



WHITEROCK CAPITAL
PARTNERS

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MEDIA RELEASE

TOP END SYDNEY PROPERTY MARKET ALIVE AND KICKING

Since late 2008 the top end of Sydney's property market has been languishing and with it developer profits. This, along with a tight lending environment has resulted in very few new projects being commenced.

Andrew Donnelly, CEO of global investment group Whiterock Capital Partners says 'Developers are here to make a profit. If their profit is sitting in the last 20% of stock and they are unable to sell that stock, then any new developments they may have in their pipeline will probably not see the light of day and will be delayed. 1 and 2-bedroom apartments up to \$600k are selling like hot cakes – the challenge for developers is shifting the more expensive stock and this is where the ultimate profit, and the major challenge, sits.'

Whiterock have witnessed a remarkable turnaround in appetite for high \$900 – \$1.6m stock in Sydney and since mid-December 2010 they have placed more than \$26million worth of Sydney stock in Sydney's eastern suburbs and north shore (equating to 25 units over \$1m) with investors and they attribute this to taking a different approach to the market. Donnelly says "We've been mandated to look for more completed product in Australia's major capital cities that fits this price point as that is where the value is for investors."

'Most developers are beating their heads against a brick wall' says Donnelly. 'They are trying to sell 3-bedroom apartments in areas where buyers can buy a semi or detached house for the same money. We came to realise that alternative strategies such as syndicates, funds and special interest groups are the only buyers for this type of product. Many agents and developers have thrown good money after bad on scattergun advertising strategies and sending agents to the four corners of the earth hoping to snare a sale. The world has changed and the smart developers are realising this. Our strong dollar is a disincentive to foreign purchasers, many of whom are now looking to the US and Europe where prices are depressed coupled with favorable exchange rates.'

Donnelly says the main buyers for this type of stock have so far been global funds. 'Residential property is a boring asset to hold. It's not sexy and movement in capital appreciation is slow. But these days boring is beautiful. Capital preservation is imperative and high returns come second. **Many see property as a hedging strategy to over-exposure to volatile equity markets.**'

"The investment world has changed since 2008. Residential property assets are becoming increasingly attractive for institutions seeking long-term, low-risk cash flows and that is the demand we are hoping to satisfy. The fundamental case for residential property investment remains strong. The rental market has the lowest vacancy rates in over 20 years with rental yields continually improving, resulting from the supply-demand imbalance in the market, which is attractive to investors," said Donnelly.

Donnelly added: 'The economy is headed for a reasonable period of growth, which could see wages rise by about 4% per annum and make higher priced apartments and townhouses more affordable for higher income earners. We expect to see buyers and investors come back into the market as yields catch up with interest rates, thus reducing holding costs.'

Further information: Andrew Donnelly 0450 925 911
