

Sydney House Price Growth Unsustainable

Sydney's house prices have jumped by \$100,000 in just one year with 2013 recording the strongest growth in a decade.

The surge in prices follows a bumper December quarter where house prices grew by 6 per cent to a new median of \$763,169.

"It is a boom, there is no doubt about it," said the senior economist at Australian Property Monitors, Andrew Wilson.

Sitting on a goldmine: Allan Sparkes and Deb Swain's Erskineville home has appreciated \$100,000 since last April. *Photo: Ben Rushton*

Sydney's house prices are now 15.1 per cent higher than the median of \$663,278 recorded by APM (owned by Fairfax Media) at the end of 2012.

Advertisement

"The Sydney market has been supercharged by record levels of investor and changeover buyer activity in the \$1 million to \$2 million price ranges," Dr Wilson said.

The quarterly data released on Thursday shows that median unit prices in Sydney also rose by 10.9 per cent in 2013 to \$541,992.

The house price rise equates to an increase of \$274 a day.

The winners are people like Deb Swain and her husband Allan Sparkes who bought in the first half of last year before prices really took off. The couple picked up a two-bedroom terrace on 133 square metres in Erskineville last April for \$832,000 and the selling agent, Shaun Stoker from Ray

White Surry Hills, said it would be worth more than \$100,000 above that today.

"I did realise that the market was going up but I had no idea it would escalate so dramatically," said Ms Swain.

But for those who don't own property, the dream of buying has taken another blow. Data from the Australian Bureau of Statistics indicates the average weekly income in NSW is \$1457, which equates to \$208 a day. Even dual-income households would struggle to keep up with the rise in house prices.

"I just keep thinking how grateful I am that we bought when we did because we if we were looking now we wouldn't be in a position to buy," Ms Swain said.

Sydneysiders started borrowing more in 2013. Low interest rates resulted in the average home loan size hitting a high of \$384,395 in November - the typical repayment on which would be \$503 a week.

Ms Swain, who runs Blue Dog Posters on King Street, Newtown and her author/motivational speaker husband are not looking to sell but said they could "probably get another \$120,000, maybe even \$150,000 for the property now".

But others are looking to cash in. Builder and architect Fabian Licca bought a three-bedroom terrace at 39 Brown Street, Newtown in April last year for \$1.03 million, which he is listing for sale in two weeks. "I would be expecting a net capital growth of at least 20-30 per cent," said Mr Licca.

Listing agent Jonathan Viewey from McGrath said comparable properties were now fetching about \$1.3 million.

Not surprisingly, the inner west was one of the best performers in 2013, with the median house price up by 20 per cent to \$1.08 million. The inner west was topped only by the upper north shore/north-west region, where prices rose 21.1 per cent.

The lower north shore remains Sydney's most expensive region with the median house price up 14.8 per cent per cent to \$1.56 million. That is three times the median of Sydney's western suburbs, which grew 16.9 per cent to \$520,000.

Nationally house prices grew by 9.8 per cent in 2013 with all capital cities up. The second-strongest house market was Melbourne, which grew by 8.6 per cent to \$568,824 - nearly \$200,000 less than Sydney's median.

Perth had a solid year growing by 8.4 per cent, followed by Darwin (6.9 per cent), Hobart (5.1 per cent), Brisbane (5 per cent) and Canberra (3 per cent). Adelaide was the weakest performer with 2.8 per cent.

Dr Wilson said growth in the Sydney market was likely to continue in 2014 but it will be at half the rate of 2013.

"The current level of prices growth in Sydney however is clearly unsustainable, particularly given a fading local and national economy and the prospect of an oversupplied local investment market," he said.

Sydney's strongest year for growth was 2002 when the prices rose 22.1 per cent.