

Sydney suburbs where there's high risk of overpaying for homes

Home prices in a mix of once popular suburbs are showing signs of peaking, putting new property owners at risk of overpaying, data shows.



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3 min read March 16, 2024 - 5:00AM News Corp Australia Network

They were once a hit with home buyers wanting bang for their buck – now they're the Sydney suburbs where purchasers are most at risk of overpaying for property.

New research has indicated home prices are showing a strong probability of “peaking” in multiple markets spread across the city, raising the prospect of a price correction in coming months.

Such a correction could put undiscerning [purchasers](#) in these areas in danger of slipping into negative equity, where the [value of their home becomes less than the price paid](#), according to the SuburbData research.

Suburbs flagged in the research were set to defy an otherwise strong market across Sydney as a whole, where a [low supply of housing](#) and high demand was expected to [drive up prices in most areas this year](#).

“Sydney is a mixed bag at the moment. Not everywhere is going to see price growth. Prices in some suburbs do often fall in the short-term,” said data scientist and research author Jeremy Sheppard.



Prices for houses in Yowie Bay were reported to be peaking.

“If you see a market where there are signs that it's peaking, you have to be cautious as a buyer.”

The SuburbData study examined price growth trends, along with more than a dozen markers of supply and demand, to determine which suburbs were riskier picks for new buyers.

Many of the areas reported to be peaking were pockets of the Sutherland Shire, northwest and southwest.

They included suburbs popular with house buyers, such as Sylvania Waters, Bella Vista, Pennant Hills, Parramatta and Camden.

Most of these markets were a magnet for buyers who had been priced out of more expensive markets due to rising interest rates over the past 19 months.

The better value for money on offer encouraged more homebuyer spending and these areas saw incredible growth over 2022 and 2023.

These conditions have since begun to shift following a change in the balance of housing supply to demand – listings have risen, properties are staying on the market longer, but buyer demand has dropped.

Mr Sheppard said it was clear that last year's strong growth couldn't be maintained in these markets and they had reached a point where they were overheating.

"These are the markets that have run out of puff or they're about to run out of puff," he said.

"If you were a buyer in these locations, you shouldn't expect any capital growth in the short-term. It will be a while until you see any equity growth.

"There can sometimes even be a retraction in these markets. What tends to happen is that when the market peaks after extreme growth, there's a realisation that prices have gone too far.



Buyers agent Michelle May said could fall into the trap of overpaying in some areas. Picture: Richard Dobson

"It reaches a point where it's more than buyers are willing to pay, they seek out other suburbs, and prices start to fall."

Mr Sheppard said homeowners considering selling in a suburb that was showing signs of peaking should do so "as soon as possible".

Buyer's agent Lloyd Edge said there were growing signs of a price "bubble" in parts of regions such as the Sutherland Shire.

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"Demand for houses in the area has been huge, but first homebuyers, or anyone who isn't a downsizer or has the bank of mum to help them, are beginning to tap out at auctions," he said.

Mr Edge said much of the Shire was popular last year because it offered more affordable houses on larger blocks but that appeal had waned as prices got further out of reach of buyer budgets.

"House prices have blown so above what people are earning, it does create a potential bubble where buyers can overpay," he said.

"The unit market is very different. There is still a lot of value and a lot more potential for growth."

Property investor John Pidgeon, who has bought and sold close to a dozen properties in recent years, said it was hard to be "bullish" about growth prospects for many Sydney areas.

"There has been extreme growth, the prices are high. There aren't the conditions we would typically look for when trying to identify markets where there could be growth. We are saying no," he said.

Buyers agent Michelle May said some buyers were coming to the wrong conclusions when looking at a range of record prices being paid in some suburbs.