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Recently, Ray White Group Deputy Chairman Sam White addressed the Australian Business Economists' annual Property Outlook on the state of the Sydney market. Here is an edited transcript of his presentation.

Twelve months ago there was widespread concern about significant weakness in the market. Some commentators predicted significant prices falls throughout Sydney and indeed the rest of Australia. There was real concern about the depth of demand and a feeling that if the pattern of previous cycles held through, property owners were set to face a significant hair cut.

That hasn't happened. The headline is that pricing has remained relatively stable.

In my opinion, there are two key reasons for this. Firstly, stock has been tight. The number of properties for sale in NSW last year fell by around 20 per cent. Unlike previous cycles following a boom, there have been some significant differences in this one.

This time around, interest rates have been stable, and the employment market has remained strong. Whilst many home owners have record debt levels, there are very few who are experiencing financial pressure. There are very few 'for sales' in the market at the moment - forced for financial reasons. This has meant that owners have been able to choose the timing of a sale. Most owners have resigned themselves to the fact that if they don't get the price they want, "I'll simply stay in my house and pay off debt". This decision is made easier by the fact that transaction costs become more significant in a market of stable pricing – in a market where loan to value ratios are north of 80 per cent, asset growth is moderate to neutral and 7-8 per cent in transfer costs is a big price to pay.

If anyone was still questioning the resilience of the property market, they would only need to look at what happened in March when the Reserve Bank lifted interest rates. At the time that many commentators were predicting multiple rate rises during this year. Indeed it was the prospect of further tightening rather than the initial change itself that most concerned buyers. We expected there to be a significant drop in transaction numbers and to some extent we saw that. But not to the level we feared.

As a result, pricing has remained relatively flat.

Of course, government policy in NSW has played a big part in the market. I'm sure you've all heard about the injustices of the vendor tax – that it is pushing investment and jobs out of NSW and into other markets. Indeed, Ray White Queensland has benefited enormously from this. But there is one segment of the market that is often overlooked when discussing the impact of the vendor tax, and that is tenants. The effect of this tax has been and will continue to be to reduce supply of properties available for let. And as is so often the case, artificial policies impact negatively on the group they are most designed to protect.

Vacancy rates for NSW have come down significantly. Rents have increased. The natural extension of the government's policy on vendor duty will be for this to continue over the coming year. Whether this increase in returns for investors will be enough to entice them back into the market is an open question. But it remains a fact that tenants are one of the chief losers of this Labor Government's policy.

Moving forward, the outlook for the housing market in Sydney appears to be more of the same. There are some very early signals that the market is starting to turn. A truer test will come as more properties start to hit the market towards the end of the year.

One significant variable will be the lenders' credit criteria. One thing that is unknown is the credit profile of people that have taken new and innovative financial products from lenders, such as higher loan-to-value ratio home loans and lo-doc loans. Have these borrowers performed as the actuaries predicted? Or is the reality different? Obviously the tighter lenders get, the fewer buyers there'll be in the market.

The NSW exit tax will also continue to play a major role in shaping the Sydney market.

Of course, the big variable remains the economy and property consumers' confidence in it. Prospects for interest rates and employment will, as always, be the big macro factors that affect our market.

Whatever your view is on the economy, so to goes the housing market.