

Sydney CBD fringe apartments the best bet

By Nelson Yap



THE Sydney CBD fringe apartment market offers the greatest potential for outperformance in 2013, according to investment and advisory firm Trident Real Estate Capital.

Trident Real Estate Capital's first research report, Australian Real Estate Strategic Outlook, is bullish on the housing market and especially unit dwellings within 5 km of Sydney's CBD.

Director Costa Argyrou said fringe apartments will perform particularly well in 2013 and enjoy capital growth of at least 3%, underpinned by a number of factors.

Firstly he said mortgage rates are low, with the average variable mortgage rate being recorded at 6.45% and the three year fixed rates at 5.55%.

Argyrou said consumer sentiment also continues to improve, with the Melbourne Institute Survey of Consumer Sentiment Index being above 100 points for three successive months.

He added dwelling approvals remain low whilst population growth continues.

The report observed that in the 12 months to February 28, Sydney's median dwelling price of \$540,000 was 2.7% higher than a year ago delivering total gross returns of 7.3% -- ahead of the national average dwelling prices growth of 1.3% and median gross return of 5.7%.

Sydney had one of the strongest figures outside the mining and resources fuelled boom cities of Perth and Darwin.

Darwin had a median house price of \$510,000 and recorded year on year growth of 5.9% and total gross returns of 12.4%, whilst Perth increased by 3.7% to \$465,000 and delivered total gross returns of 8.5%.

“Trident Real Estate Capital is bullish on CBD fringe apartments in the \$450,000 to \$800,000 price bracket, where market fundamentals are being driven by large and growing undersupply on the one hand and population growth on the other.

“Demand is expected to be derived from local investors seeking to withdraw cash from term deposits to chase higher yields, Asian investors and young professionals and families taking their first step on the property ladder,” Argyrou said.