

PROPERTY WATCH®

Third Quarter 2010

Sydney Lower North Shore

IN BRIEF

- Sydney's Lower North Shore shows strong population growth compared to the Sydney metropolitan area.
- The region's median house price increased by 24.2% for houses and 18.8% for units over the six month period to March 2010.
- A trend toward stronger unit sales in the higher end of the market has become evident.

Scope

This report analyses the residential property market of Sydney's Lower North Shore. It highlights the area's characteristics, demographics and performance of the real estate market within the Lane Cove and Willoughby Local Government Areas (LGAs).

Area Characteristics

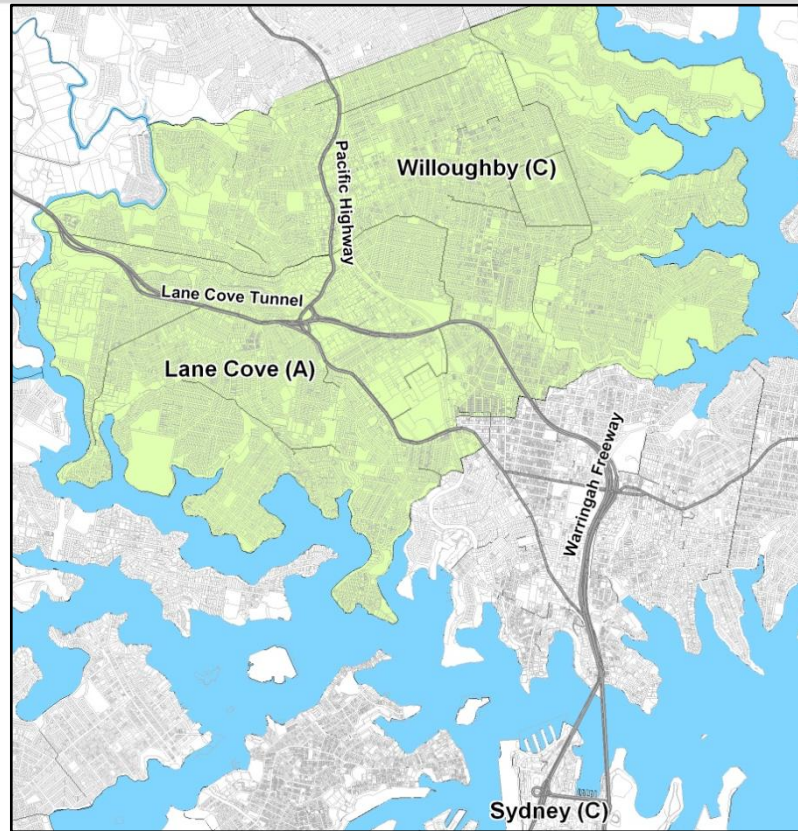
Sydney's Lower North Shore is known for its peaceful and leafy suburbs. The Lane Cove and Willoughby LGAs are bordered by Sydney Harbour in the south and Lane Cove River in the west. To the east lies Middle Harbour and to the north is the council of Ku-Ring-Gai. The area is located six kilometres north of the Sydney CBD. The Lower North Shore has a mix of detached houses, as well as apartments, mainly around Chatswood and the Pacific Highway. The majority of amenities can be found in the town centres of Chatswood and Lane Cove village, while recreational facilities can be found around the Lane Cove River and Middle Harbour. The area is supported by good transportation infrastructure including the North Shore and Northern train lines, as well as major arterial roads such as Warringah Freeway and Pacific Highway.

Demographics Snapshot

Average household income in Sydney's Lower North Shore is significantly higher than the Sydney metropolitan average. Both Lane Cove and Willoughby LGAs have approximately 35 per cent of households earning over \$2,500 per week, compared with only 18 per cent of households across the Sydney metro area. The Lower North Shore has a relatively dispersed population with nuclear families (couples with children) representing only 34 per cent of all household types. The rest of the population is largely made of couples without children, representing 26 per cent of the population, and non family households accounting for approximately 30 per cent of all households. Between 2008 to 2009, Lane Cove LGA's population grew by 2.7 per cent, while Willoughby LGA recorded a population growth rate of 1.9 per cent. These figures represent strong growth for the region compared to the average of 1.3 per cent population growth across the Sydney metropolitan area during the same period.

Rental Market

The rental market across the Sydney metro area is growing in response to recent increases in house values. Many residents are now left with little choice but to rent, leading to an increase in rental prices. This has seen the Willoughby LGA record an annual rental increase of 17.6 per cent for a three bedroom house, to record a median rent of \$800 per week. Units have seen a rental increase of four per cent, to record a median rent of \$520 per week for a two bedroom unit. The Lane Cove LGA has seen the median unit rent increase by 7.9 per cent, to \$410 per week, while the median rent for houses was \$700 per week.



Demographic Snapshot	Lane Cove LGA	Willoughby LGA
Population 2009	32,501	69,269
Population 2008	31,638	68,008
Population growth rate 2008 to 2009	2.7%	1.9%
Proportion of people aged 65 years and over	13%	12%
Proportion of people aged 15 years and younger	18%	18%
Average age	37	36
Average weekly household income	\$1,729	\$1,667
Average weekly individual income	\$811	\$728
Average number of people per household	2.4	2.5

Prepared by PRDNationwide Research. Source: ABS

Median Weekly Rents – June 2010

	Lane Cove LGA	Willoughby LGA
3 Bedroom Separate House	\$800	\$520
2 Bedroom Flat / Unit	\$700	\$410

Prepared by PRDNationwide Research. Source: NSW Housing

House Market

The location of the Lane Cove and Willoughby LGAs, coupled with the housing shortage in Sydney, has led to a consistent increase in median house price over the past ten years. The average annual growth in the Lower North Shore was 5.6 per cent per annum for the past five years, compared with only three per cent per annum for the Sydney metro area. The house sales cycle graph shows that for the six months ending in March 2010, the median price of a house in the Lower North Shore was \$1,348,000. This represents a 24.2 per cent increase from the same period in 2009, where the median house price was \$1,085,000. The house price points chart for the six months ending March 2010 shows decreasing market activity for houses under \$1,000,000, representing only 25 per cent of the region's total house sales activity, compared with 43 per cent for the same period in 2009. The graph also indicates a strengthening at the higher end of the market, with properties selling in excess of \$2,200,000 representing 11 per cent of the total house market, compared with only seven per cent for the same period in 2009.

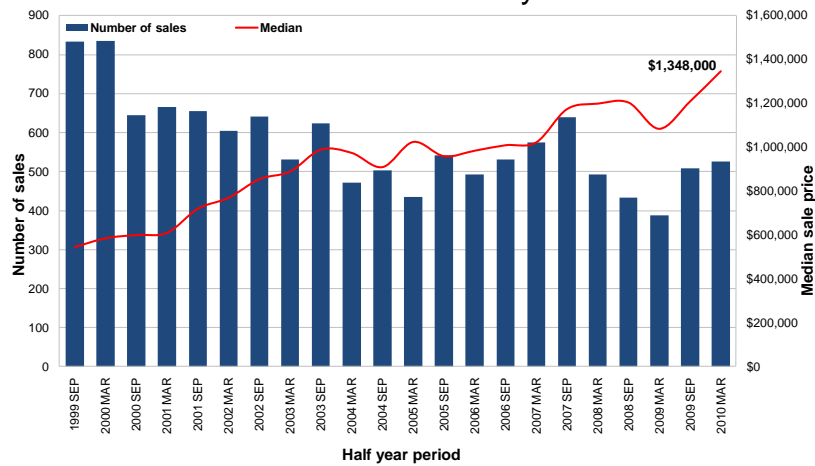
A capital growth analysis reveals that for the six months to March 2010, properties selling for less than \$1,000,000 showed growth of only 1.8 per cent, while properties in the \$1,000,000 to \$1,600,000 price bracket averaged 9.4 per cent capital growth. The holding period between resales for houses in Sydney's Lower North Shore averaged just under five years. There is a downward trend in the holding period of houses, from an average of 5.5 years between resales for houses in the lowest price bracket, to an average holding period of 4.6 years for houses in the highest price bracket of over \$2,200,000.

Unit Market

There has been an increase in demand for higher density living in the Lower North Shore over the past ten years, with units and townhouses now averaging 48 per cent of the region's total dwellings. The unit sales cycle graph shows the median price increased during the six month period to March 2010, possibly in response to Government incentives. This trend has seen median unit price for Sydney's Lower North Shore reaching \$550,540 in March 2010, representing a growth of 18.8 per cent from the corresponding period in 2009. This figure represents a significant departure from the compounding growth rate of 3.7 per cent in median unit price during the past five years. The recent increase in median price is not uniform, with the lower end of the market (units under \$400,000) showing a low capital growth of 1.2 per cent, while at the top end properties over \$800,000 showed a healthy growth of nine per cent. For the six month period ending March 2010, the number of units sold in the highest price bracket of over \$700,000 increased 2.7 times, while sales of units in the lower price bracket of below \$400,000 decreased by 70 per cent. This explains the higher median price being recorded, despite a lower number of sales.

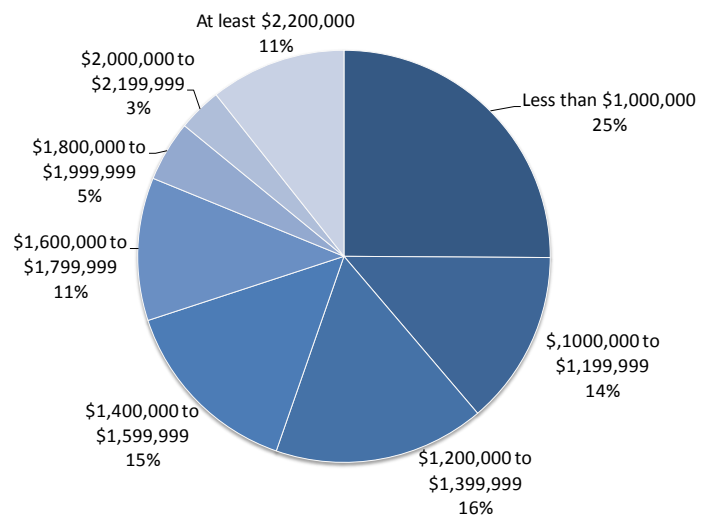
The analysis may suggest that first home buyers activity has diminished at the lower end of the market, while existing homeowners have upgraded to high end properties.

Lower North Shore - House Sales Cycle



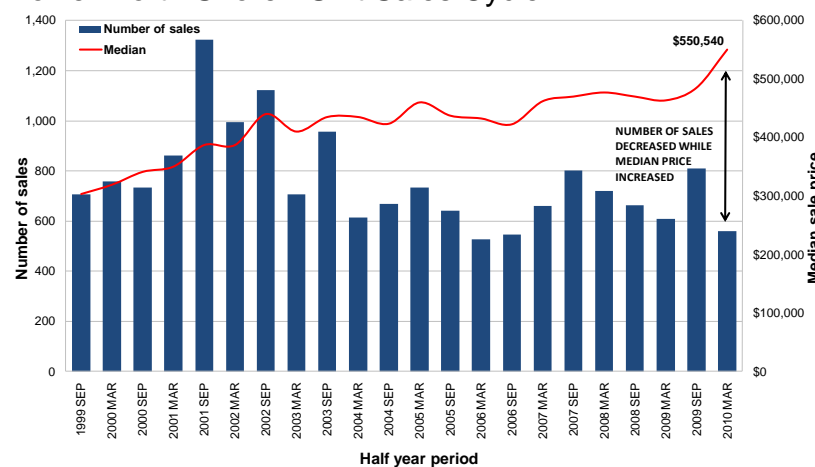
Prepared by PRDnationwide Research. Source: PDS Live

House Price Points for the Six Months to March 2010



Prepared by PRDnationwide Research. Source: PDS Live

Lower North Shore - Unit Sales Cycle



Prepared by PRDnationwide Research. Source: PDS Live