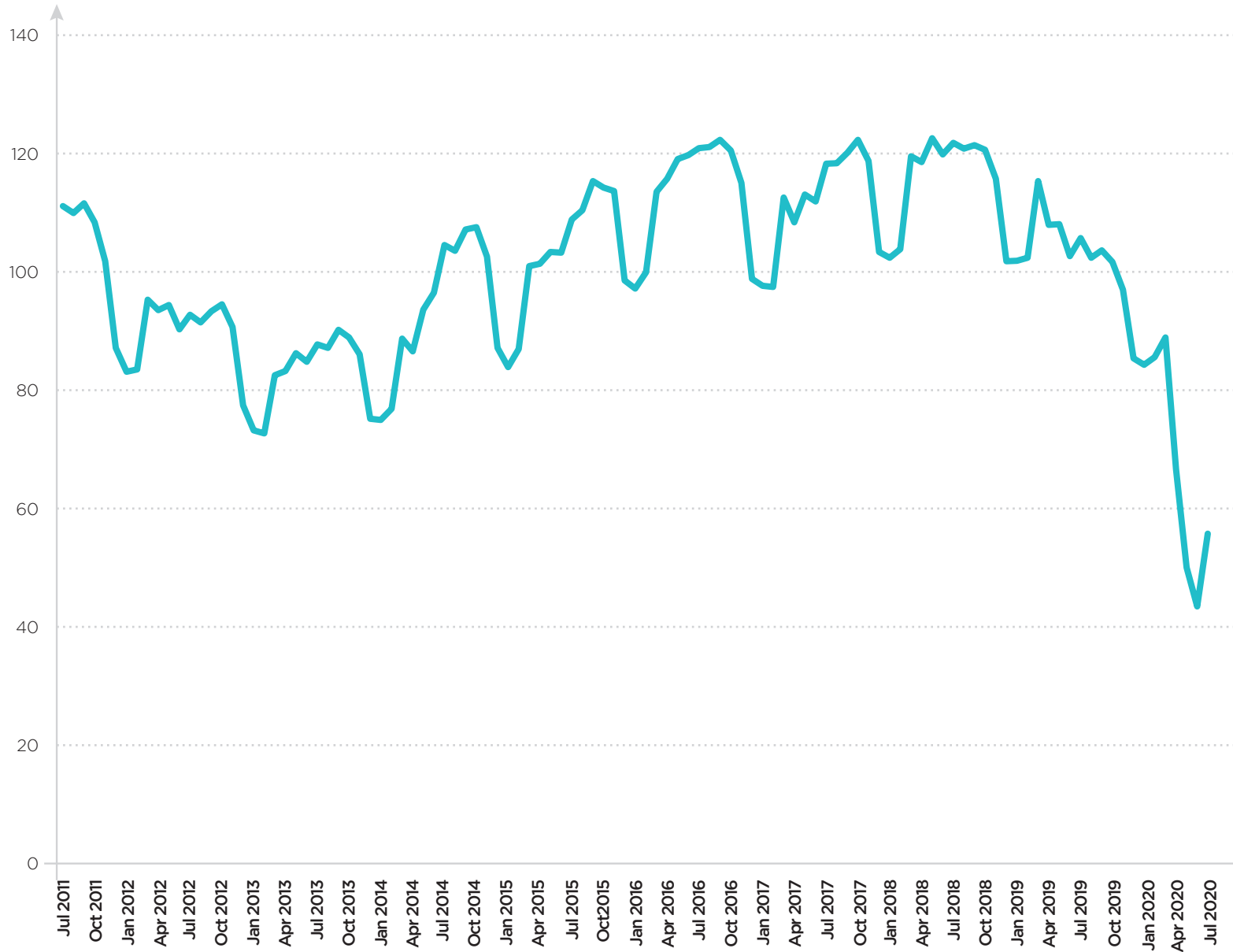
This graph shows the relationship between the state and national underemployment rate as a yearly average from 1985 and the current, most recent rate.



NEGATIVE

JOB CREATION - SYDNEY

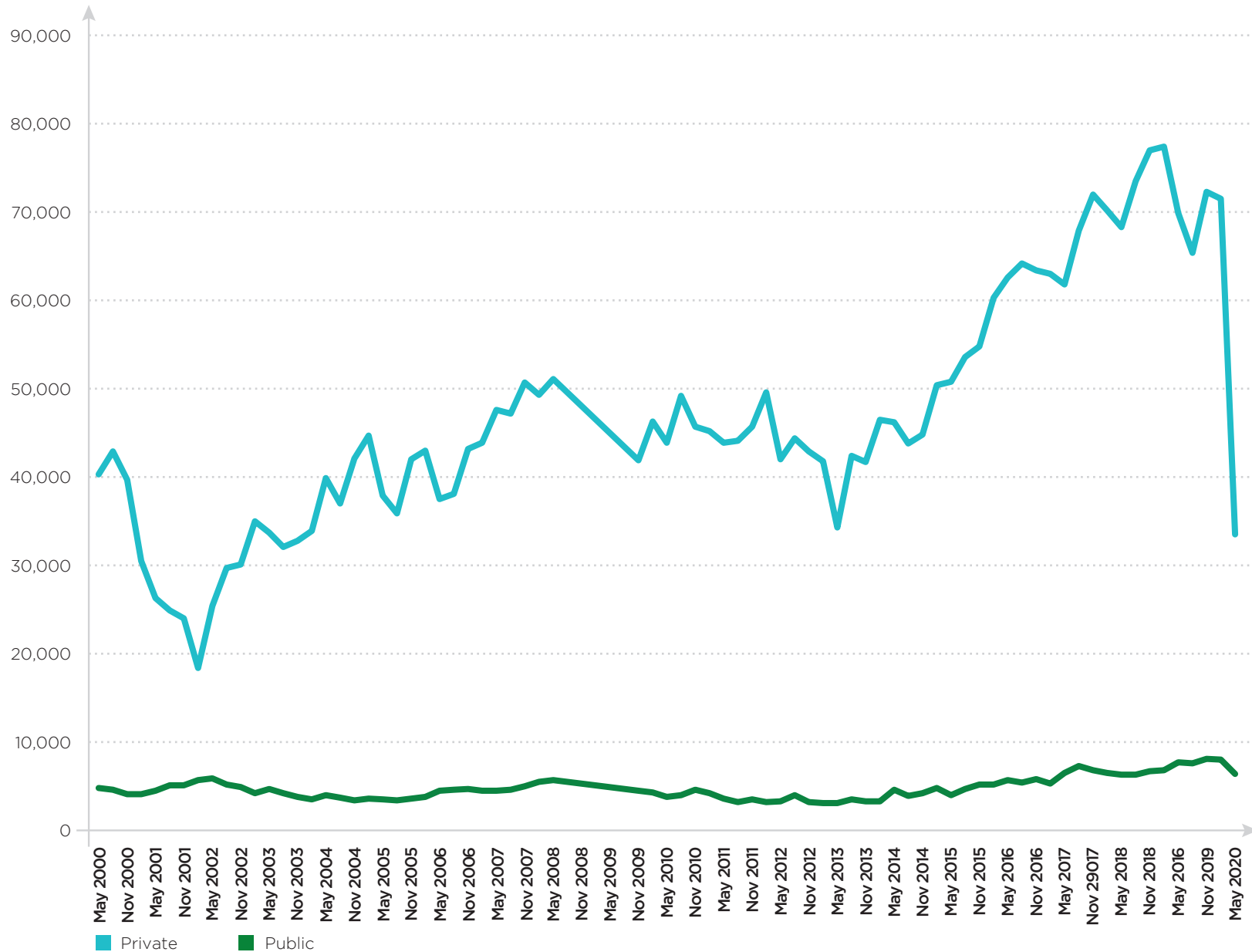
This graph shows the internet vacancy index for online job advertisements on the three major job boards.



NEGATIVE

STATE JOB VACANCIES

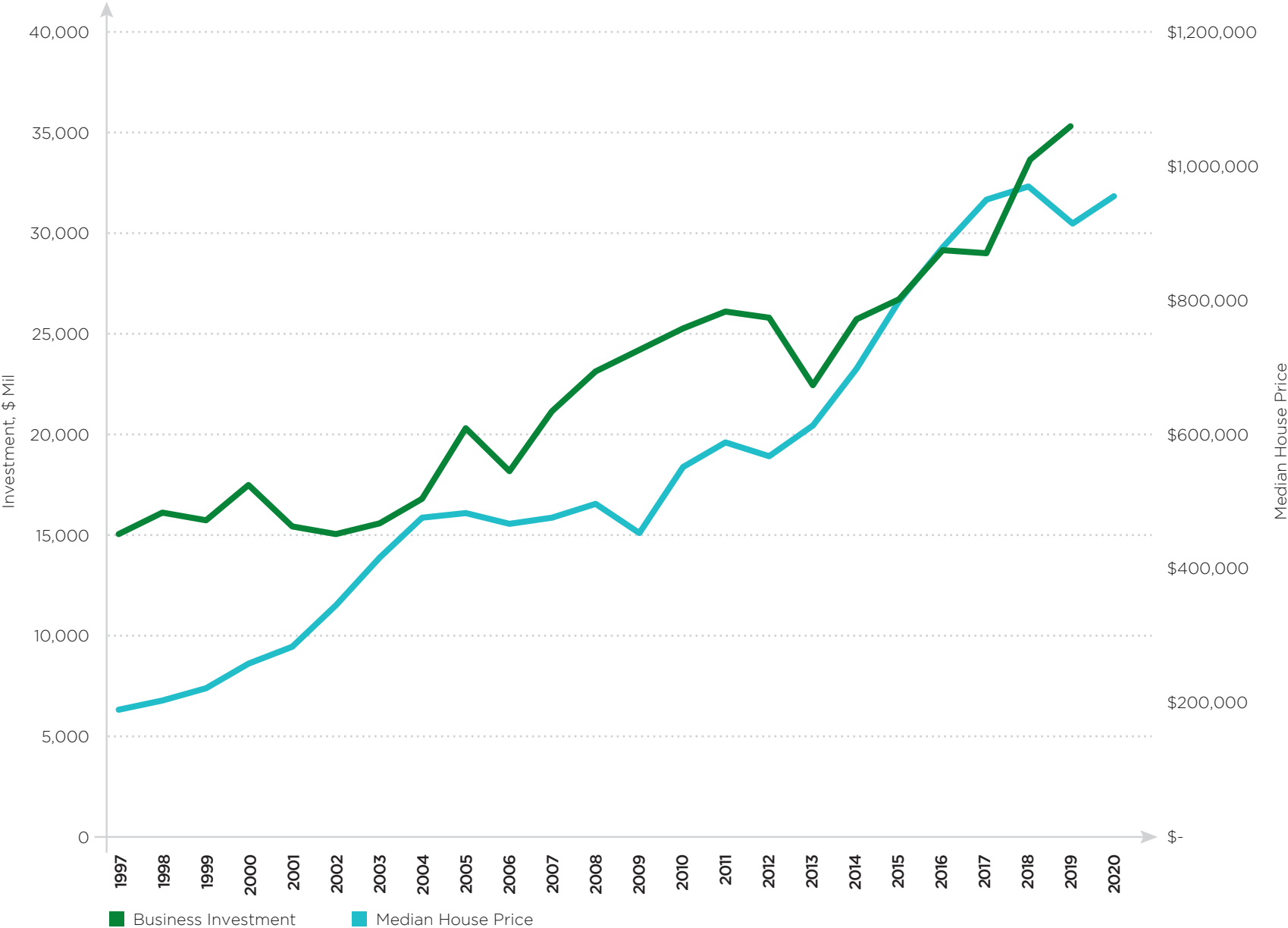
This graph displays the ABS figure for the number of jobs created in the private and public sectors state wide.



NEGATIVE

BUSINESS INVESTMENT

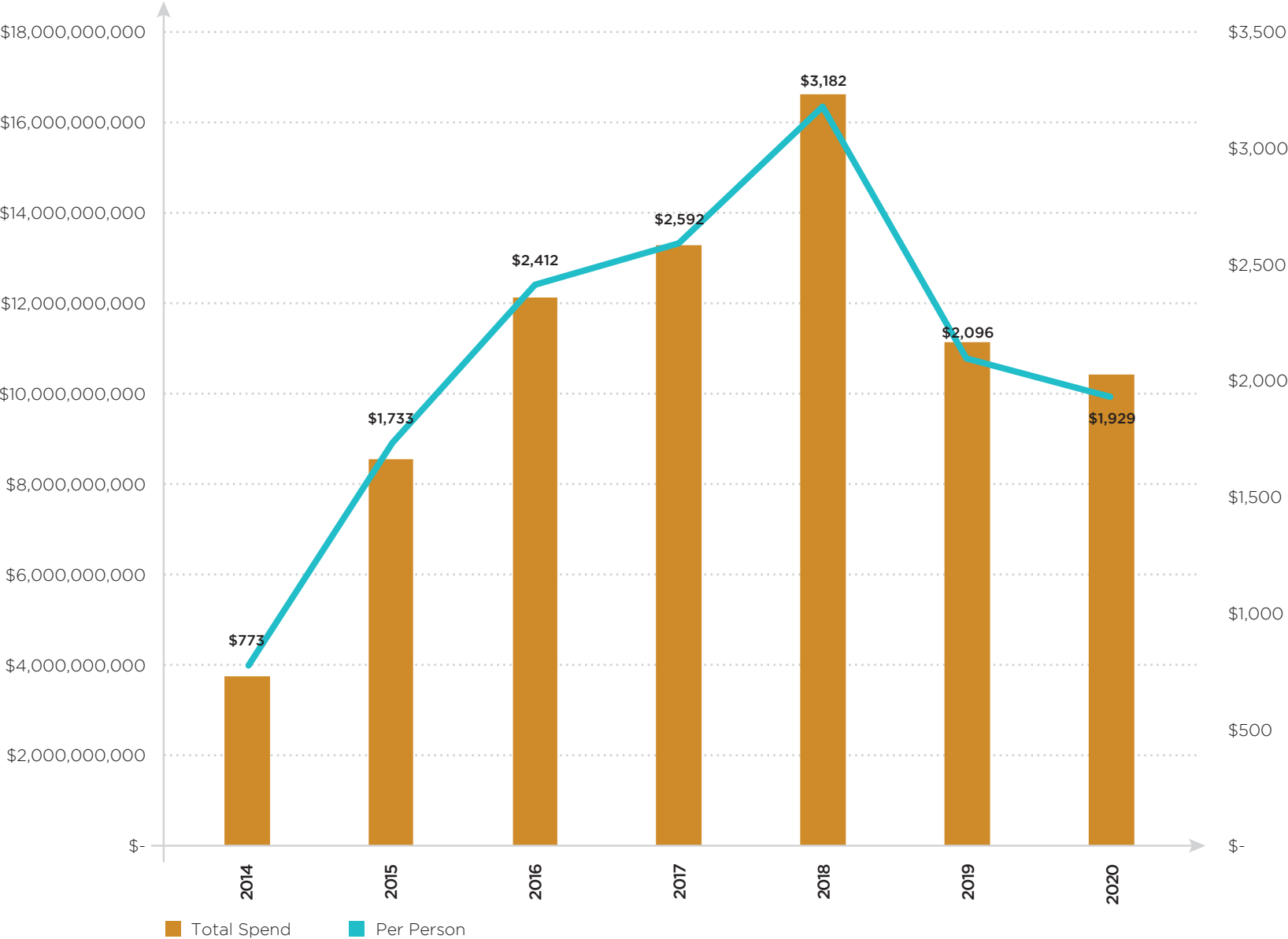
This graph displays private business investment into the state charted against the median house price.



POSITIVE

INFRASTRUCTURE SPENDING

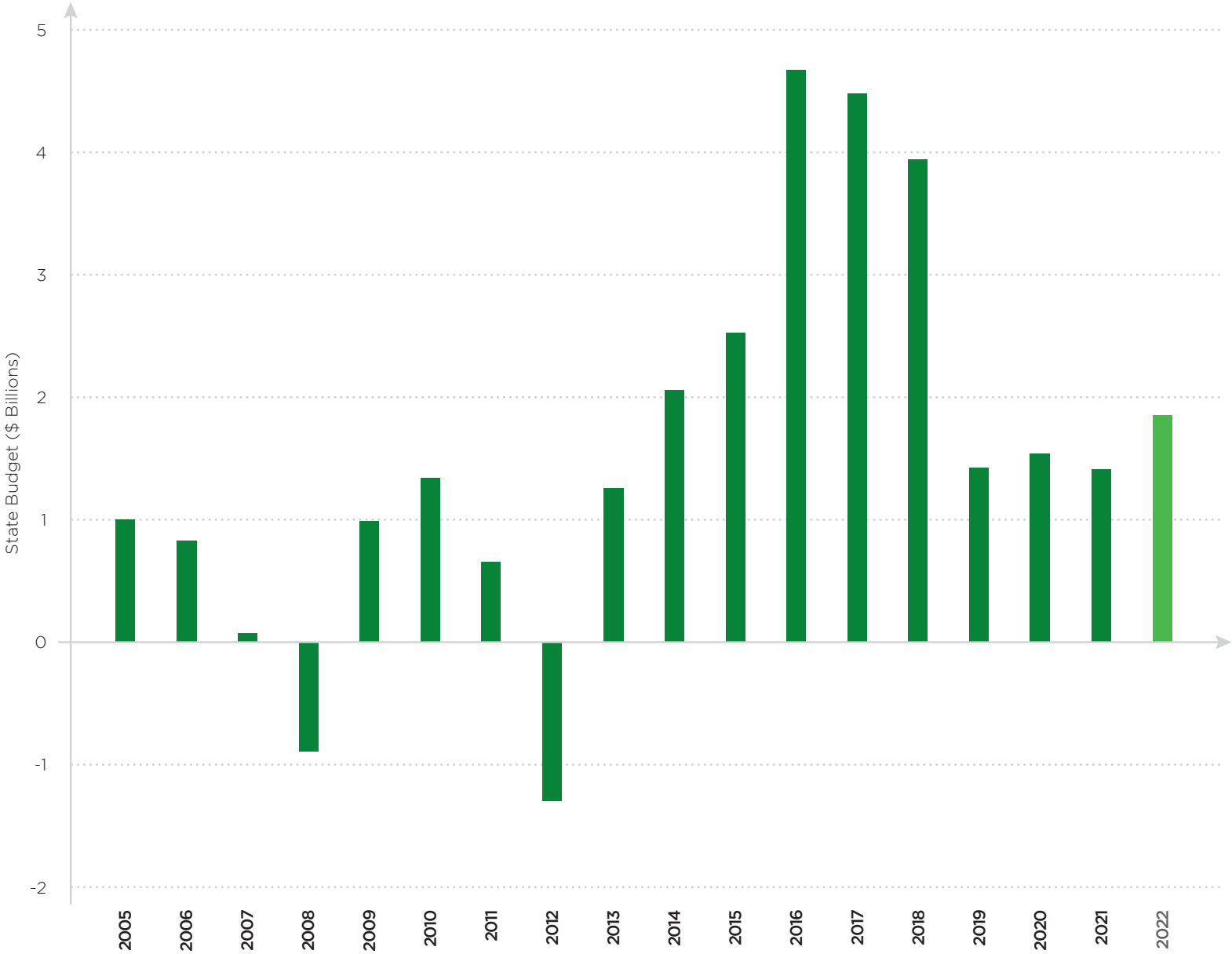
This graph displays the total infrastructure spend on projects over \$10 million and the spend broken down into a per person figure. The average spend per person in Australia is just under \$3000.



**SLIGHTLY
NEGATIVE**

STATE BUDGET

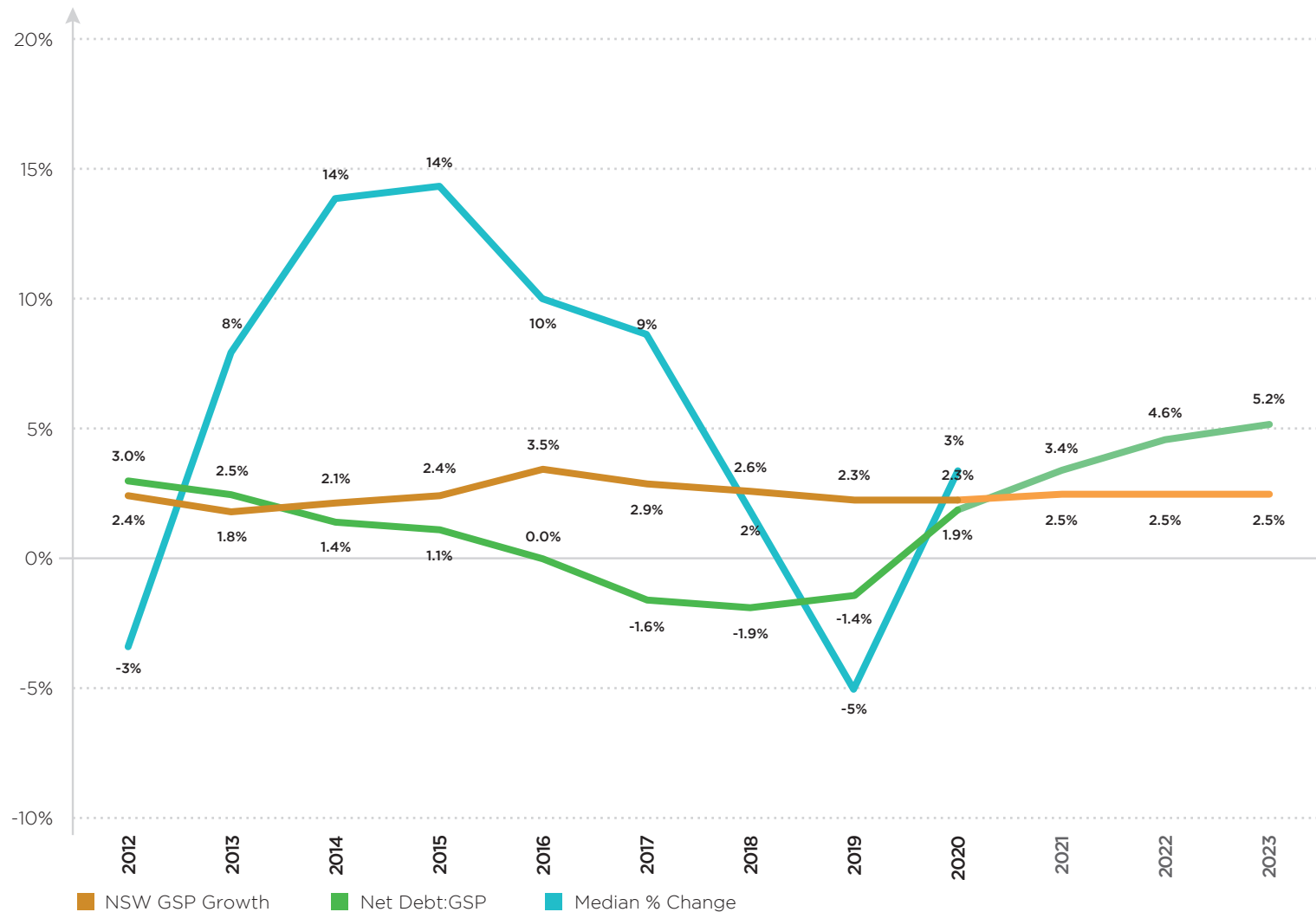
This graph displays the State Government position of either a surplus or deficit.



POSITIVE

GSP GROWTH/NET GOVT DEBT V. MEDIAN HOUSE PRICE CHANGE

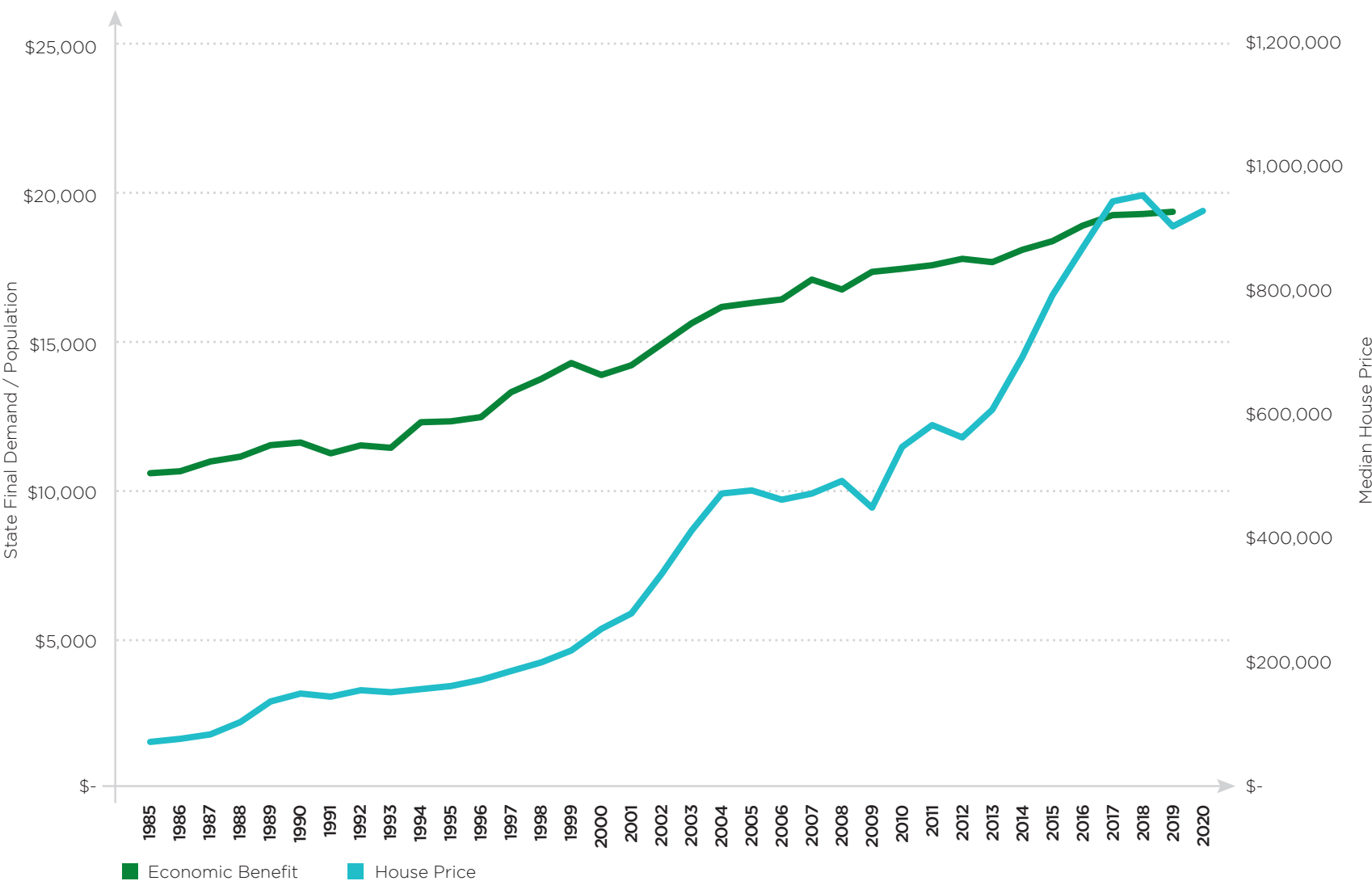
This graph displays the actual and forecasted Gross State Product (GSP) growth and Net Debt as a percentage of GSP, from the latest State Budget and the change in the median house price.



**SLIGHTLY
NEGATIVE**

ECONOMIC BENEFIT V. MEDIAN HOUSE PRICE

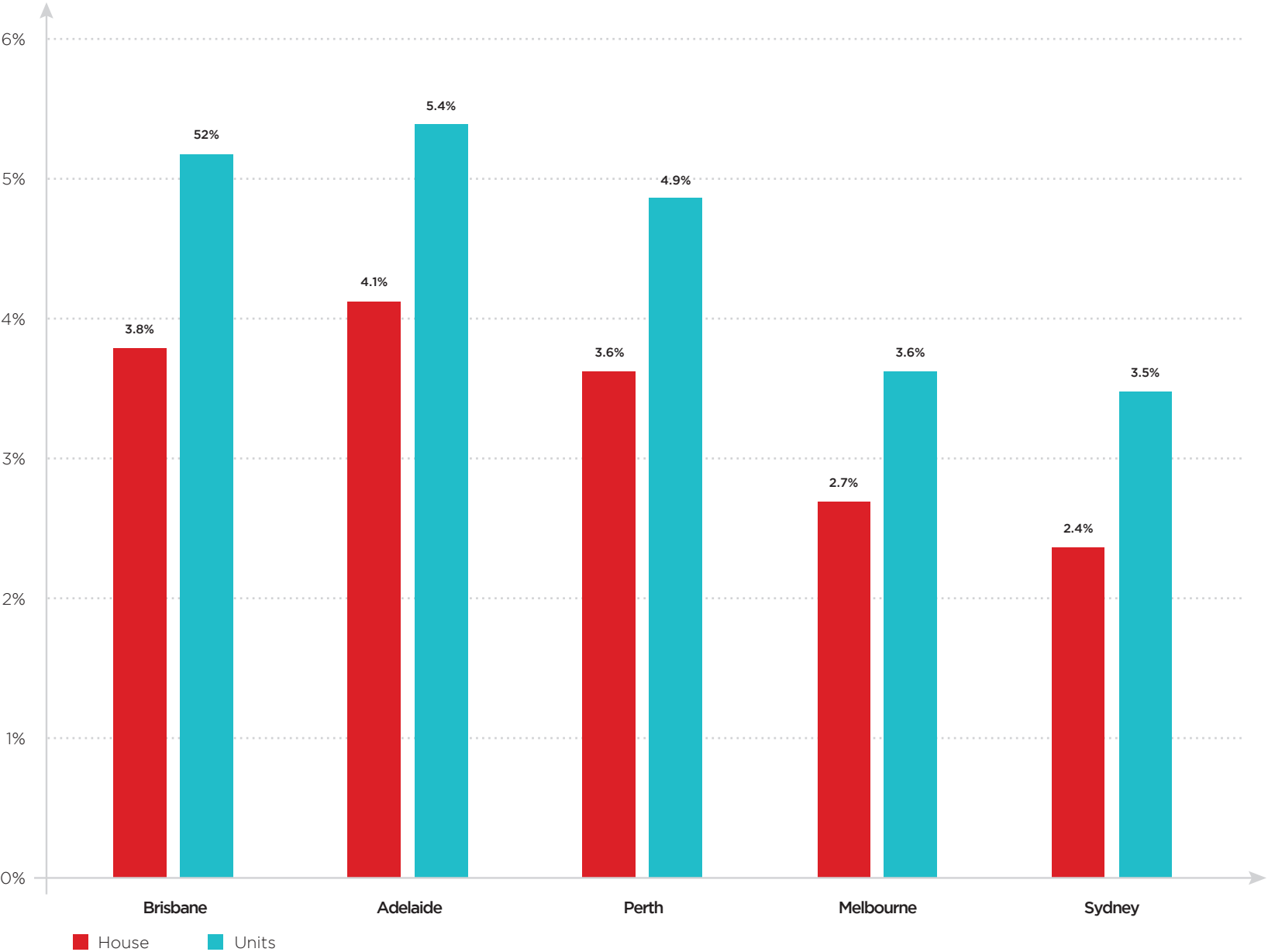
This graph displays the economic benefit per person against the median house price. Economic benefit is the ratio between State Final Demand for the state and the state's population. State Final Demand measures the total value of goods and services that are sold in the state and is a measure of the state's income.



SLIGHTLY
POSITIVE

CURRENT INVESTMENT VALUE

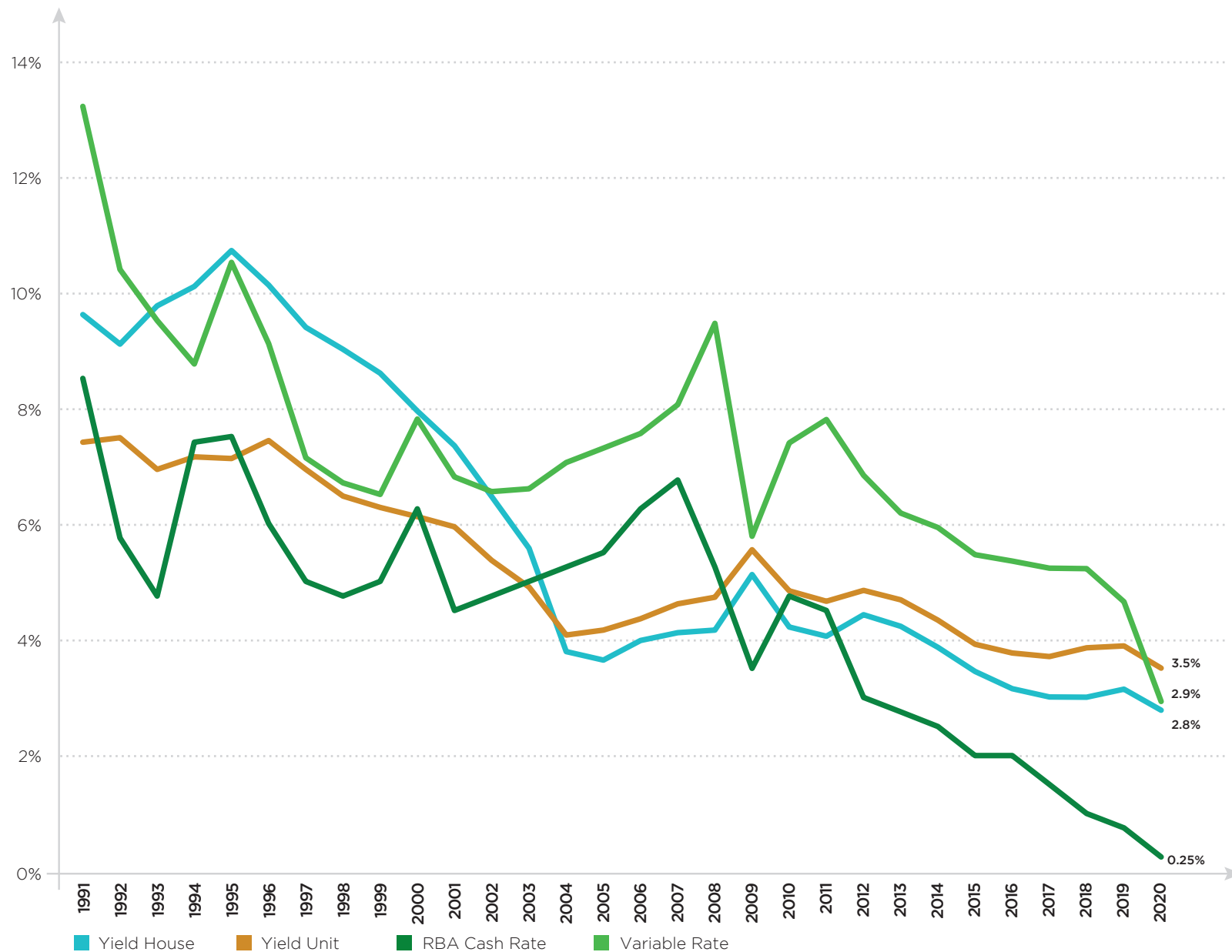
This graph compares the gross yield for houses and units in each of the five major capital cities from SQM Research.



NEGATIVE

YIELD V. INTEREST RATES

This graph displays house and unit yields against the variable and cash rates.

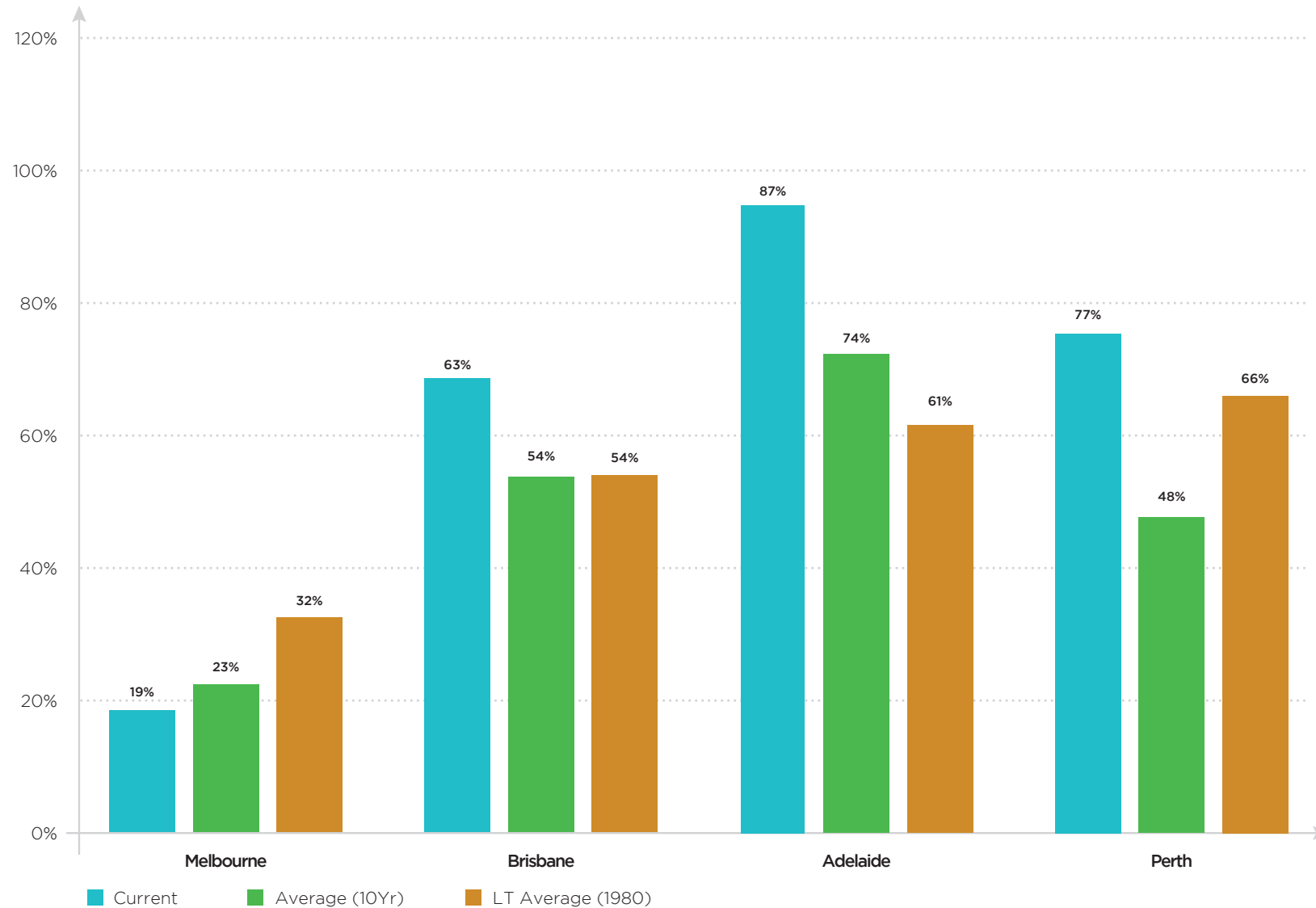


NEUTRAL

CAPITAL CITY LONG TERM PRICE COMPARISON (HOUSES)

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This graph displays the median price relationships between the five major capital cities in Australia over the last 10 years and since 1980.

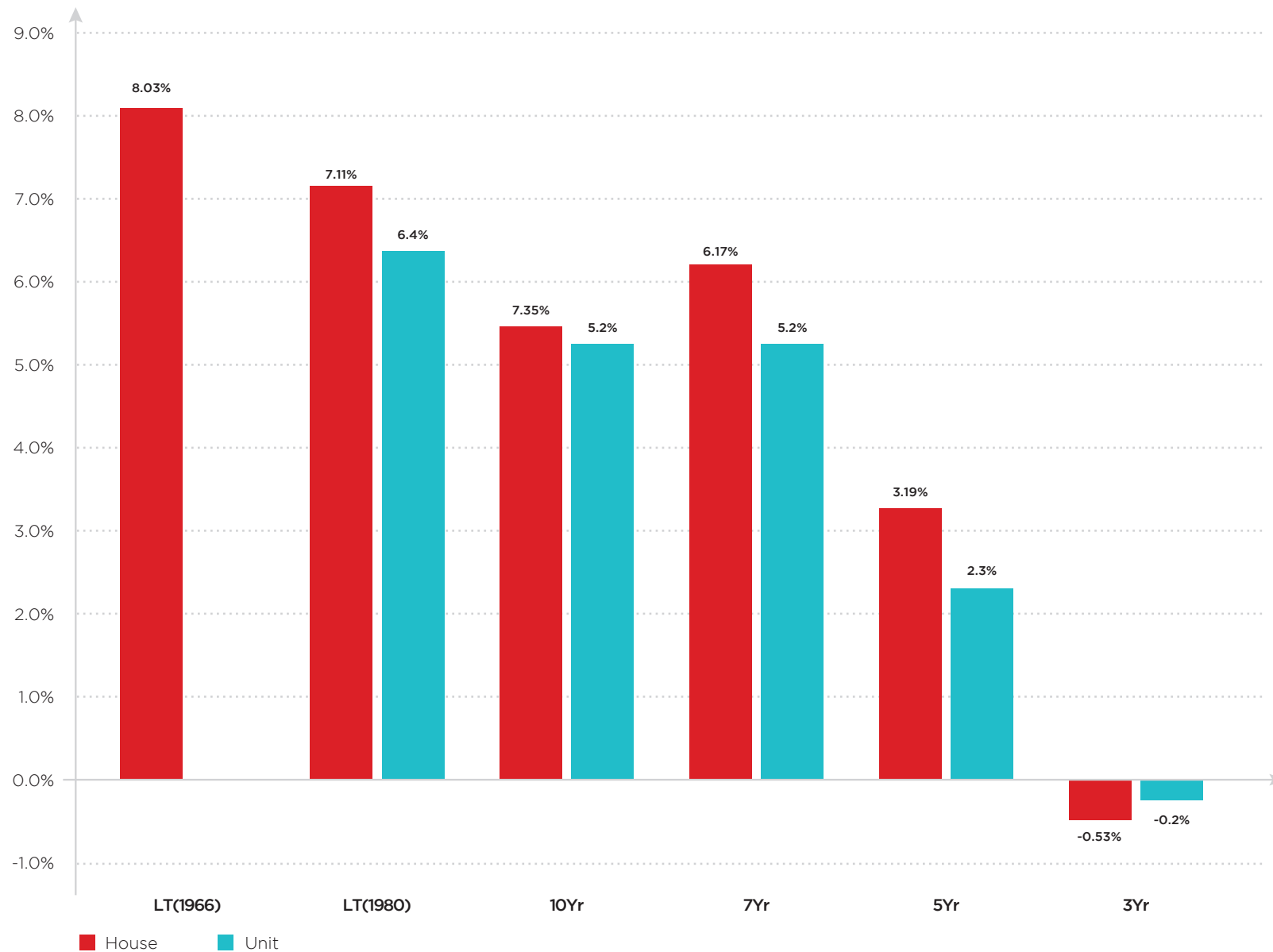


NEGATIVE

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PROPERTY DATA

LONG TERM TRENDS

This graph displays the annual compounded growth rates for houses and units over the long term, and the last 10 years, 7 years, 5 years and 3 years.



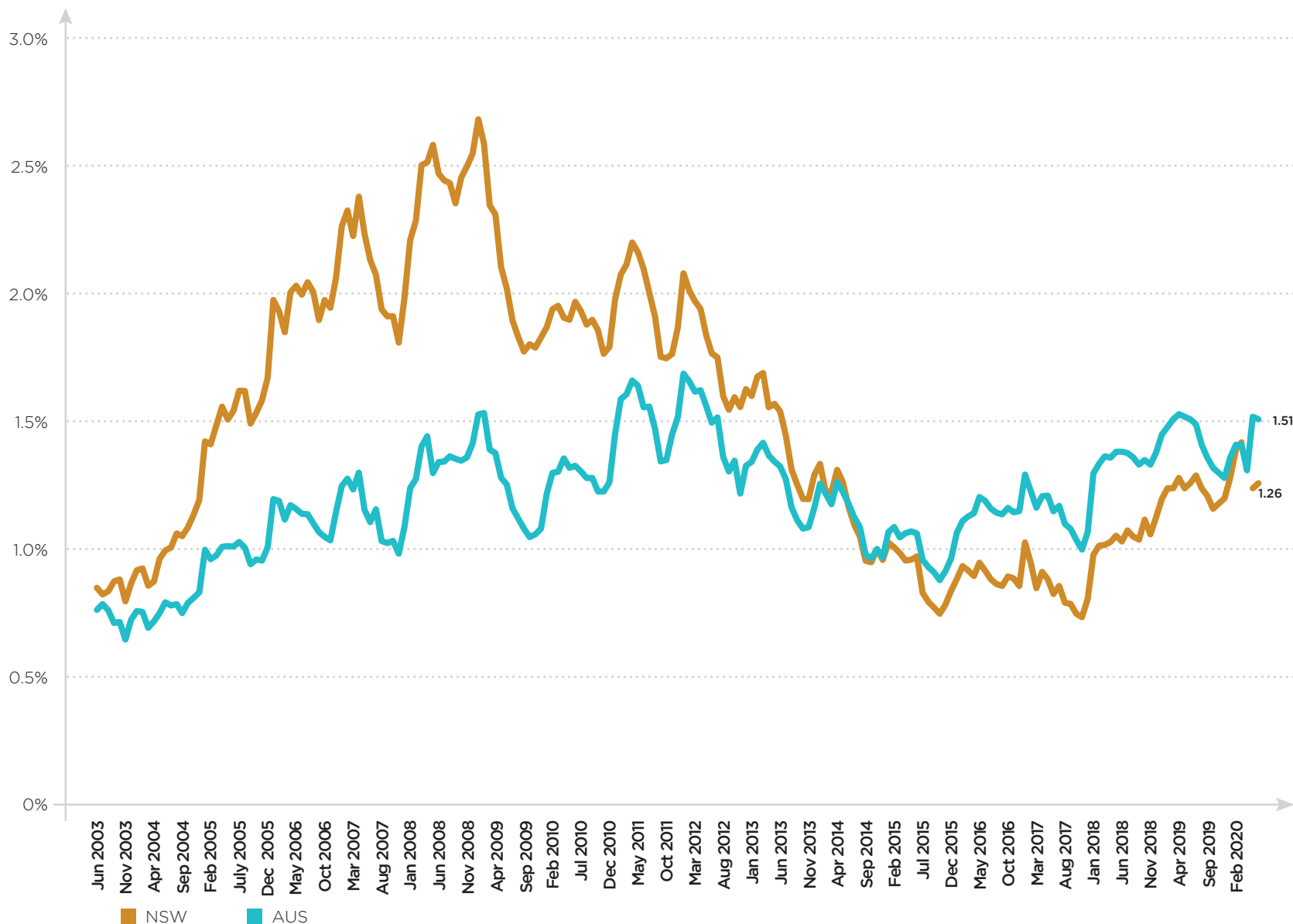
**SLIGHTLY
NEGATIVE**

MORTGAGE ARREARS

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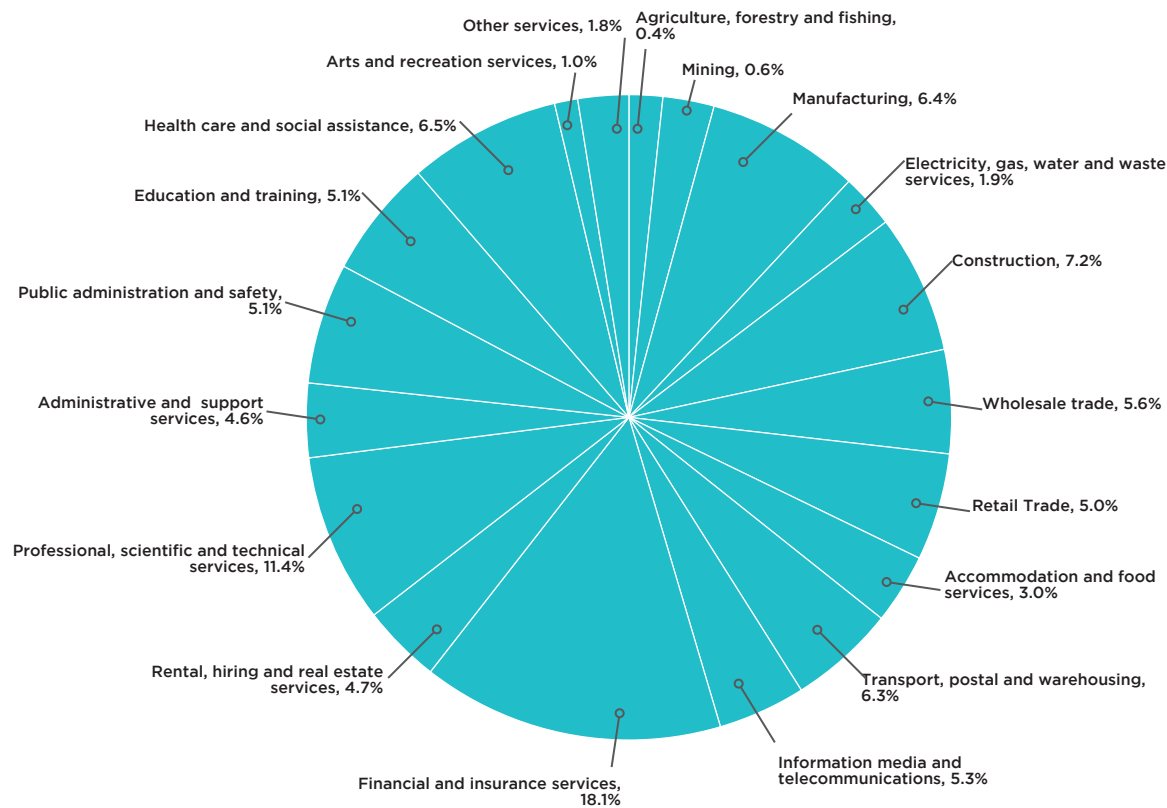
This graph displays the percentage of mortgages that are 30+ days in arrears in the state and Nationally. Supplied by Standard and Poor's Global Ratings.



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PROPERTY DATA

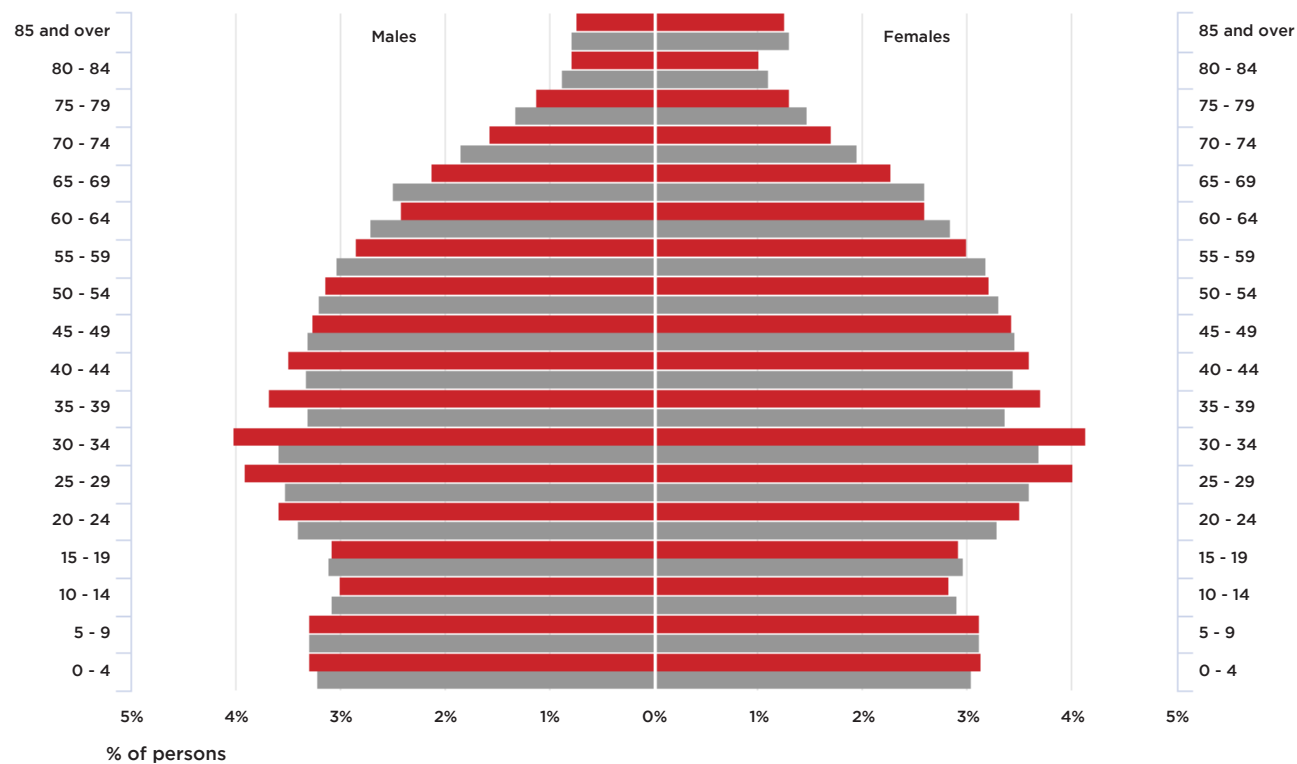
INDUSTRY VALUE ADDED



SLIGHTLY
NEGATIVE

POPULATION PYRAMID

The population pyramid demonstrates the breakdown of the different ages and sex percentages of the population. The dominant consumer base of a population is the 35 to 49 age brackets and ideally we like to see the preceding age brackets larger as they age to replace the existing group.



Source: Australian Bureau of Statistics, Census of Population and Housing, 2016 (Usual residence data)
Compiled and presented in profile.id by .id, the population experts.

■ Greater Sydney ■ Australia

POSITIVE

WHY USE US?

INVESTMENT PHILOSOPHY

PERFORMANCE PROPERTY ADVISORY IS A DYNAMIC PROPERTY FIRM PROVIDING PROPERTY ACQUISITION SERVICES ACROSS AUSTRALIA. OUR FIRM IS COMPLETELY RESEARCH DRIVEN AND WE APPLY A SOUND COUNTERCYCLICAL INVESTMENT APPROACH.

All property must pass our stringent investment criteria and is subject to a thorough due diligence process. Our low risk approach excludes 99% of all properties currently on the market. We never source properties direct from developers and we don't buy properties off the plan or in new housing developments. We have a strict no commission policy preventing us from ever taking commissions from agents or referrers. We believe in providing quality ethical advice and exceptional customer service. We pride ourselves on delivering successful outcomes every time, guaranteed.

Our objective is not to buy you a property. Purchasing a property is the last step in our considered and thorough process. Our mission is to understand and satisfy your needs – financial or emotional, in a low risk and efficient manner. Our objective is to build you wealth through sophisticated property investment. We believe in everything we do because we treat your investment portfolio like it was our own.

OUR PROCESS

RESEARCH

Macro Micro Property

ACQUIRE

Find Assess Negotiate

MANAGE

Property Management

REVIEW

Annual Portfolio Review

ADVISE

Hold Improve Dispose

PERFORMANCE PROPERTY ADVISORY SERVICES

- Property Acquisition
- Property Management
- Portfolio Review
- Sales Advisory / Vendor Advocacy

DATA SOURCES:

- Australian Bureau of Statistics
- BIS Shrapnel
- Residex
- SQM Research
- CoreLogic RP Data
- Foreign Investment Review Board
- Australian Trade & Investment Commission

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National House Price Movement - Since 1972

