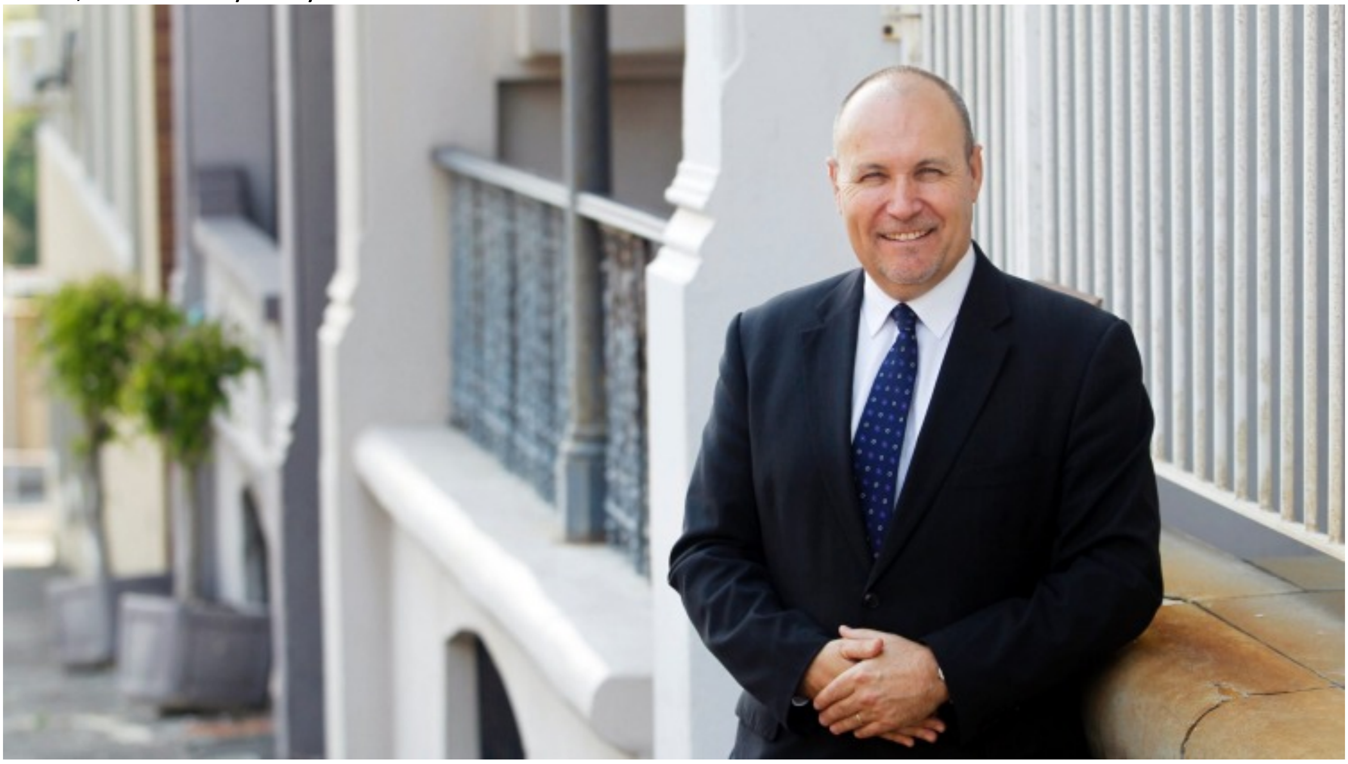
Domain

Sydney property predictions for 2015: boom times continue

Mar 1, 2015 Carolyn Boyd



Dr Andrew Wilson, senior economist for Domain Group. Photo: Anita Jones

Seven property experts predict another bumper year for Sydney real estate in 2015.

Solid growth ahead

There is really no sign of the market slowing down this year. It has rolled into 2015 on an almost unprecedented wave of confidence. The median house price increased by 14.1 per cent last year, which was just down a little bit on 2013 result of 15.1 per cent. We haven't witnessed this type of prices growth or energy in the market since 2002-03, which was one of the strongest periods in Sydney's history. It is definitively a boom market. I believe the market will rise 7 to 10 per cent this year with 7 per cent being a base figure and the risks certainly on the upside. A lot of the growth will continue to come from changeover buyers in the upper North Shore, north-west and the inner west.

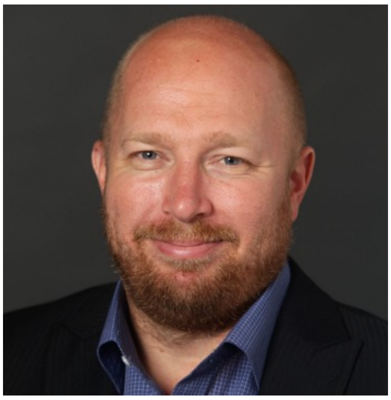
Dr Andrew Wilson is senior economist for Domain Group.

Lisa Bradley of Finders Keepers. Photo: Supplied

Growth could head east

The median price of Sydney houses is now more than 30 per cent higher than two years ago, with 2014 growth nearly matching that of 2013. I expect further but less spectacular growth this year of about 9 per cent. Prices are increasing faster than household incomes and rents, which will eventually rein in young buyers and investors. The inner west shows no sign of cooling and will continue to attract the widest range of buyers though the east may outperform it for the first time in many years.

Lisa Bradley is a buyers agent and director of Finders Keepers.



Louis Christopher of SQM Research. Photo: Danielle Smith

Bullish on the year ahead

We think it's going to be yet another bullish year in the Sydney housing market. Our forecast for Sydney for the year ahead is 8 to 12 per cent. I see no reason why it is going to go lower than 8 per cent. If anything, it could end up being at the upper end of our range. The growth is going to be still a little bit uneven. There have been some regions in Sydney which have not participated in this upturn and that's been those localities where you have a disproportionate number of properties in the $2 million-plus range, and the northern beaches. It's hard to call but you may see a bit of a catch up play for some of these regions.

Louis Christopher is the managing director of SQM Research

Shane Oliver, chief economist at AMP Capital. Photo: Peter Braig

Low rates unpin growth

On average I'd see dwelling prices in Sydney slowing to around to 7 to 8 per cent. In an environment where inflation is running at about 2 per cent that's a real gain of 5-6 per cent – a pretty decent rise. I'd see houses in the 6 to 7 per cent range and units 8 to 9 per cent. Affordability has deteriorated and that will cause some buyers to be a bit more cautious. On top of that the prudential regulator is looking more closely at banks who aggressively grow their investment lending books. But interest rates remain low and historically it's only been when interest rates rise and rise to levels that start to become a bit onerous that the property market turns down.

Dr Shane Oliver is the head of investment strategy and chief economist at AMP Capital

Harry Triguboff of the Meriton Group. Photo: Rob Homer

Population growth a key driver

We have never had as many sales as we have now. The exciting thing for the year ahead is how the "cheaper" suburbs are going to increase in value. We saw it in the western suburbs close to the city; now, we believe it will occur in other suburbs that may not be as close. Interest rates coming down will help – and rents have started to move up, which is very healthy for the market. There are two reasons rental yields are going up: one, the population is increasing, more than may be officially reported if you take into account temporary residents, students and skilled migrant workers. Two, our standard of living is improving. If you look back 10 years, students were a core part of my business – today, it's professionals who can afford to pay more.

Harry Triguboff is the managing director of the Meriton Group.

NAB Senior Economist Robert De Iure. Photo: Supplied

Demand strongest in inner city

Housing market sentiment in NSW remains sound. Property professionals surveyed in NAB's most recent Residential Property Survey expect demand for existing property in NSW to be "very good" across all property types and locations over the next year, with demand strongest for inner city houses and CBD apartments. The NSW state property index (based on expectations for capital growth and rents) is now highest in the country. NAB Economics sees house price growth moderating because of rising unemployment, sluggish household income growth, affordability concerns, cost of living pressures and high levels of household debt. That said, we see NSW as one of the stronger performers over the next two years.

Robert De Iure is the NAB Senior Economist, Industry Analysis.

John McGrath of McGrath Estate Agents. Photo: Supplied

First-home buyers to reappear

Property is going to have a good couple of years. Based on the fact we've had a quarter of a per cent interest rate drop, growth will be somewhere close to 7 to 8 per cent this 12-month period. We'll start to see first-home buyers come back into the market in the next 12 months with the lower interest rates, too. The only potential negative on the horizon is if we get ahead of ourselves and we see double-digit growth. That would require a correction.

John McGrath is founder and chief executive of McGrath Estate Agents.