

Sydney property has the strongest forecast of all Australian capital cities

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After the poorest returns of all capitals for the past 10 years, Sydney's property fundamentals are about as strong as they have ever been.

According to BIS Shrapnel's Residential Property Prospects 2013 annual report, Sydney is forecast to have the highest growth rate of all capitals in Australia, with 19 per cent growth expected in the next three years. Brisbane closely follows, with 17 per cent growth and Perth with 15 per cent.

Newcastle leads the non-capital cities with 18 per cent, though clearly has the potential to perform far better due to the huge amount of public and private investment currently underway and planned.

Caution is recommended for all other capitals, where the forecast is a much lower three-year growth, including three per cent in the ACT, four per cent in Tasmania, five per cent in Melbourne and six per cent in Adelaide.

Historically, BIS Shrapnel are very reliable yet quite conservative. This, combined with the fact strong blue chip type regions will usually outperform the general Sydney market, points to the Northern Beaches suburbs being likely to grow by around 7 to 11 per cent per annum over the next three to five years.

With interest rates at an all-time low and rents as high as they have been for 20 years, this is not a great revelation. While some buyers are still a little gun-shy from lingering global financial crisis-related fears, there is quite a large amount of momentum building with auction [clearance](#) rates often hitting close to record highs and huge numbers of people attending open house inspections.

Most [investment properties](#) are now neutrally or positively geared, and it is often cheaper to buy than rent. This is about as close to the tipping point as the market could get, and this is likely to be a very bad time to wait and see what the market does. As always however, you should seek professional advice as much as is practical in order to buy well.

It's highly unlikely the market will hit the 15 to 20 per cent plus growth rates of the late 1990s, which were partly fuelled by increased lending policies such as very small [deposit](#) loans. However, even if 5 to 10 per cent growth is achieved, for example \$30,000 to \$60,000 growth per annum for a \$600,000 property, with the likelihood of more rent than costs, it's a very attractive proposition.

Sydney property should grow for a reasonable period, at least three to five years, as the market is still significantly undersupplied and there is not enough building to keep up with current demand, let alone work down the pent up accumulated undersupply.

While the general Sydney market does indeed look sound, property is a large investment that carries risk, with some properties, strategies and structures having the potential to perform very differently for your specific situation. For this reason, seek professional advice from your property investment and finance specialists.

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