

# Market in Minutes Luxury Eastern Suburbs Index

Q1 2017



## Q1 2017 Results

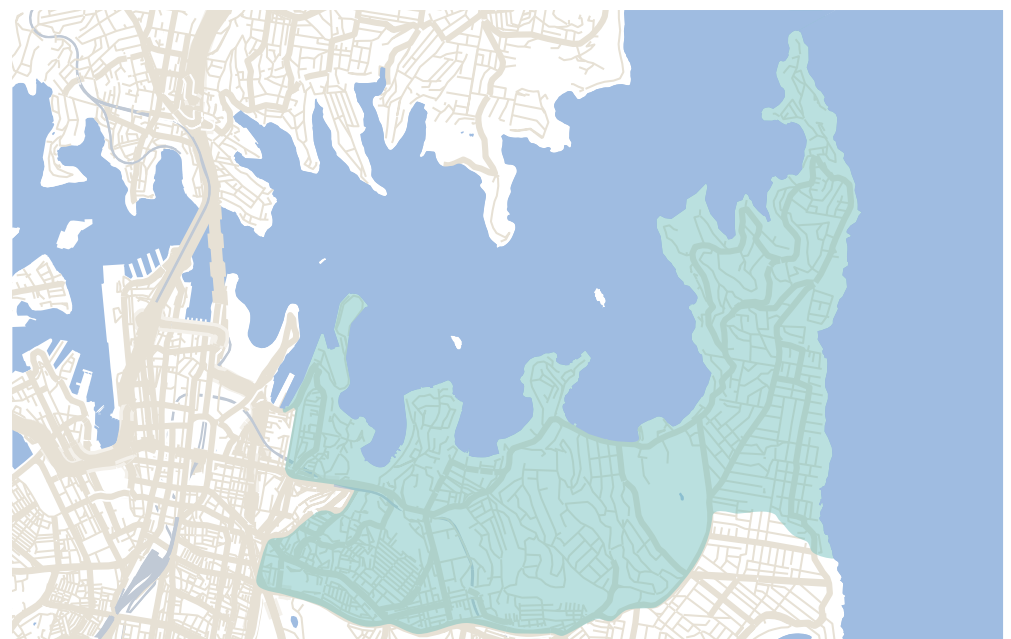
Prices in Sydney's luxury eastern suburbs markets continued to increase in the first quarter of 2017, albeit at a slower rate than seen across Greater Sydney.

The luxury property market increased by 1.2 percent over the three months to March 2017, taking annual growth to 8.0 percent. This compares to a quarterly and annual growth of 5.0 percent and 18.9 percent respectively for Greater Sydney according to Corelogic.

This outperformance is partly due to the price differential. The median price of properties in the luxury index is over \$7 million compared to \$795,000 across the wider Sydney market. This price point is accessible to a much wider pool of buyers than the luxury market, particularly investors who have been active in Sydney.

MAP 1

## The areas the index covers



→ **Variation across suburbs**

Within the luxury eastern suburbs market, there has been very little difference between the price growth of apartments compared to houses over the past year but there is variation across the suburbs.

Elizabeth Bay, one of the most expensive suburbs, saw the strongest growth of 11.4 percent over the year to March 2017, driven by a lack of stock in the area.

Perhaps more interesting is the rise of the non-water fronting suburbs of Woollahra and Paddington. These suburbs have outperformed the average with prices increasing by 9.8 percent and 8.7 percent respectively over the past year. This growth has predominantly been driven by demand from young professionals with mortgages who are benefitting from the low interest rates currently available.

Conversely, bank lending policies and interest rates have little effect on the more established luxury markets, which are dominated by older, cash buyers.

**Premium living**

All over the world, people will pay a premium for living next to water and Sydney is no exception. Across the luxury market in the eastern suburbs the average price per square meter (internal and external) is \$16,600. For a property on the waterfront, that increases to \$24,800, a 50 percent premium.

However, while living on the waterfront comes at a significant premium, views of the water do not have the same impact on property prices. Across the eastern suburbs, properties with a water view have an average price per square meter (internal and external) of \$17,000 compared to \$16,100 for a city view. This emphasises both how common a water view is in the eastern suburbs as well as the rising appeal of a city view.

**Outlook**

Across the wider Sydney market, we expect prices to continue to rise, albeit at a slower rate than currently seen. Factors such as low interest rates, population growth and infrastructure investment are expected to support demand for housing. However, it is

likely the rate of growth will decrease, given the affordability pressures and the regulatory measures implemented to slow the amount of bank lending to investors.

The luxury eastern suburbs markets are less dependent on affordability. Instead, the market is driven by global flows of wealth and a supply versus demand balance.

Demand comes from many sources. International buyers continue to play an important role as Sydney attracts high net worth individuals from all over the globe, particularly China, who are drawn to the liveability, economic stability and quality education as well as a strong track record for price growth.

Over the past year, there has been a surge in demand from downsizers looking for suitable apartments in the eastern suburbs, often moving from their large family homes. Within the house market, although demand continues to come from the traditional professions such as doctors and lawyers, there is a rise in buyers working in the tech industries. These buyers tend to be younger and often have different set of priorities to the traditional families.

On the supply side, despite a number of small developments in the eastern suburbs, there is a finite supply of land and therefore luxury properties in the area. Additionally, there are currently fewer properties on the market than previously.

Looking forward, the constrained supply and continued demand indicate prices are likely to continue to rise at a similar pace to the current rate of growth.

**METHODOLOGY**

Savills Luxury Eastern Suburbs Index is designed to reflect the price movements of luxury property in the eastern suburbs of Sydney.

The index uses a valuation-based method. This entails experts in the market valuing the same portfolio of properties every quarter. We chose this method as opposed to being based on actual transactions taking place as these are too small in number and comparable in quality to form a reliable index.

The following suburbs have been included in the analysis: Bellevue Hill, Darling Point, Double Bay, Dover Heights, Elizabeth Bay, Paddington, Point Piper, Potts Point, Rose Bay, Vaucluse, Watsons Bay and Woollahra.

Source: Savills Luxury Eastern Suburbs Index, Corelogic

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