

# SYDNEY APARTMENT MARKET

## UDIA NSW URBAN ICON RESEARCH BREAKFAST

PRINCESS VENTURA



# AGENDA

**Where are  
apartment  
developments  
occurring?**

**Who lives in  
apartment?**

**Potential  
apartment  
sites**

**Affordability  
story**

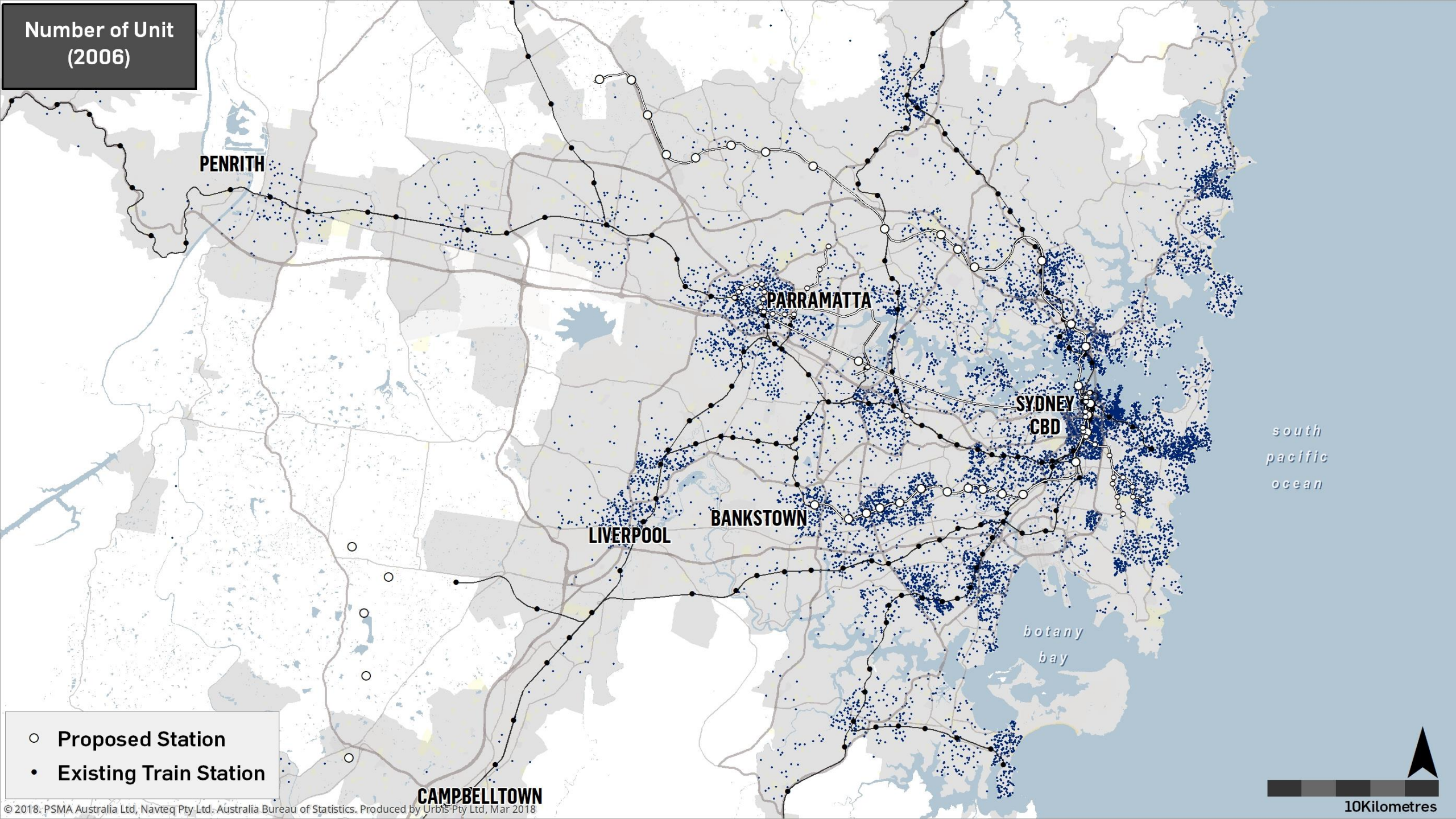
**Build to Rent  
is coming to  
Australia**

**Conclusions**

# WHERE ARE APARTMENT DEVELOPMENTS OCCURRING?



Number of Unit  
(2006)



PENRITH

PARRAMATTA

SYDNEY  
CBD

LIVERPOOL

BANKSTOWN

CAMPBELLTOWN

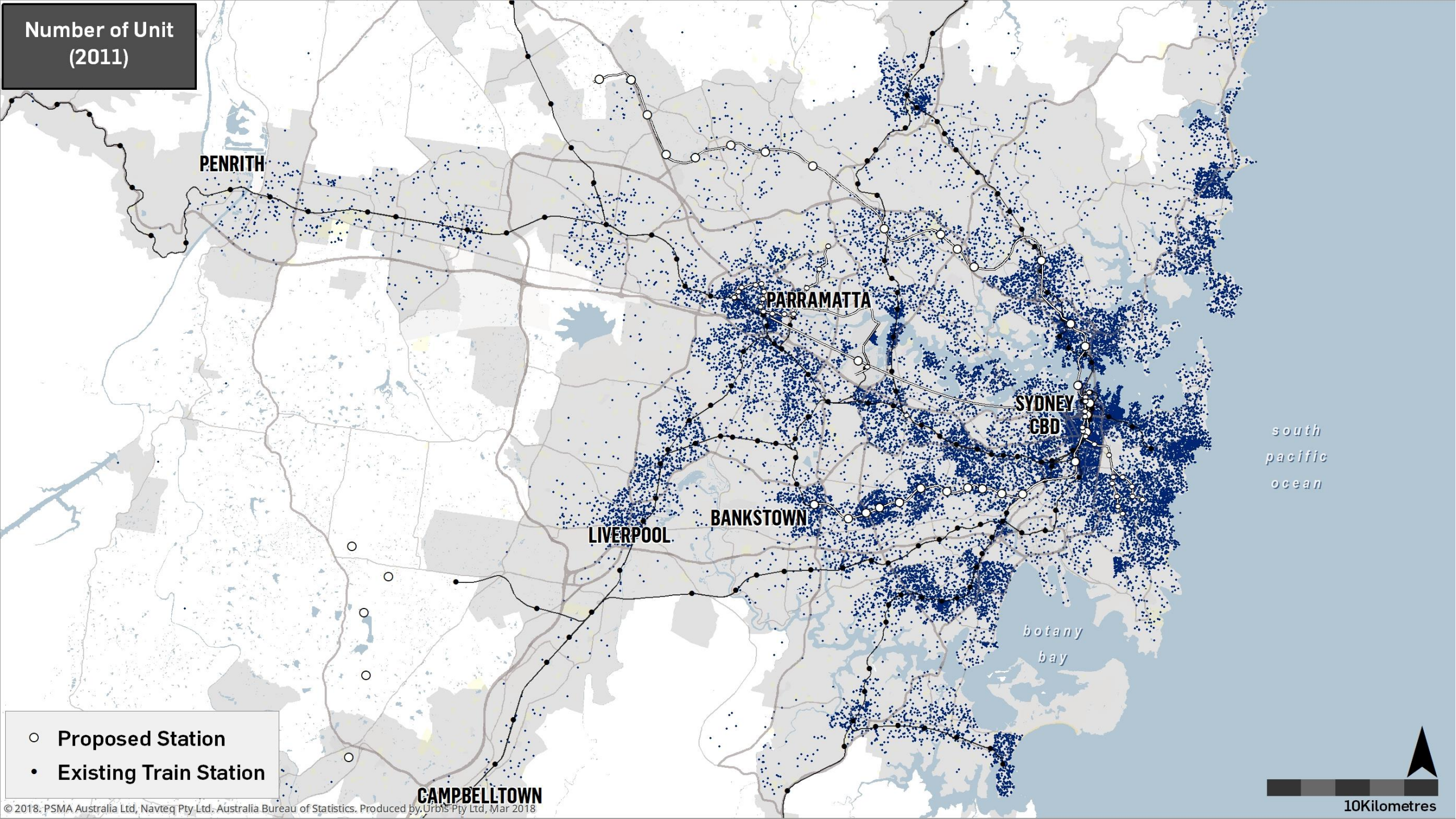
south  
pacific  
ocean

botany  
bay

- Proposed Station
- Existing Train Station



Number of Unit  
(2011)



PENRITH

PARRAMATTA

SYDNEY  
CBD

south  
pacific  
ocean

LIVERPOOL

BANKSTOWN

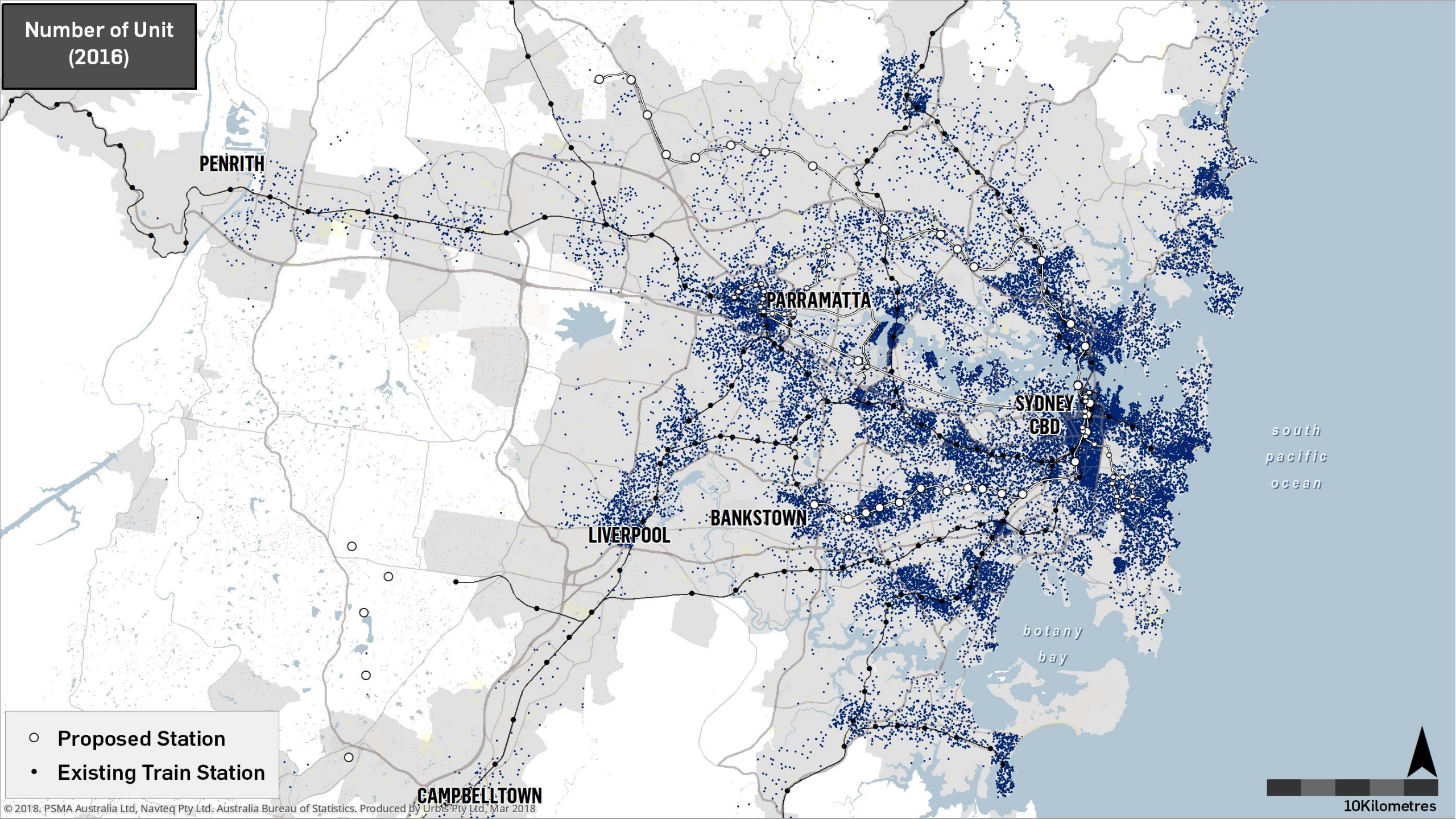
botany  
bay

- Proposed Station
- Existing Train Station

CAMPBELLTOWN



Number of Unit  
(2016)



PENRITH

PARRAMATTA

SYDNEY  
CBD

*south  
pacific  
ocean*

LIVERPOOL

BANKSTOWN

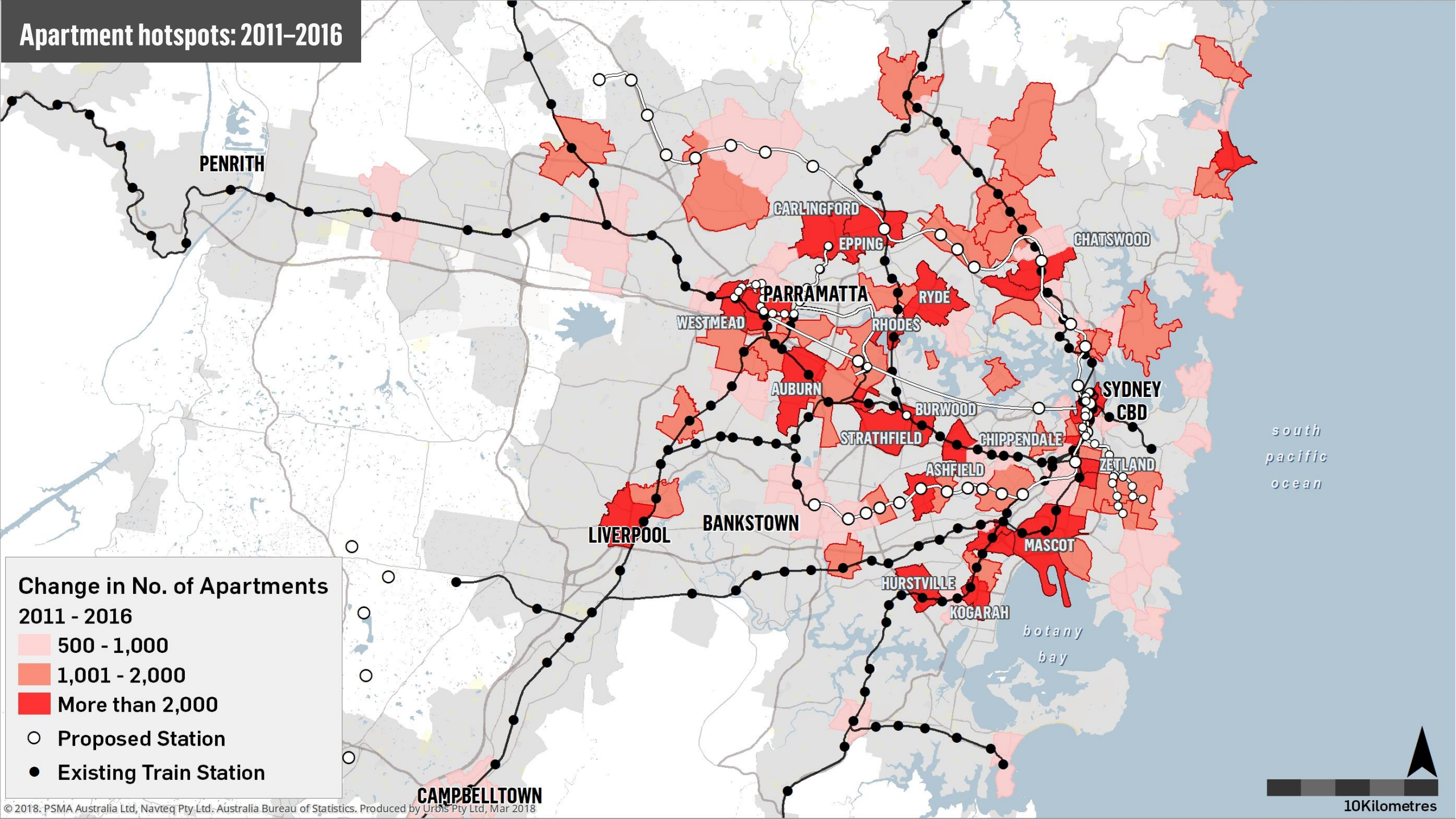
*botany  
bay*

- Proposed Station
- Existing Train Station

CAMPBELLTOWN



# Apartment hotspots: 2011-2016



## Change in No. of Apartments 2011 - 2016

- 500 - 1,000
- 1,001 - 2,000
- More than 2,000

- Proposed Station
- Existing Train Station

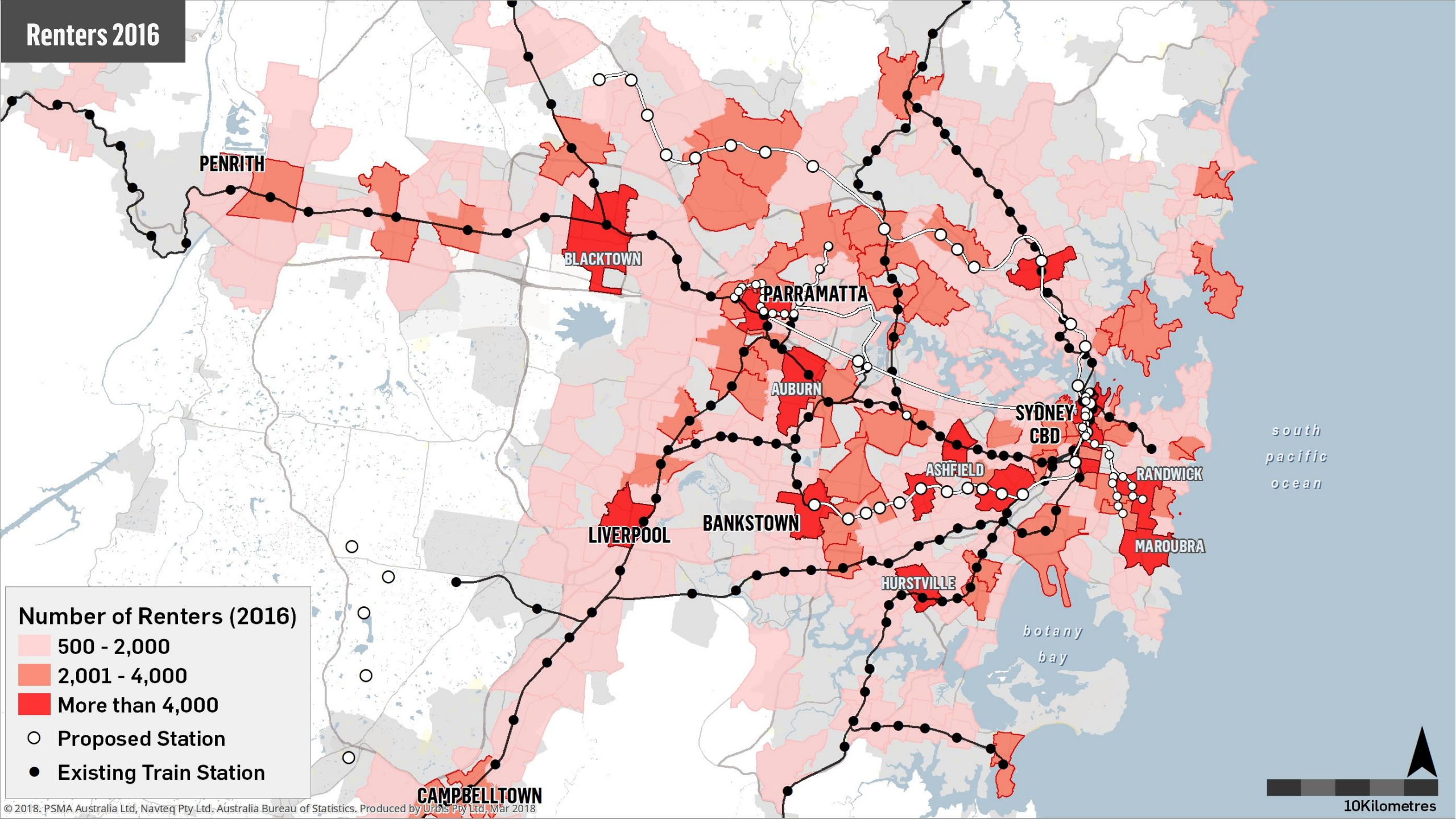
CAMPBELLTOWN

south  
pacific  
ocean

botany  
bay



# Renters 2016

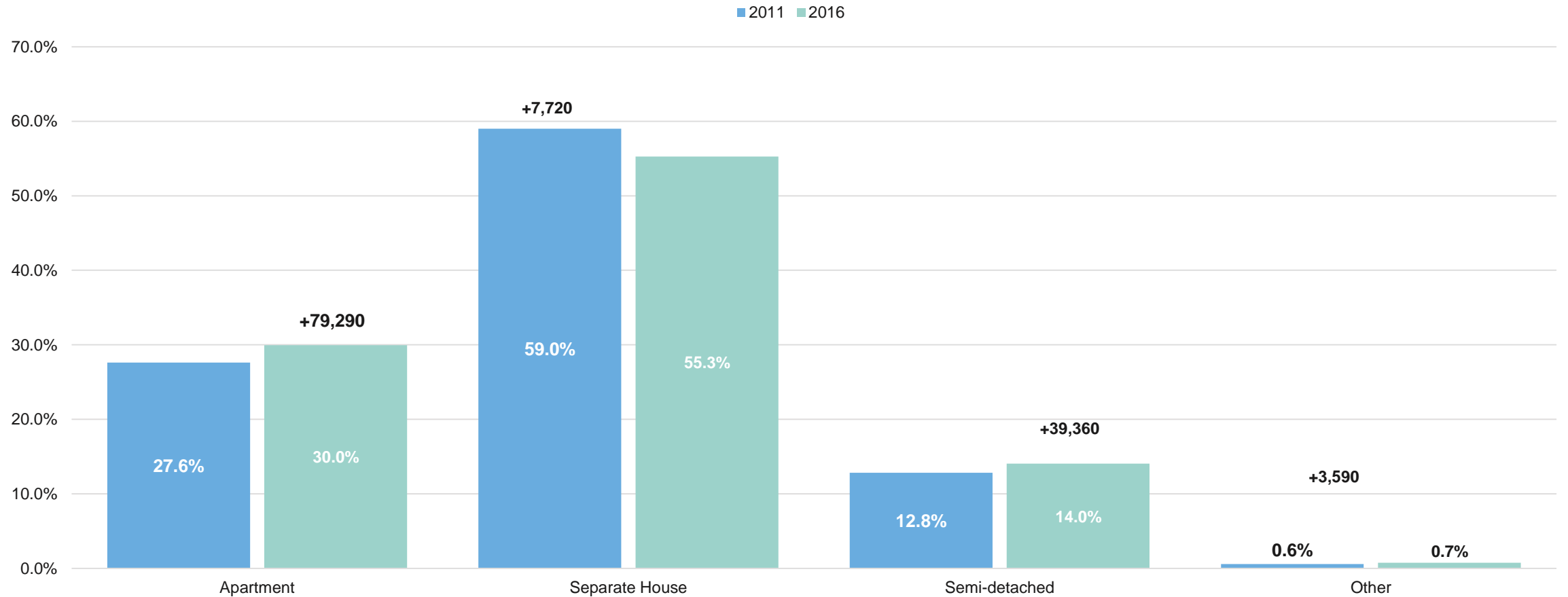




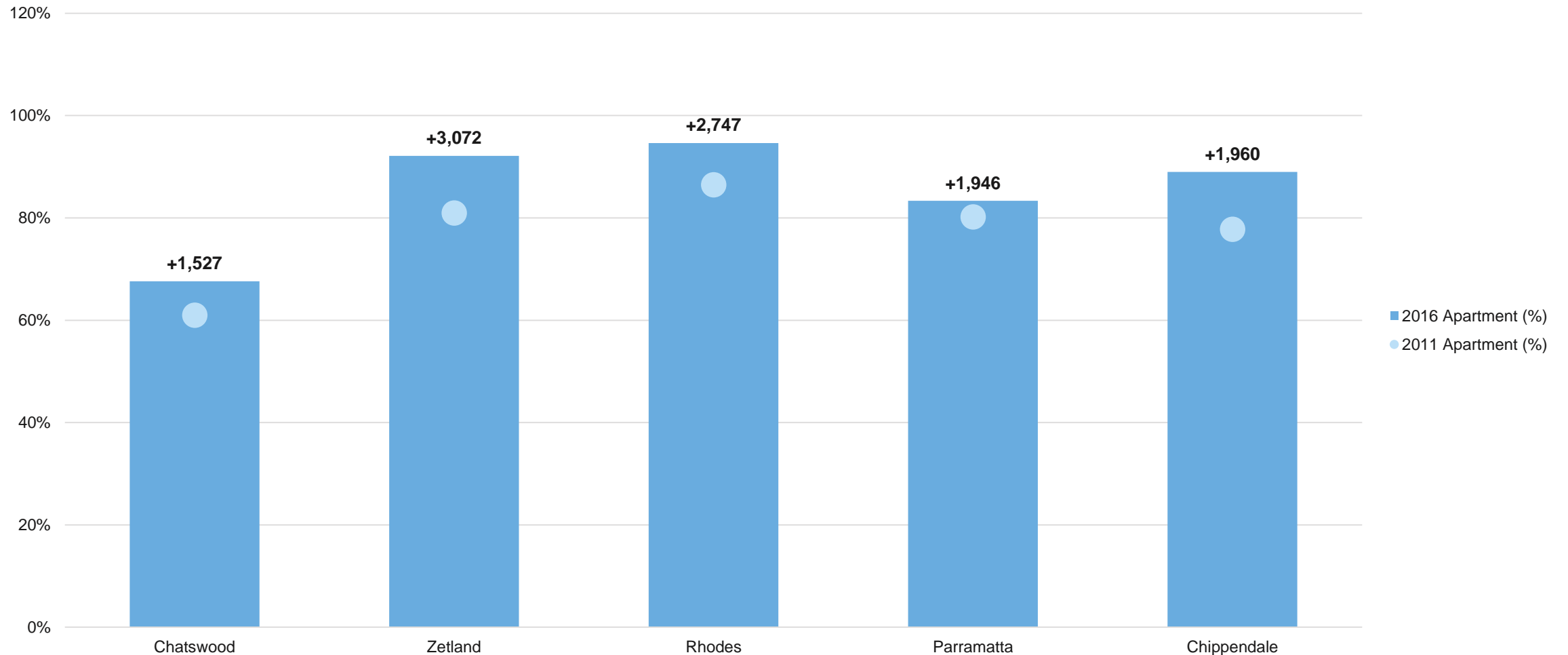
# WHO LIVES IN APARTMENTS?



# APARTMENTS NOW MAKEUP 30% OF ALL DWELLINGS

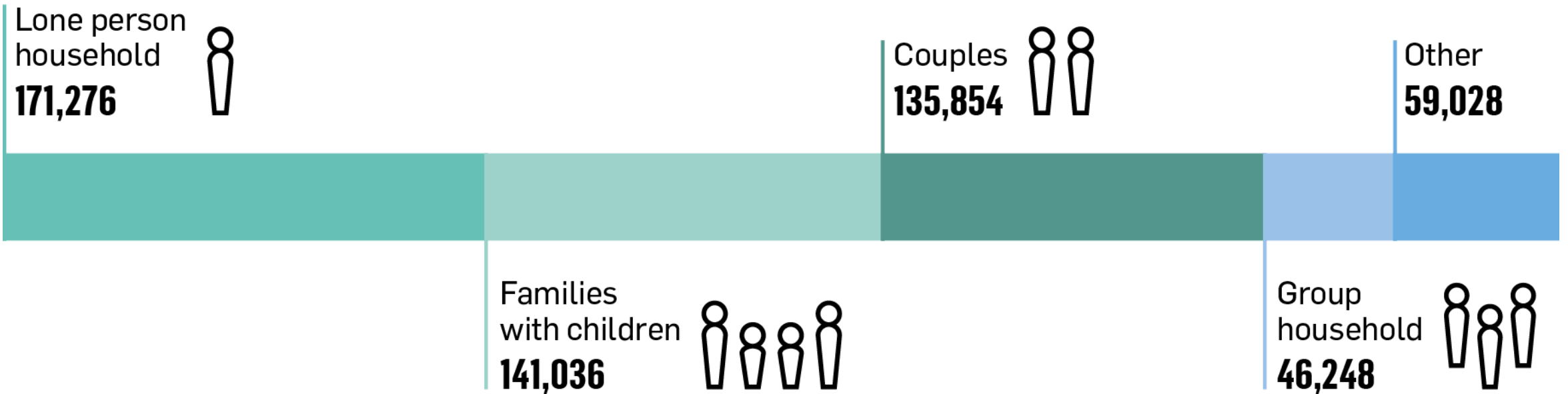


# AND IN THE HOTSPOTS, APARTMENTS ACCOUNT FOR 80%+ OF DWELLINGS



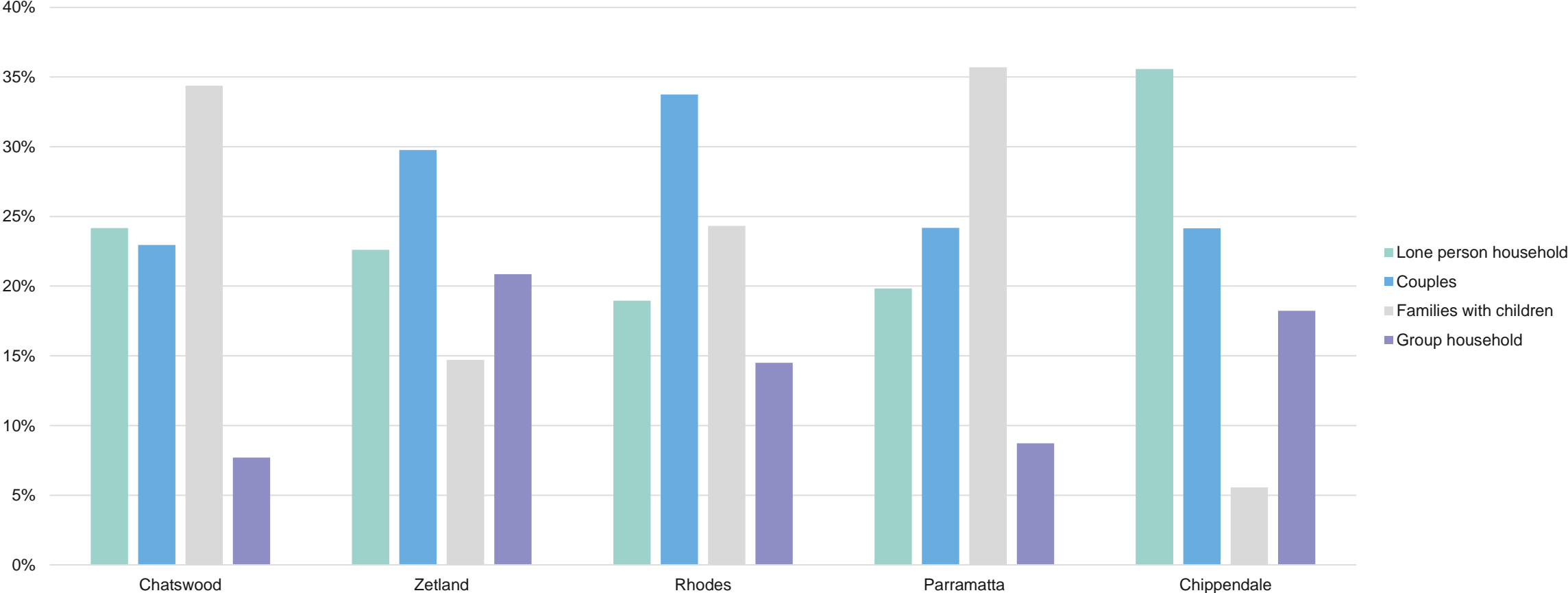
# APARTMENTS AREN'T JUST FOR SINGLES AND COUPLES

## >25% OF APARTMENTS IN SYDNEY ARE OCCUPIED BY FAMILIES WITH CHILDREN



**553,441 APARTMENTS IN 2016**

# HOUSEHOLD COMPOSITION IN APARTMENTS VARIES WIDELY BY LOCATION

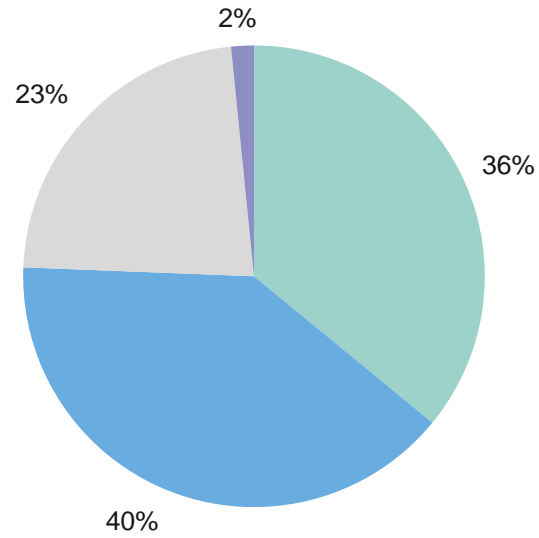


# DOMINANCE OF RENTERS LIVING IN APARTMENTS



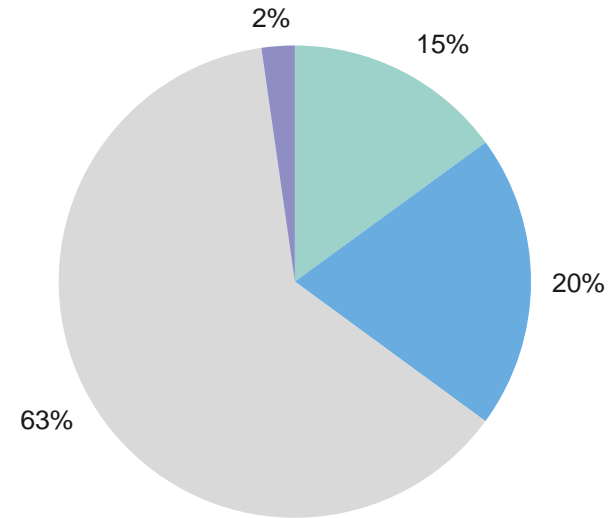
## Detached

- Owned
- Mortgage
- Rented
- Other

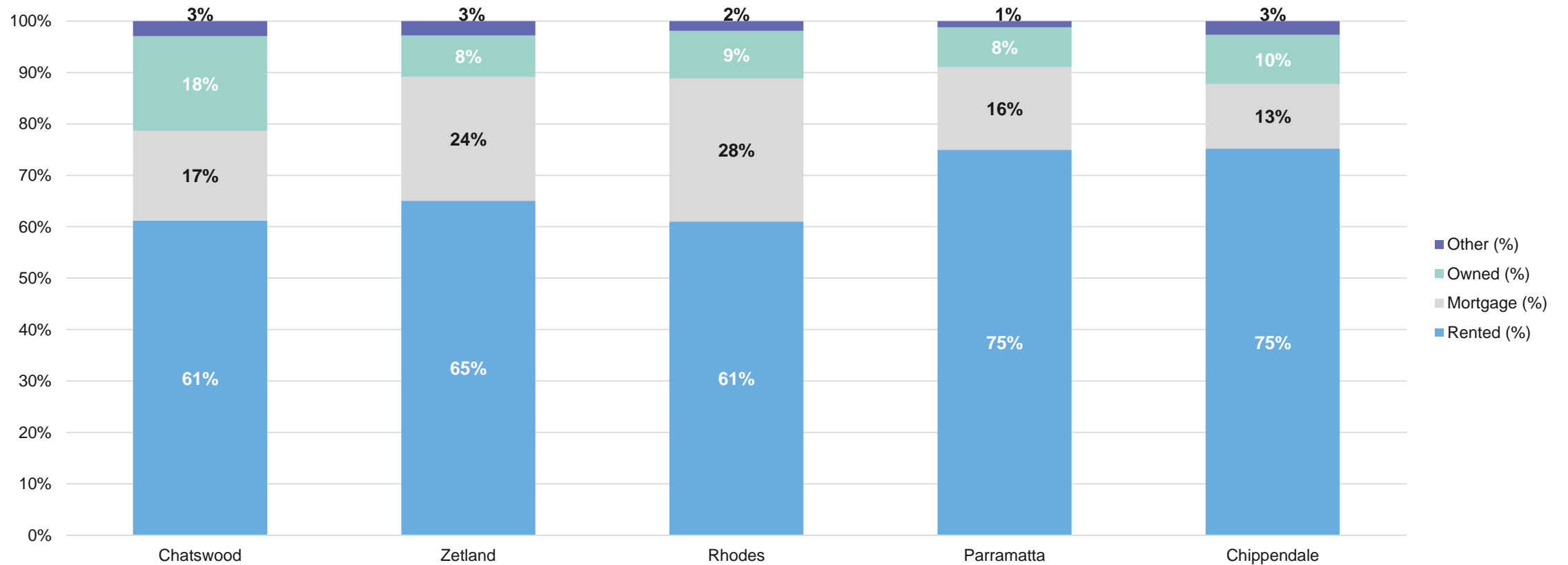


## Apartment

- Owned
- Mortgage
- Rented
- Other



# WHAT ABOUT IN APARTMENT HOTSPOTS?



# HOUSEHOLD INCOMES ACROSS SYDNEY ARE LOWER FOR APARTMENT DWELLERS



Detached (%)

53%

47%



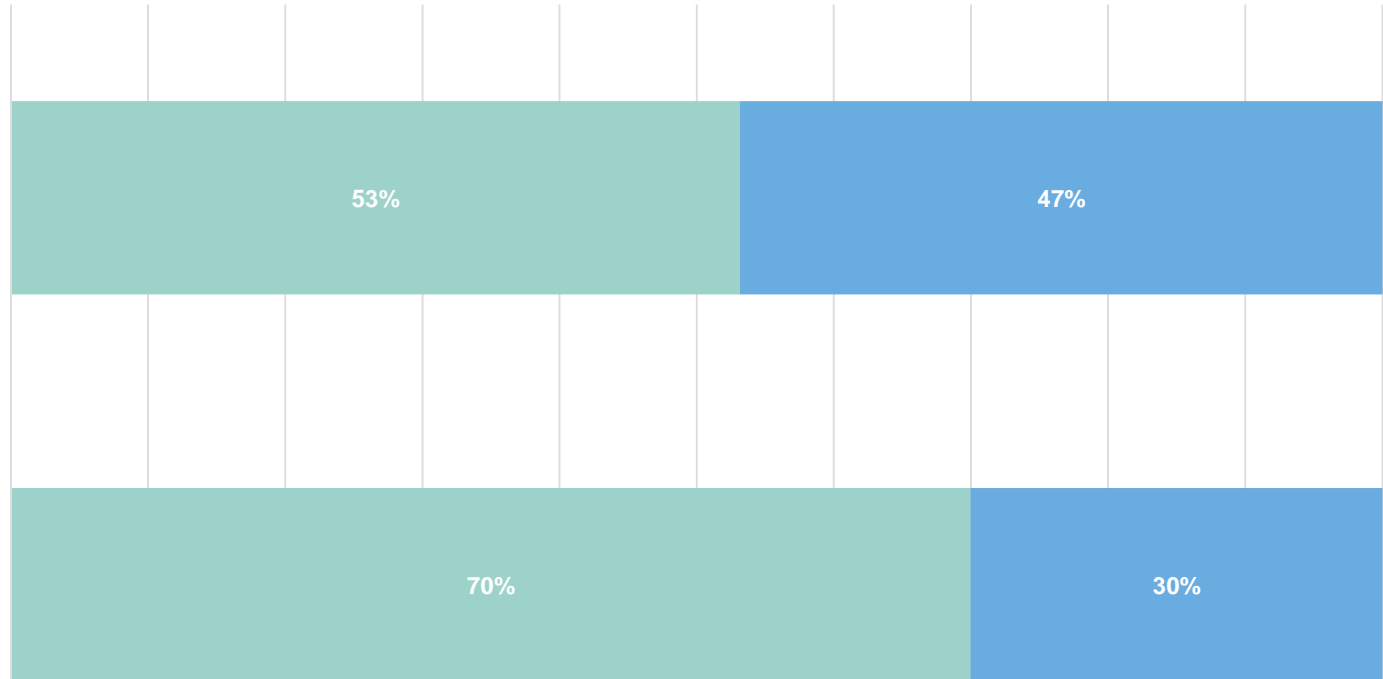
Apartment (%)

70%

30%

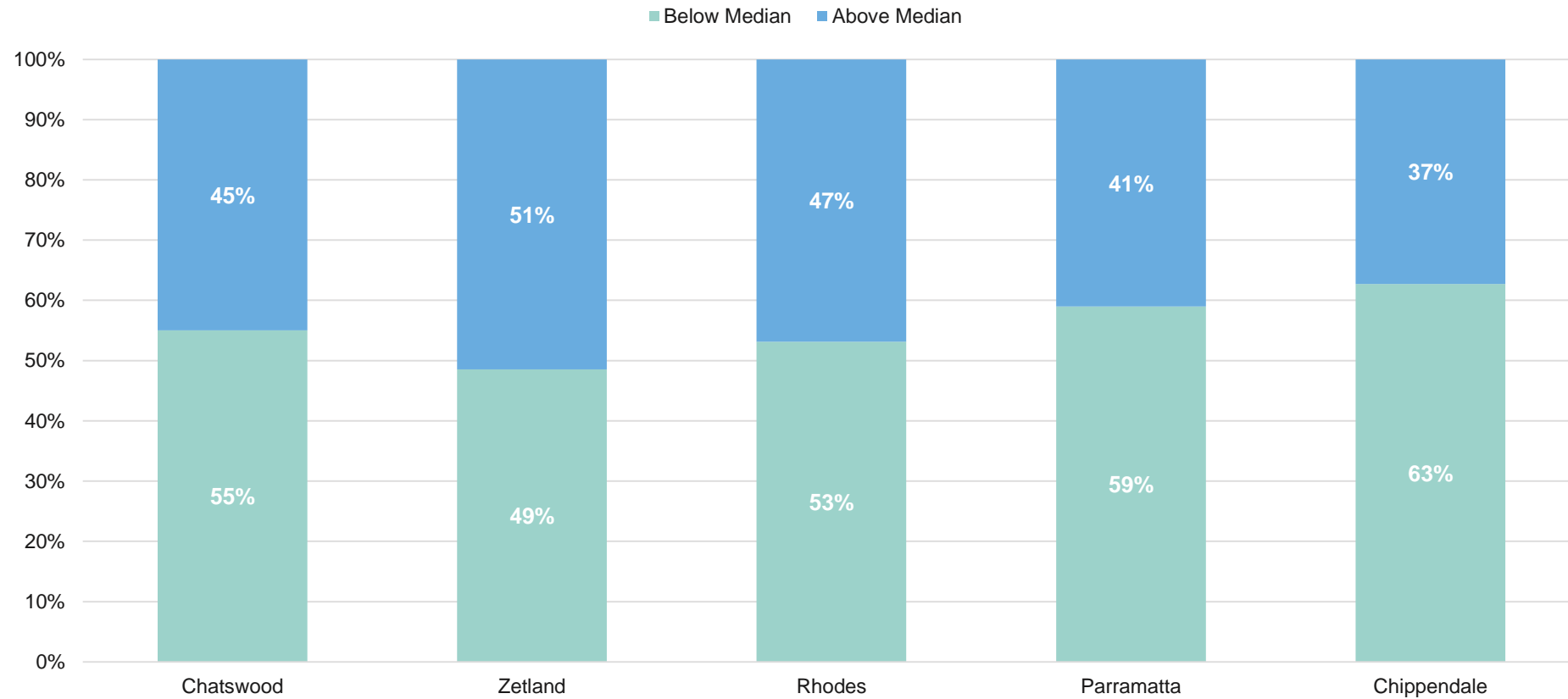
■ Below Median  
■ Above Median

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

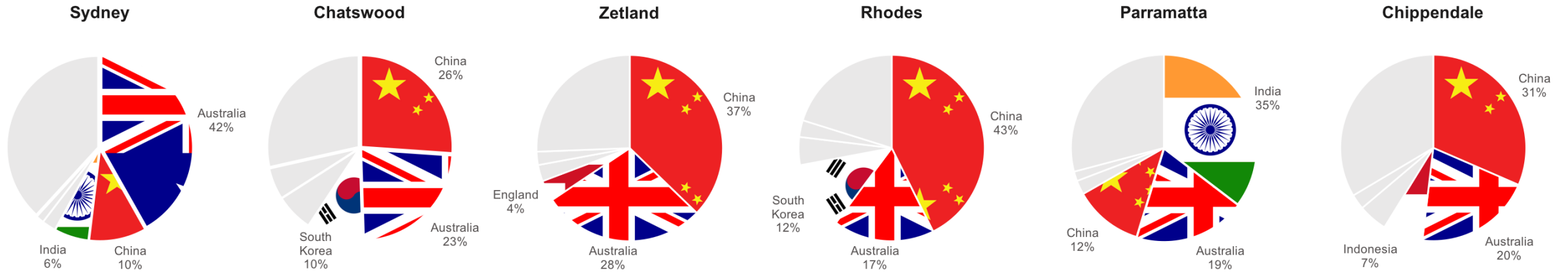




# BUT INCOMES IN HOTSPOTS MORE ALIGNED WITH THE SYDNEY AVERAGE



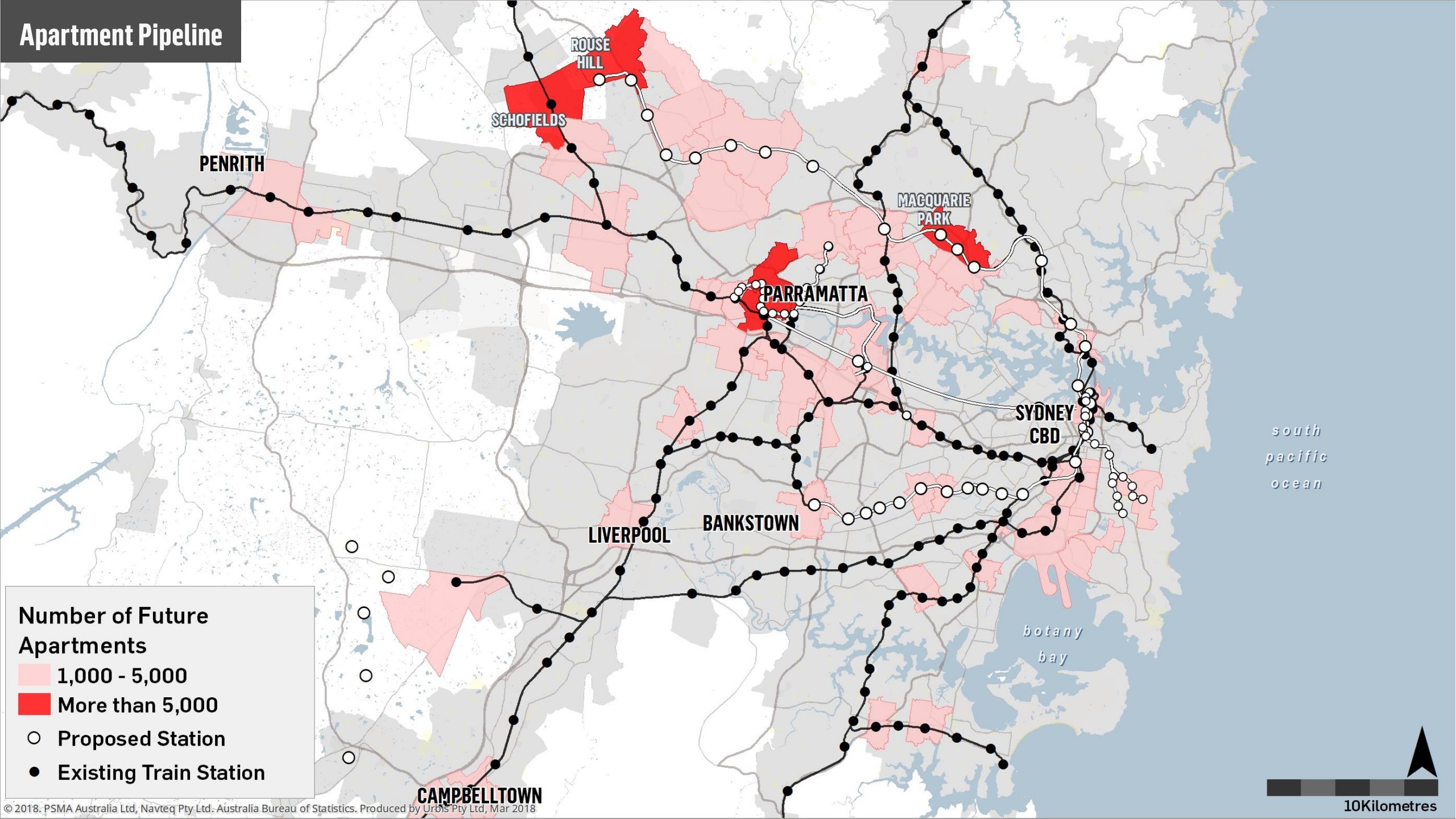
# HIGHEST SHARE OF APARTMENT DWELLERS IN HOTSPOTS ARE CHINESE-BORN



# POTENTIAL APARTMENT SITES



# Apartment Pipeline



## Number of Future Apartments

- 1,000 - 5,000
- More than 5,000

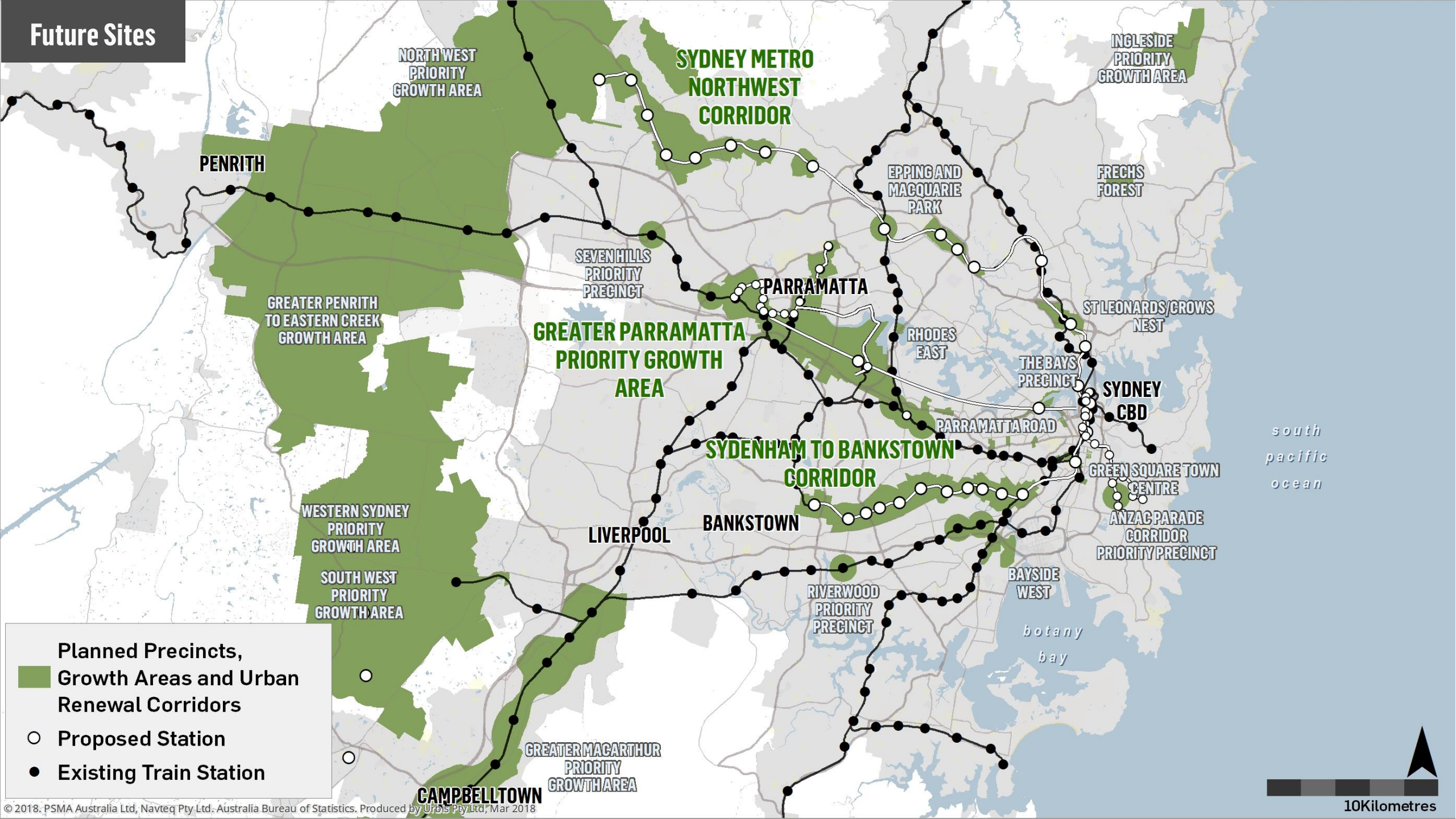
- Proposed Station
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CAMPBELLTOWN

south  
pacific  
ocean

botany  
bay

# Future Sites



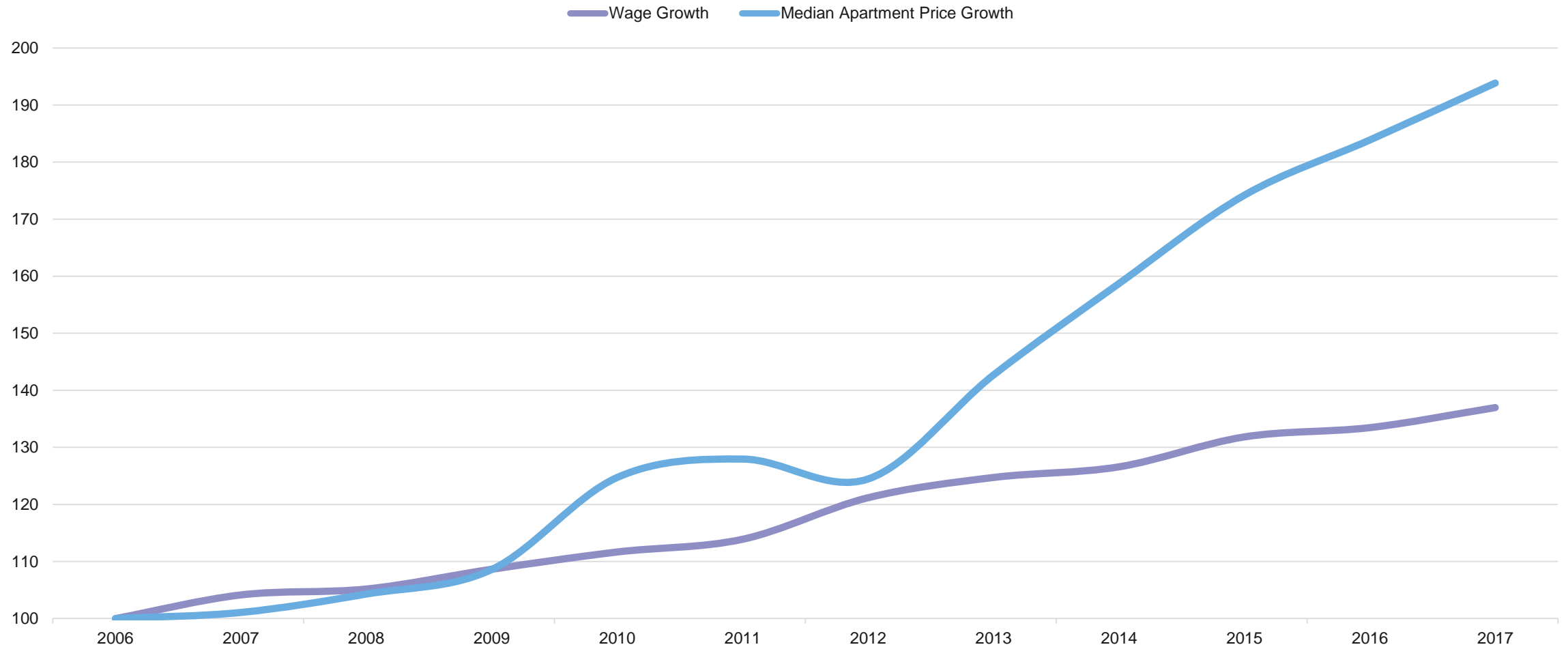
# AFFORDABILITY STORY



# WAGES HAVE BEEN GROWING AT LESS THAN HALF OF APARTMENT PRICES



# CUMULATIVE APARTMENT PRICE GROWTH OVER THE LAST 10 YEARS HAS FAR OUTSTRIPPED WAGE GROWTH





# SYDNEY IS THE 2<sup>ND</sup> LEAST AFFORDABLE HOUSING MARKET IN THE WORLD

2005		2017	
CITY	MEDIAN MULTIPLE	CITY	MEDIAN MULTIPLE
1. LOS ANGELES, USA	11.2	1. HONG KONG	19.4
2. SAN DIEGO, USA	10.8	<b>2. SYDNEY, AUSTRALIA</b>	<b>12.9</b>
3. HONOLULU, USA	10.6	3. VANCOUVER, CANADA	12.6
4. VENTURA COUNTY, USA	9.6	4. SANTA CRUZ, USA	10.4
5. SAN FRANCISCO, USA	9.3	5. SAN JOSE, USA	10.3
6. MIAMI, USA	8.8	6. MELBOURNE, AUSTRALIA	9.9
<b>7. SYDNEY, AUSTRALIA</b>	<b>8.5</b>	7. SANTA BARBARA, USA	9.4
8. NEW YORK, USA	7.9	8. LOS ANGELES, USA	9.4
9. RIVERSIDE, USA	7.7	9. HONOLULU, USA	9.2
10. SAN JOSE, USA	7.4	10. SAN FRANCISCO, USA	9.1

# WHAT ABOUT THE OTHER AUSTRALIAN CITIES?

2005		2017	
CITY	MEDIAN MULTIPLE	CITY	MEDIAN MULTIPLE
7. SYDNEY	8.5	2. SYDNEY	12.9
15. HOBART	6.6	6. MELBOURNE	9.9
18. ADELAIDE	6.5	34. ADELAIDE	6.6
19. MELBOURNE	6.4	38. BRISBANE	6.3
23. PERTH	6.1	39. HOBART	6.2
26. BRISBANE	6.0	48. PERTH	5.9
45. CANBERRA	4.8	51. CANBERRA	5.8
51. DARWIN	4.3	127. DARWIN	4.3

# **BUILD TO RENT IS COMING TO AUSTRALIA**



# RETURNS WILL BRING IN INVESTORS

- Rental yields to increase
- Attractive and stable risk adjusted returns



# NEED FOR CONTROL WILL ENTICE DEVELOPERS

- Speedier to develop
  - No pre-sales hurdles
- Opportunity to leverage airspace and maintain control
  - Shopping centres
  - Clubs
  - Train stations



# FOR RESIDENTS IT'S ABOUT CHOICE

- More balanced tenant-landlord power base
- Security of tenure
- Flexibility
- Responsive customer service
- Services and amenity options



# RENTERS ARE GROWING TO BE A FORCE TO RECKON WITH

**2006 = 32%**

**458,740 dwellings**

**2011 = 32%**

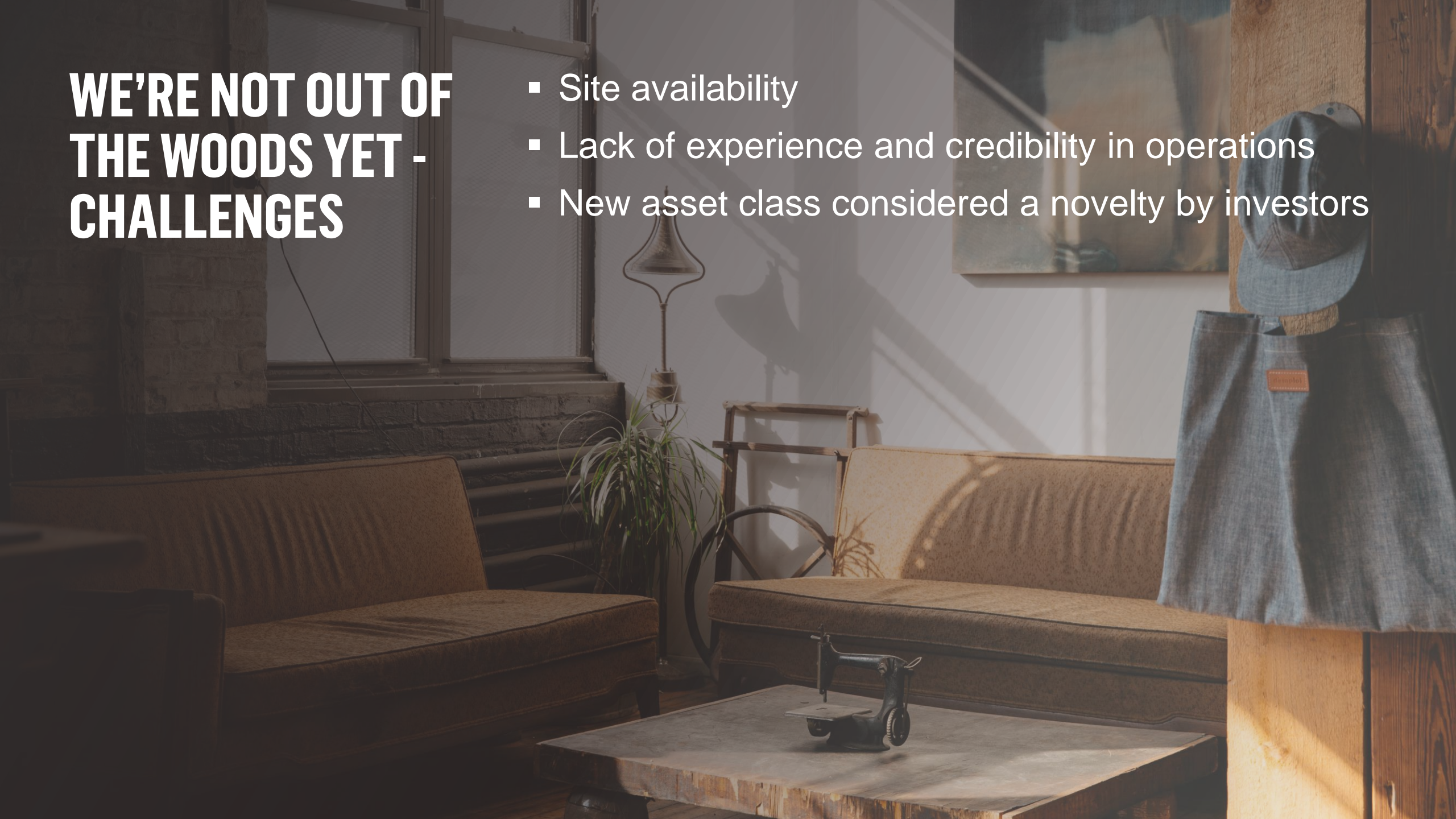
**491,740 dwellings**

**2016 = 36%**

**574,130 dwellings**

# WE'RE NOT OUT OF THE WOODS YET - CHALLENGES

- Site availability
- Lack of experience and credibility in operations
- New asset class considered a novelty by investors





# CONCLUSIONS



# POINTS TO PONDER

1. Two-thirds of apartment dwellers are renters
2. Many families with children live in apartments >140,000
3. Future apartment locations
  - Parramatta
  - New train stations
  - Above shopping centres and clubs
4. Affordability worsening – should we worry?
5. Build to rent is coming to a site near you!



**THANK YOU**

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