

July 16, 2010

What is really happening in Sydney's residential property market over \$1 million?

As noted in the May 2010 edition of *CurtiseCall*, an autumn chill hit the Sydney residential property market which brought the pre Easter (2-5 April 2010) frenzy to a screeching halt.



Has that chill turned to tundra or was it just the Sydney property market returning to more normal levels as the effects of historically very low interest rates began to wear off? In this article's view, it is the latter and any residual signs of buyer tentativeness are now more a function of chilly seasonal factors, school holidays and a looming Federal election which for some reason always shakes buyers' confidence.

Whilst there is also a niggling uncertainty about the health of world financial and equity markets with the concomitant risk of a GFC Mark II, the perception, rightly or wrongly, is that those risks are offset by Australia's minerals boom, China's economic growth and low domestic unemployment.

Aided by the Reserve Bank of Australia's decision on 6 July 2010 to keep interest rates on hold, Sydney's residential market also seems to have adjusted quickly to variable interest rates being closer to 7.5%

Readers of the popular press would however be forgiven for choosing the tundra option.

Even in the usually upbeat (and usually biased) local community newspapers, watchers of Sydney's property market are greeted by auction obsessed daily headlines like these in the 5 and 12 July 2010 editions of the Sydney Morning Herald :

"Clearance rates slump as supply surges" and

"Buyers expected to favour private sales over auctions as growth slows".

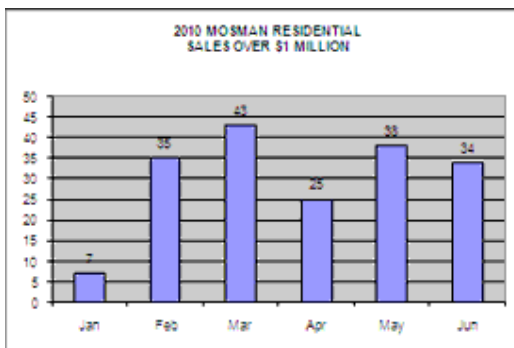
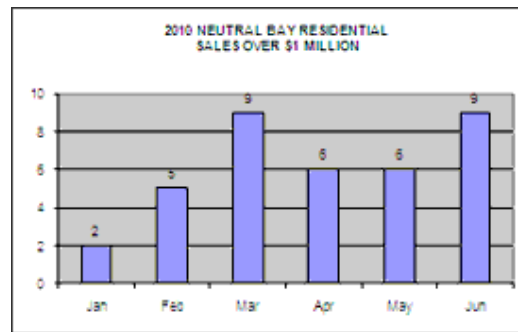
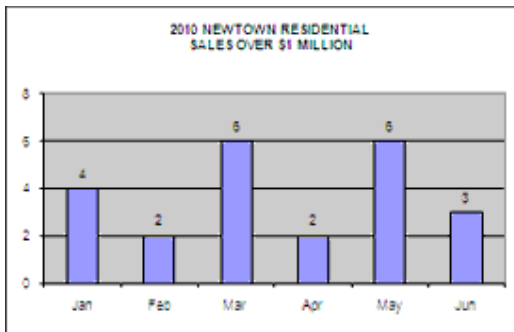
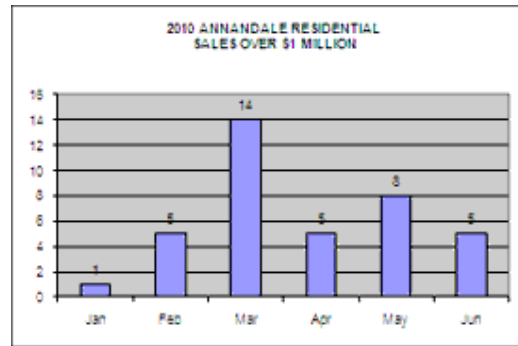
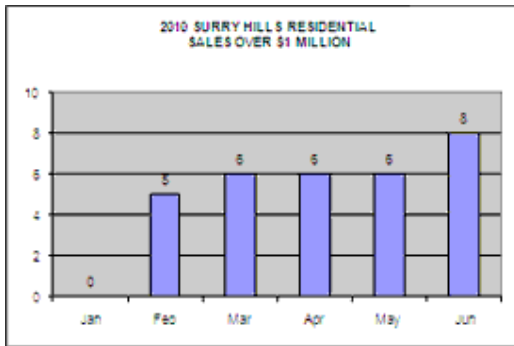
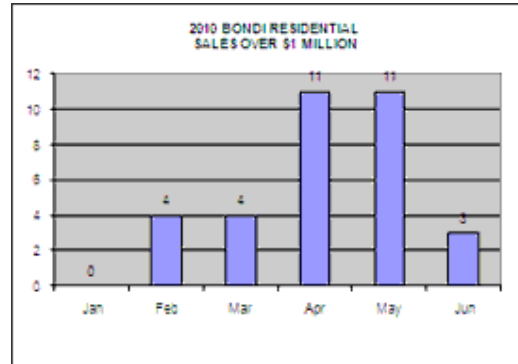
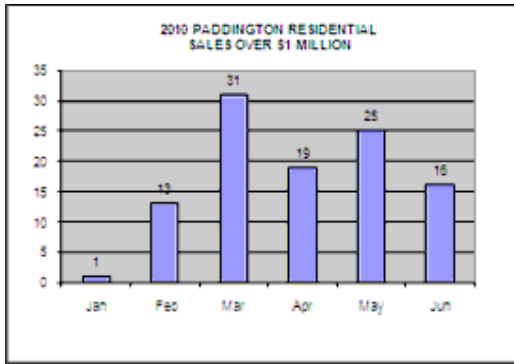
As this article's analysis suggests, headlines like these do not accurately reflect the state of the mid 2010 property market in Sydney especially over \$1 million. They are also difficult to reconcile with other objective evidence including figures from the Australian Bureau of Statistics showing a 2.3% rise in May 2010 in loan approvals to New South Wales home owner occupiers. Nationally, the rise was 1.9% and was the first such movement in eight months.

Whereas the 12 July 2010 article correctly referred to an RP Data's report that real estate listings across Australia are now at their highest level since December 2008, of greater relevance to Sydney property buyers (and consistent with the wafer thin real estate sections of the city's newspapers), is that the same RP Data report also revealed that total advertised listings in New South Wales for the month ending 4 July 2010 were nearly 7% lower than the same time last year and that the national listings figure was driven by an opposite trend in Queensland and West Australia.

As RP Data's research director Tim Lawless put it:

"The most surprising factor is that volumes remain so buoyant, despite the fact that clearance rates have been trending down for 11 weeks now".

To get a clearer idea of the trends in Sydney's \$1 million plus residential property market in the two quarters to 30 June 2010, researchers at [Curtis Associates](#) have analysed and graphed all reported sales during that period in seven suburbs which can fairly be regarded as representative samples of the districts in which those suburbs are located namely Sydney's eastern suburbs, inner west and lower north shore.



Sources: domain.com.au; realestate.com.au and RP Data

The general trend revealed in those graphs is of a gradual restoration in sales volumes after a sharp post Easter slow down with strong activity in May 2010 especially in Mosman. It is not a trend looking anything like a tundra.