FOR IMMEDIATE RELEASE

May 16, 2019

More pain ahead for Sydney's property market, according to property investment experts

- Sydney facing a prospective oversupply of stock as demand leaves the market
- Negative gearing posing a further threat as investor levels in Sydney remain higher than other capital city markets
- Alternative markets showing promising prospects in 2019

There could be a number of challenges ahead for Sydney's property market, according to a new report by property investment consultancy, Momentum Wealth.

The Australian Residential Property Update, which was compiled by Momentum Wealth's research division, showed that house prices in Sydney were already down 13.3% from their 2017 peak, with the average median house price dropping to $950,000 in December 2018.

However, according to Momentum Wealth's Research Advisor, Shaun Strickland, the worst could still lie ahead for the capital city market.

"Whilst Sydney has already seen a considerable decline in house prices, the market is yet to face the implications of a prospective oversupply of stock after construction levels reached a peak in June 2018."

"At the same time, transaction levels have already declined 34% in the three years to September 2018, which suggests the demand simply isn't there to absorb this excess stock"," Mr Strickland said.

Negative gearing a further threat

Mr Strickland said the prospect of policy changes surrounding negative gearing pose a further concern for Sydney's property market, which has historically recorded higher levels of investor activity than other major capital cities across Australia.

"Whilst the level of investor activity in Sydney has dropped significantly off the back of changing APRA regulations and the Banking Royal Commission, annualised figures showed that investors made up 38% of market activity in the year to November 2018, which remains comparatively higher than all other capital city markets."

A number of property experts have warned that property prices could suffer under proposed negative gearing changes, but Mr Strickland says the implications could be more severe for Sydney.

"With investor activity expected to decline at least temporarily should the proposed policies come into effect, this will leave Sydney more exposed than markets such as

Perth and Tasmania, where annualised investor activity is already much lower at 21.60% and 20.63% respectively."

"Whilst the removal of negative gearing for established properties will still hold implications for these markets, investors in Sydney generally rely more heavily on negative gearing due to the higher price point of properties and comparatively lower rental yields," he said.

Time to turn to other markets

Whilst the Sydney and Melbourne markets have long remained a popular choice amongst investors after experiencing record levels of price growth from 2012 to 2017, Mr Strickland said the latest results confirm it may be time for investors to turn their attention towards alternative markets.

"A number of property markets across Australia are showing promising prospects as we move through 2019, with Adelaide, in particularly, recording the highest confidence levels of all capital city markets for five consecutive quarters to March 2019," he said.

Adelaide's property market has historically experienced a much steadier price growth than trends seen in Melbourne and Sydney, but Mr Strickland believes a strengthening job market could trigger further price movements in the market moving forwards.

"Whilst moderate price growth has meant that many investors have overlooked Adelaide's property market in favour of Melbourne and Sydney in recent years, figures showed that transactions in Adelaide were up 27% since early 2014, with a declining unemployment rate and sustained population growth suggesting further price growth could be on the cards."

"At the same time, Brisbane's property market is widely considered to have entered its recovery phase, and significant improvements in Perth's rental market coupled with rising activity in the State's resources sector are pointing towards a market recovery in WA," Mr Strickland said.

Data from SQM Research showed that average rental prices rose 4.40% annually in the year to April 2019 in WA, with the State also ranking second in Property Council's State confidence index in March 2019 behind Adelaide.

Mr Strickland said that pockets within Perth's property market have been experiencing price growth for over 18 months, despite headline figures revealing an overall decline in median house price.

"Whilst early signs of recovery are yet to translate into headline growth figures, a number of areas within Perth's central sub-region have been experiencing positive price movements since late 2017."

"Investors will need to remain cautious of outer suburbs that are still facing considerable oversupply, but these initial improvements certainly suggest a more positive road lies ahead for WA's property market," he said.

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About Momentum Wealth

Momentum Wealth is a full-service property investment consultancy dedicated to helping clients accelerate their wealth through property investment by assisting them in the strategic planning, financing, acquisition, development and management of their residential and commercial investment properties.

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