

# In Focus

# Sydney's Northern Beaches



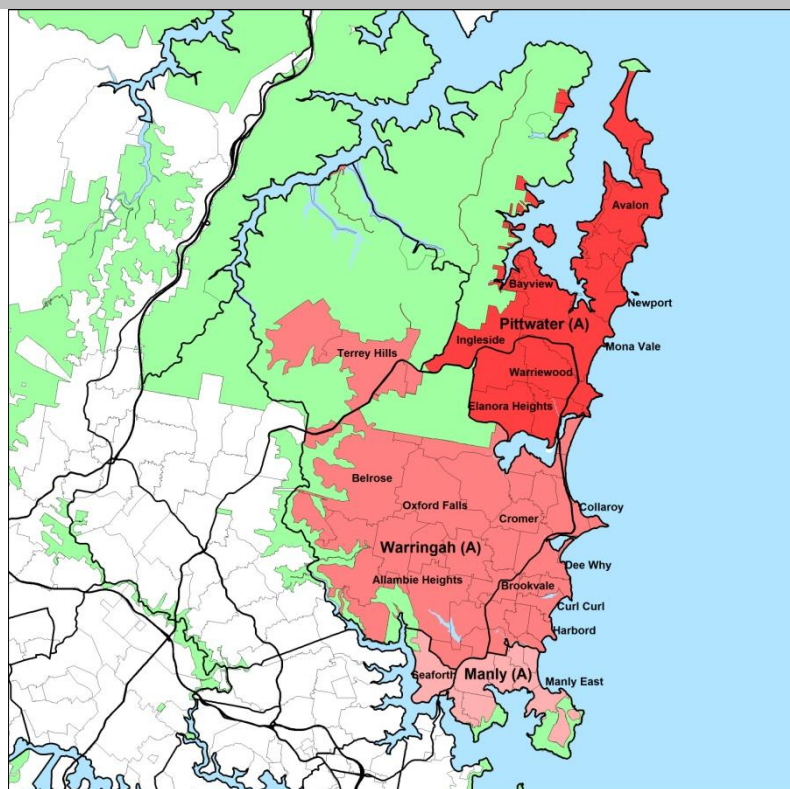
First Quarter | 2011

## A Focus on Sydney's Northern Beaches

### Scope

Over two years after the start of the 2008 Global Financial Crisis (GFC), a strong recovery is evident in the wider Sydney property market. Prices are at record highs, with only a moderate impact by consecutive increases in interest rates. However, the aftermath of the Crisis saw lending criteria tightening with some homebuyers finding it hard to obtain finance. A softening in market conditions are now apparent as result of the increases in interest rates.

In light of this growing trend for knowledge, this In Focus Report highlights the current market climate and driving forces behind one of New South Wales's most exciting markets. The Sydney property market, and in particular suburban beachfront regions such as the Northern Beaches have been setting the benchmark across Australia in the past decade, with demand often outstripping supply and exceptional capital growth buoyed by robust sales volumes. This report analyses the Manly, Warringah and Pittwater Local Government Areas (LGAs). It covers the demographics of the area and the inherent fundamentals underpinning the performance of house and unit products in this region.



### Area Characteristics

Bordered by Middle Harbour and the Pacific Ocean and located 13 kilometres from the Sydney CBD, the Three LGAs span over an area of approximately 255 square kilometres. The Manly LGA is famous for its restaurants, cafes and the famous Manly Beach, while Warringah and Pittwater LGAs offer a relaxed environment close to the ocean and several national parks. The three LGAs are serviced by Military Road and Warringah Road, as well as the Wakehurst Parkway and Pittwater Road. Regular ferry service to the Sydney CBD is available at the Manly Wharf. The Northern Beaches' stylish homes and attractive beaches resulted in a strong tourism and service based economy, with business centres in Manly, Brookvale, Belrose and Mona Vale.

### Demographic Snapshot

According to the Australian Bureau of Statistics (ABS), the most recent Estimated Resident Population (ERP) figures suggest that Sydney's Northern Beaches are home to 243,849 residents as at June 2009. Manly and Pittwater LGAs recorded a 3.2 per cent population growth in the twelve months to June 2009 further highlight the appeal of the region, in particular when compared to the Sydney Metropolitan average growth of 1.3 per cent over the same period. The NSW Department of Planning projections for the Northern Beaches indicate a population of 250,300 residents in 2016 and 277,100 by 2036. The median household incomes range from \$1,387 to \$1,705 per week indicates a relatively wealthy population, with an average of 27 per cent of residents represented in the highest weekly income bracket of \$2,500 plus. The Northern Beaches Statistical Region registered an unemployment rate of 3.5 per cent in 2008 to 2009, significantly lower than the 5.7 per cent unemployment rate in NSW.

### Northern Beaches Demographics

|  | Manly LGA | Pittwater LGA | Warringah LGA |
|--|-----------|---------------|---------------|
| Population 2009                                | 40,939    | 58,818        | 144,092       |
| Population 2008                                | 39,667    | 57,018        | 141,686       |
| Population growth rate 2008 to 2009            | 3.2%      | 3.2%          | 1.7%          |
| Portion of residents aged 65 years and older   | 14%       | 15%           | 15%           |
| Portion of residents aged 15 years and younger | 17%       | 20%           | 19%           |
| Average age                                    | 37        | 41            | 38            |
| Median weekly household income                 | \$1,705   | \$1,486       | \$1,387       |
| Median weekly individual income                | \$790     | \$653         | \$624         |
| Average number of people per household         | 2.4       | 3             | 3             |

Prepared by PRDnationwide Research. Source: ABS

## Northern Beaches House Market

The first half of 2010 saw the Northern Beaches maintain their attraction to buyers seeking beachside living within close proximity to Sydney CBD. A combination of strong population growth, limited amount of new supply and record low interest rates during the GFC lowered affordability barriers and led to buoyant demand which increased the pressure on house prices. Closing the June 2010 half year period at \$1,000,000, the median sale price for houses in the Northern Beaches market recorded an annual growth of 15.6 per cent. Looking over the longer term, a growth rate of 6.8 per cent per annum was maintained in the past 10 years.

The median price was attained from a total of 1,339 house transactions, 55 per cent of which transacted within the Warringah LGA, with the remaining 45 per cent divided between the Manly LGA (14 per cent) and the Pittwater LGA (31 per cent). This level of sales represented an increase of eight per cent over the same period in 2009, and is 4.5 per cent below the five year average sales level of 1,402 transactions per six month period.

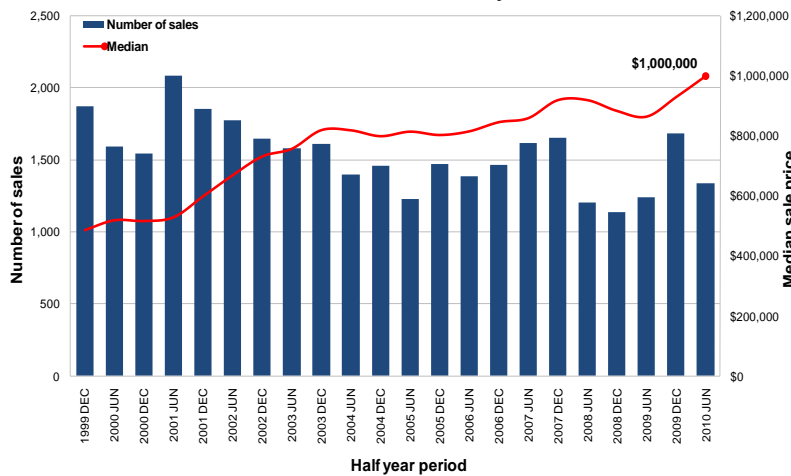
Observing sales activity by price points, the majority of sales in the Northern Beaches transacted in the \$700,000 to \$899,999 price bracket, accounting for 29 per cent of the market. At the lower end of the market houses selling below \$700,000 accounted for six per cent of sales while at the top end 147 transactions, equating to 11 per cent of the market, sold for in excess of \$1.9 million.

In the past two years a shift towards the higher price brackets can be noticed. The portion of houses selling in the bottom price bracket of below \$700,000 decreased 40 per cent in the six months to June 2010, and 63 per cent from the June 2009 half year. At the same time, the top price bracket of \$1.9 million plus experienced a 38 per cent increase in size from only eight per cent of the market in the June 2009 half year to 11 per cent of sales for the same period in 2010. This trend can be largely attributed to the change in the type of market participants as first home buyers activity wound down while investor and upgraders activity increased.

To better understand the actual capital returns achieved by vendors who sold during the period, PRDnationwide Research conducted a resales analysis of the Northern Beaches house market. The analysis revealed an average annual capital growth of 5.7 per cent per annum for those who exited the market in the six months to June 2010, with an average holding period of 5.3 years between resales.

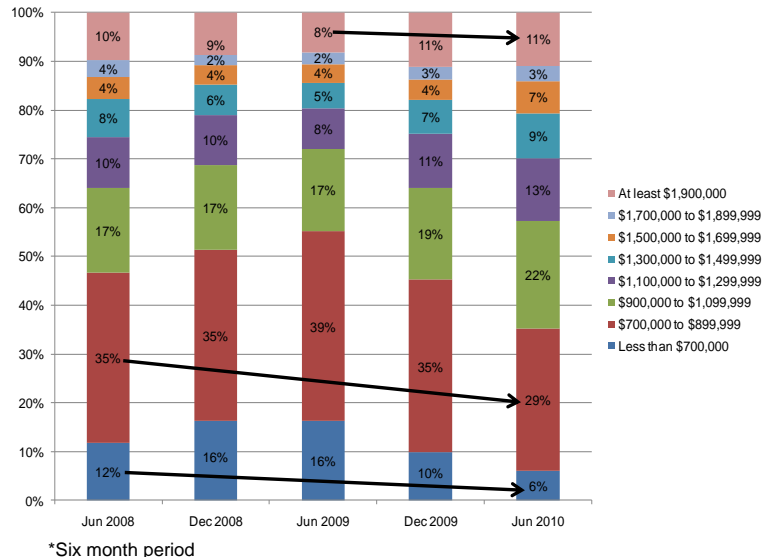
2010 marked a year where the house market remained partially induced by the 2009 Government Stimulus measures and well positioned purchasers capitalised on larger properties selling at discounted prices. Looking into 2011, it is likely that the November 2010 interest rate increase will lead to softer conditions, particularly at the bottom end of the market. It is expected that investors, lured by the location and amenities of the Northern Beaches will keep the top end of the market active.

## Northern Beaches House Sales Cycle



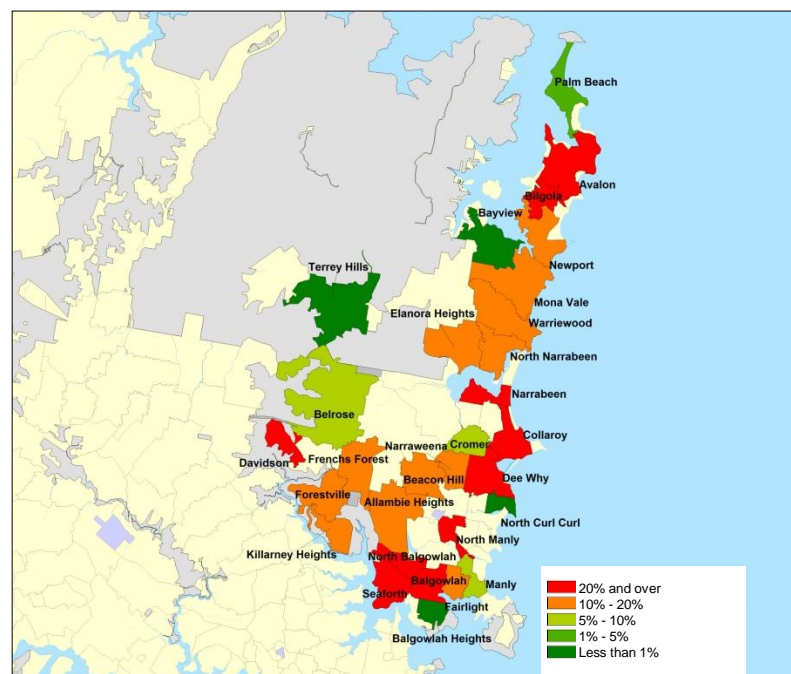
Prepared by PRDnationwide Research. Source: PDS Live

## House Price Points – June 2008 to June 2010\*



Prepared by PRDnationwide Research. Source: PDS Live

## Median House Price Growth – June 2009 to June 2010



### Northern Beaches Unit Market

The number of units in Sydney's Northern Beaches increased in recent years to become the dwelling type of choice in many of the region's suburbs. In the Manly LGA, units and townhouses represent 56 per cent of all dwellings, while in the Warringah and Pittwater LGAs strata titled dwellings account for 37 per cent and 20 per cent of the housing stock respectively.

The median sale price for units in the June 2010 six month period climbed to \$549,500 stemming from a total of 1,316 transactions. This median figure represents a twelve month growth of 13.3 per cent, while the 10 year growth rate of 5.6 per cent per annum indicates a stable long term performance.

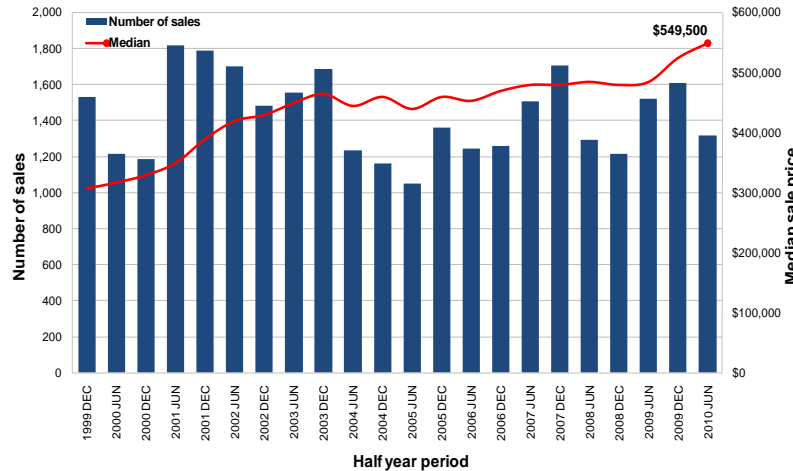
Most unit transactions took place in the \$400,000 to \$499,999 price bracket capturing 23 per cent of the market's activity, closely followed by the \$500,000 to \$599,999 bracket which accounted for 21 per cent of the market. At the lower end of the market, a unit in Wanganella Street, Balgowlah sold for \$165,000 while at the top end a premium of \$4,500,000 was paid for a beachside apartment on North Styne, Manly.

The price point chart shows a shift from lower to higher price brackets across the Northern Beaches unit market. At the lower end of the market, transactions below \$300,000 declined by 50 per cent between the June 2008 to the June 2010 half year period. The top end of the market had a marginal increase in activity while the middle brackets of \$500,000 to \$599,999 and \$600,000 to \$699,999 increased by 31 and 88 per cent respectively.

### New Development

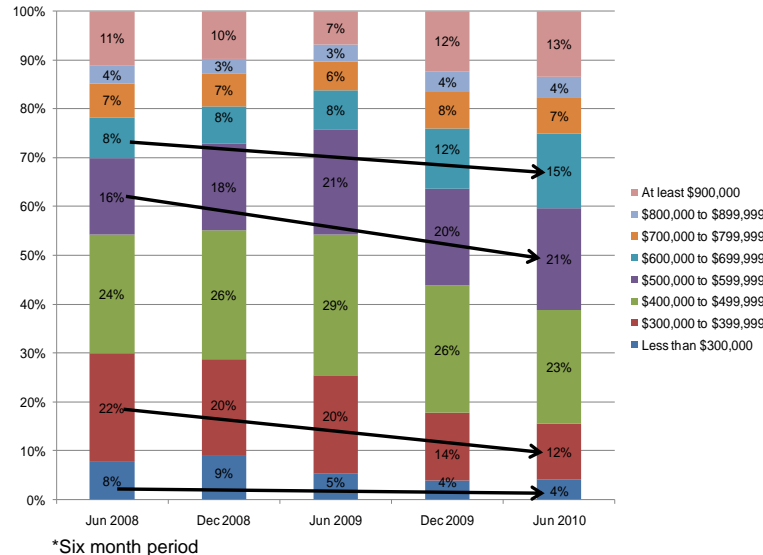
New stock currently under construction or recently completed includes several projects on Darley Street in Bayview and Mona Vale, and on Pittwater Road in Manly and Narrabeen. Due to scarcity of large development sites in the region, new projects rely on demolition and consolidation of existing sites.

### Northern Beaches Unit Sales Cycle



Prepared by PRDnationwide Research. Source: PDS Live

### Unit Price Points – June 2008 to June 2010\*



Prepared by PRDnationwide Research. Source: PDS Live

| Location                                  | Developer                                  | Project                    | Specifics   | Estimated Value | Stage                  | Construction Commencement | Forecasted Completion |
|---|--|----------------------------|---|-----------------|------------------------|---------------------------|-----------------------|
| The Corso, Manly                          | London Fashions                            | CORSOLEIL, MANLY           | 60 APARTMENTS - SUPERMARKET - SPECIALITY SHOPS - 7 storey | \$15.5 million  | Construction Commenced | Nov-10                    | May-12                |
| Denison St & Whistler St, Manly           | Proactive Management Specialists           | N/A                        | 27 UNITS - 6 storey                                       | \$14.4 million  | Construction Commenced | Dec-09                    | Complete              |
| Woodland St, Balgowlah                    | Abadeen Group                              | WOODLAND TERRACES          | 25 TOWNHOUSES - 2 & 3 storey                              | \$12 million    | Construction Commenced | Aug-10                    | Nov-11                |
| The Corso, Manly                          | Hilrok Properties                          | THE CORSO                  | 31 APARTMENTS - SHOPS - 2 buildings - 5 storey            | \$11 million    | Construction Commenced | Mar-10                    | Complete              |
| Montpelier Pl, Manly                      | Lend Lease                                 | ST PATRICKS ESTATE         | 7 TOWNHOUSES  | \$9.1 million   | Construction Commenced | Sep-09                    | Complete              |
| Pittwater Rd, Manly                       | Norfolk Group                              | N/A                        | 28 APARTMENTS - 5 storey - 4 SHOPS / OFFICES - 2 storey   | \$5.5 million   | Construction Commenced | Nov-09                    | Dec-10                |
| Darley St, Bayview                        | IPM  | THE MASTERS                | 40 APARTMENTS - GOLF COURSE                               | \$30 million    | Construction Commenced | Jul-10                    | Feb-11                |
| DARLEY St, Mona Vale                      | ARKANA                                     | DARLEY STREET              | 20 HOUSING UNITS - 2 storey                               | \$10.4 million  | Construction Commenced | Dec-10                    | Feb-12                |
| Pittwater Rd, Narrabeen                   | Aranda Pty Ltd (Part of Cavill Properties) | NARRABEEN SANDS HOTEL SITE | 48 UNITS - 4 storey                                       | \$6.23 million  | Construction Commenced | Oct-10                    | Dec-11                |
| Pittwater Rd & Dee Why Pde, Dee Why       | Dee Why RSL Club                           | OCEAN GROVE, DEE WHY       | 76 SENIORS LIVING POLICY UNITS - 3 buildings - 5 storey   | \$22 million    | Construction Commenced | Mar-09                    | Complete              |
| Narrabeen St & Ocean Street, Narrabeen    | Cabe Developments                          | N/A                        | 33 APARTMENTS - 3 storey                                  | \$11.6 million  | Construction Commenced | Aug-10                    | Q3 2011               |
| Pittwater Rd, Brookvale                   | Life Property Group                        | BROOKVALE DEVELOPMENT      | RETAIL - 39 APARTMENTS - CAR PARKING                      | \$9 million     | Construction Commenced | Apr-10                    | Feb-11                |
| Kenneth Rd & Roseberry Street, Manly Vale | Cavill Properties                          | ROSEBERRY                  | 45 APARTMENTS - 3 storey                                  | \$6.4 million   | Construction Commenced | Aug-09                    | Complete              |
| Oaks Ave, Dee Why                         | Torada                                     | N/A                        | 20 APARTMENTS - 4 storey                                  | \$6 million     | Construction Commenced | May-09                    | Complete              |

Prepared by PRDnationwide Research. Source: BCI

## Northern Beaches Rental Market

Over the last year rental vacancy rates within the Northern Beaches have tightened from a figure of 2.3 per cent in November 2009 to 1.2 per cent in October 2010. Data suggests a cyclical trend in Sydney's middle ring suburbs of which the Northern Beaches are a part of, with lower vacancy rates during October and higher rates in July.

The rental growth cycle chart below shows the median weekly rent for a three bedroom house in the Pittwater and Warringah LGAs increased by 12.1 and 10.8 per cent respectively in the twelve months to September 2010. During the same period the Manly LGA experienced a small decrease in median rent.

Conversely, the median weekly rent for a two bedroom unit in experienced an annual increase of between 5.1 per cent in the Warringah LGA and 7.0 per cent in the Pittwater LGA, a significantly lower growth level than that of houses.

To better understand the level of rental prices in the Northern Beaches PRDnationwide Research conducted a ten year analysis comparing the region's median rental price with those of the Sydney Metropolitan Area (SMA). The analysis revealed that over the past ten years the Manly LGA's median weekly house rent more than doubled that of the SMA (\$838 compared with \$390 per week in September 2010), while rents in the Warringah and Pittwater LGAs were approximately 180 per cent more than those in the SMA.

Looking forward, there is no reprieve for renters in the short to medium term. The Northern Beaches strong population growth, coupled with a shortage in available land and limited amount of new stock coming on the market suggest a tight rental market.

As capital gains outpaced rental markets in 2009 and the first half of 2010, the rent-to-price ratio declined. It is expected that this ratio will improve in 2011 as the market consolidates and rent prices rise, providing further incentive to investors to increase their participation in the market.

## In Focus - Summary

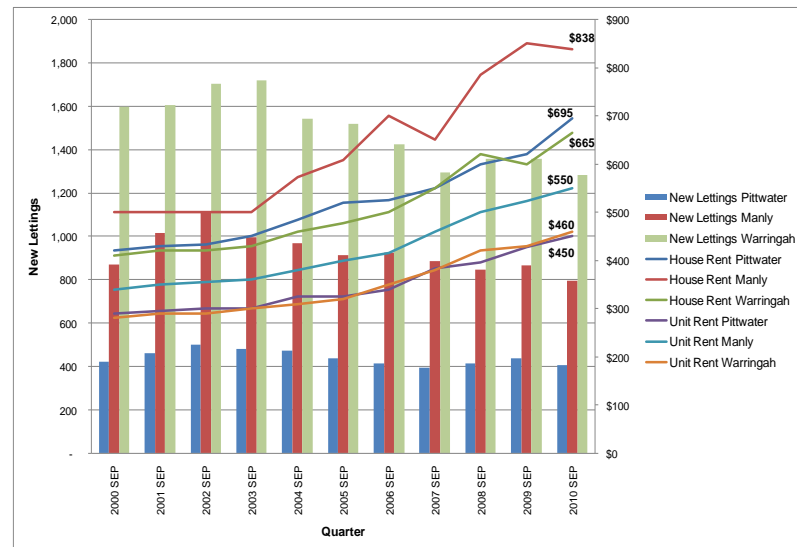
- Strong capital growth – units in the Manly LGA increasing 22.3% in the year to June 2010.
- Strong rental growth - Pittwater LGA median rent increased by 12.1% in the year to September 2010.
- Shortage in vacant land and the limited amount of developments have created a cap on supply of new units into the market.
- Strong population growth increased demand for beachside living within close proximity to the city.

## Rental Market Snapshot – June 2010

| Northern Beaches Property Returns           | Manly LGA           |                  | Pittwater LGA       |                  | Warringah LGA       |                  |
|---|---------------------|------------------|---------------------|------------------|---------------------|------------------|
|   | Three Bedroom House | Two Bedroom Unit | Three Bedroom House | Two Bedroom Unit | Three Bedroom House | Two Bedroom Unit |
| Median Price Change p/a (Year to June 2010) | 13%                 | 22.3%            | 13.7%               | 10.4%            | 16.3%               | 11.4%            |
| Rental Return p/a                           | 2.8%                | 4.1%             | 3.4%                | 4.0%             | 3.8%                | 4.7%             |
| Total Property Return                       | 15.8%               | 26.4             | 17.1%               | 14.4%            | 20.1%               | 16.1%            |

Prepared by PRDnationwide Research. Source: PDS Live, Housing NSW

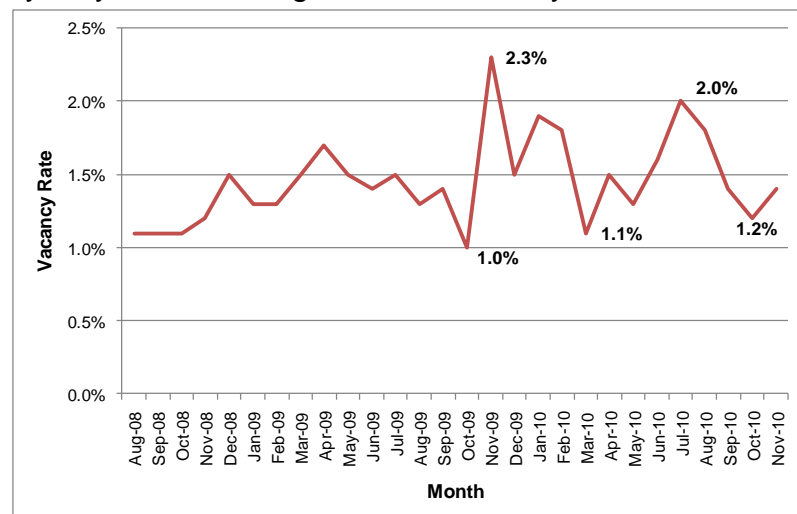
## Northern Beaches Rental Growth Cycle\*



\*Median weekly rent for a 2 b/r unit and 3 b/r house

Prepared by PRDnationwide Research. Source: Housing NSW

## Sydney's Middle Ring Suburbs Vacancy Rates\*



\*10 – 25km from CBD Prepared by PRDnationwide Research. Source: REINSW

## About PRDnationwide Research

**PRDnationwide's research division provides reliable, unbiased, and authoritative property research and consultancy to clients in metro and regional locations across Australia.**

Our extensive research capability and specialised approach ensures our clients can make the most informed and financially sound decisions about residential and commercial properties.

## Our Knowledge

**Access to accurate and objective research is the foundation of all good property decisions.**

As the first and only truly knowledge based property services company, PRDnationwide shares experience and knowledge to deliver innovative and effective solutions to our clients.

We have a unique approach that integrates people, experience, systems and technology to create meaningful business connections. We focus on understanding new issues impacting the property industry; such as the environment and sustainability, the economy, demographic and psychographic shifts, commercial and residential design; and forecast future implications around such issues based on historical data and fact.

## Our People

**Our research team is made up of highly qualified researchers who focus solely on property analysis.**

Skilled in deriving macro and micro quantitative information from multiple credible sources, we partner with clients to provide strategic advice and direction regarding property and market performance. We have the added advantage of sourcing valuable and factual qualitative market research in order to ensure our solutions are the most well considered and financially viable.

Our experts are highly sought after consultants for both corporate and government bodies and their advice has helped steer the direction of a number of property developments and secured successful outcomes for our clients.



## Our Services

**PRDnationwide provides a full range of property research services across all sectors and markets within Australia.**

We have the ability and systems to monitor market movements, demographic changes and property trends. We use our knowledge of market sizes, price structure and buyer profiles to identify opportunities for clients and provide market knowledge that is unbiased, thorough and reliable.

### Our services include:

- Advisory and consultancy
- Market Analysis including profiling and trends
- Primary qualitative and quantitative research
- Demographic and target market analysis
- Geographic information mapping
- Project Analysis including product and pricing recommendations
- Rental and investment return analysis
- Competitive project activity analysis
- Economic indicators
- Social research, including focus groups



## Our Research Reports

**Property Watch® Reports:** Over 130 snapshots of various areas around Australia, as well as specific reports on property topics of interest such as resale growth, infrastructure planning, luxury properties, and supply and demand.

**Highlight Reports:** Major annual reports examining the macro and micro economic information of larger catchment areas within select city, rural, and coastal regions.

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**Niche Reports:** Covering topical subjects such as mixed use and transit oriented developments, marina berths, waterfront property and luxury property markets.

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**Residential Unit Reports:** Quarterly reports based on primary research into the sale of new units within major metro and coastal cities identifying trends and opportunities

## Research Consultancy Service

We set industry benchmarks when partnering with our clients to answer key questions and solve complex issues in the residential development arena.

Our specialised consultancy service adds value to our clients' business by identifying the best means for gaining a competitive advantage. We have extensive experience in providing advice on virtually every type of residential property and the issues and considerations that surround them.

**We simplify your decision-making process by providing comprehensive information and recommendations including (but not limited to):**



**For more information on how we can assist you contact (07) 3229 3344.**

*“We set industry benchmarks when partnering with our clients to answer key questions and solve complex issues in the residential development arena.”*

Prepared by PRDnationwide Research. Source: NSW Housing, NSW Department of Planning, PDS Live and ABS.

For further details contact Oded Reuveni Etzioni Research Analyst P: +61 2 9257 0254 or E: [OdedEtzioni@prd.com.au](mailto:OdedEtzioni@prd.com.au)

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