



# AUSTRALIAN APARTMENTS

## RESIDENTIAL MARKET OVERVIEW Q3 2015

### HIGHLIGHTS

Similar to capital growth recorded in each capital cities' median values across Australia, there has been a wide divergence in rental growth and gross rental yields over the year to June 2015.

Overall investor lending is down over the three months to July 2015 on the previous period, coinciding with the APRA endorsement of a more stringent lending environment by financial institutions.

The lower AUD has continued to encourage foreign investment into new apartments; the Premium Investor Visa has now launched and a revamped Significant Investor Visa rolled out.

## KEY FINDINGS

The Reserve Bank of Australia has kept the **official cash rate unchanged at the historic low of 2.00% in September 2015**.

**Currently there are 85,240 apartments under construction** in Australia—led by Greater Sydney and Greater Melbourne

**Australian apartment capital value growth has averaged 6.6% annually since the start of 2014**, with the last quarter to June 2015 recording annual growth of 6.1% to stand at a median \$462,000.

**In Australia, over the year to June, 160,045 apartment sales were recorded** in line with the level a year ago, while gross rental yields fell 17 bps to 4.72% per annum.

**Median rents have remained steady over the year to June 2015 to achieve a weekly rent of \$410 in Australia**, while total vacancy was recorded at 2.9% as June.



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# AUSTRALIAN APARTMENTS

## Economy

Over the last quarter, the Australian economy has slowed further with growth falling 50 bps to 2.00% as at June 2015. The residential construction sector and infrastructure spending has continued to inject much needed stimulus into the major state economies, counteracting the fallout of the weaker price of iron ore, coal and liquefied natural gas (LNG) and a slowing Chinese economy.

To stimulate economic growth across the country, the Reserve Bank of Australia has kept the official cash rate unchanged at the historic low of 2.00% in September 2015. With concerns of an over-heated Sydney residential market and to a lesser extent, in Melbourne, the Australian Prudential Regulatory Authority in late 2014 endorsed a reduced and more stringent lending target, aimed at taming the investor market. In the three months to July 2015, the value of investor housing finance was down 130 bps to 10.0% growth, whilst the value of owner occupier housing was up slightly by 30 bps, to grow by 1.8%.

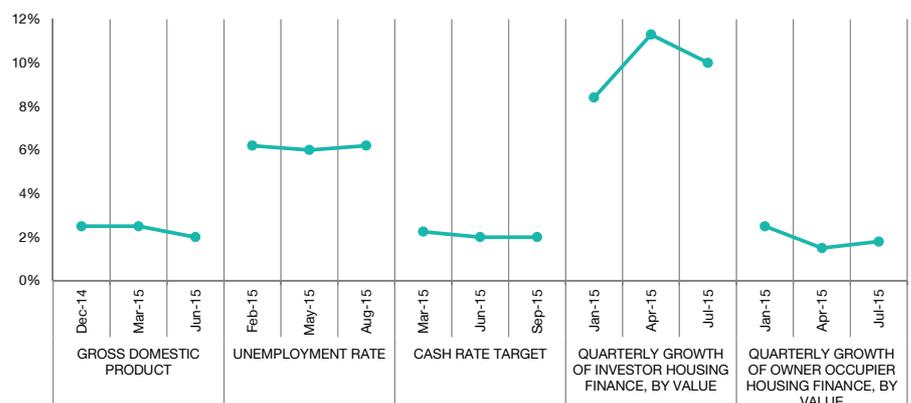
The lower Australian Dollar has encouraged foreign investment into new apartments, increasing this stock across the country. This is despite the Victorian government introducing a purchase fee of 3% on the purchase price in addition to an annual tax of 0.5% on the property

value for foreign owners who leave their property vacant for an extended time. Slated from 1 December 2015, but not yet legislated, the Australian government has confirmed it will proceed with an initial fee of at least \$5,000 for all foreigners purchasing into the Australian property market to cover administration costs, not to deter foreign investment. From 1 July 2015, the Significant Investment Visa (SIV) conditions were tightened for foreign investors but also the Premium Investor Visa (PIV) was launched to attract entrepreneurial skills and talents to Australia encouraging high net worth individuals with complying investments of \$15 million or more.

## Population, Employment & Supply Projection

Population growth has remained resilient in Australia over the past decade, primarily led by strong net overseas migration. In the year to June 2014, Greater Perth experienced the highest population growth at 2.5%, followed by Greater Melbourne at 2.2%. According to the Australian Bureau of Statistics (ABS), Melbourne's population is expected to grow the most, at approximately 2.0% per annum when projected out to 2021. Over the same time, for the other major cities, Greater Sydney is projected at 1.7% and Greater Brisbane at 1.2%.

FIGURE 1  
**National Key Economic Indicators**

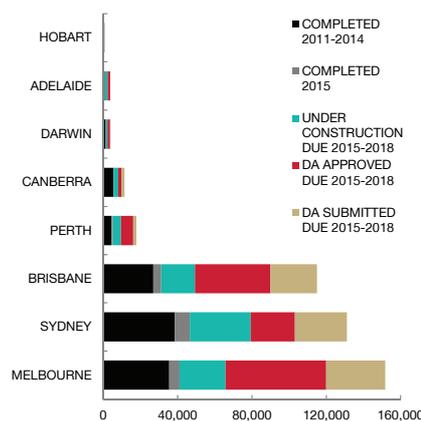


Source: Knight Frank Research, ABS, RBA

In August 2015, Australian unemployment rose slightly to record 6.2%. This is trending 70 bps above the five year average of 5.5% and is expected to hover around this rate over the next 12 months. The Department of Employment have projected employment growth, by SA4 ABS defined regions across Australia, over the five years to November 2019. In the capital cities, 'Sydney—City & Inner South' is projected to see the most growth in employment at 15.2%, followed by 'Brisbane-Inner City' (14.5%), 'Melbourne-West' (13.8%) and 'Perth-North West' (13.7%).

Since January 2011, 131,425 new apartments have been added to the Australian residential stock, led by Greater Sydney (46,490) and Greater Melbourne (41,045). In total, there are currently 85,240 apartments under construction in Australia, with another 129,425 with DA approval which have the potential to be on-line by the end of 2018. Apartment numbers could grow further when approval is granted for the

FIGURE 2  
**New Apartment Pipeline**  
Number of Apartments, August 2015



Includes projects 4+ storeys with 25+ apartments in complex

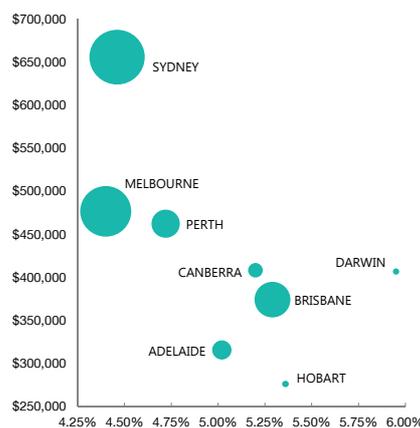
Source: Knight Frank Research

additional 88,550 apartments currently submitted in these cities. As determined by pre-sales, the market dictates when new apartment projects get underway, so for most local developers, there is a strong chance that these projects may be pushed beyond this timeframe.

## Capital Values, Sales Volumes & Rental Yields

Australian apartment capital values have averaged 6.6% annually since the start of 2014, with the last quarter to June 2015 recording an annual 6.1% growth to stand at \$462,000. Over the year to this time, 160,045 apartment sales were recorded, in line with the level a year ago, while gross rental yields fell 17 bps to 4.72% per annum.

FIGURE 3  
**Median Capital Values, Sales Volume & Annual Gross Rental Yields**  
Bubble Size Reflects Number of Annual Apartment Sales, June 2015



Source: Knight Frank Research, Residex

As shown in Figure 3, the greatest sales volume was recorded in Greater Sydney in the year to June 2015 with 44,818 apartment sales (down 2.9% in this time), followed by Greater Melbourne (up 8.0% with 37,993 sales) and Greater Brisbane (up 16.9% with 18,871 sales). Given sales volume is a leading indicator for capital growth, it is likely that further growth will be experienced in these markets, albeit at a slower pace. Over the past year to June 2015, strongest capital growth continues to be seen in Greater Sydney, at 15.4% to a median \$656,000 whilst at the opposite end of the range, Greater Darwin recorded a fall in values of 5.3% to \$407,000.

Despite negative growth in apartment capital values, Greater Darwin recorded the highest gross rental yield over the past year, at 5.95%, off the back of high

weekly median rents, whilst Greater Melbourne returns the weakest across Australia, at 4.40%.

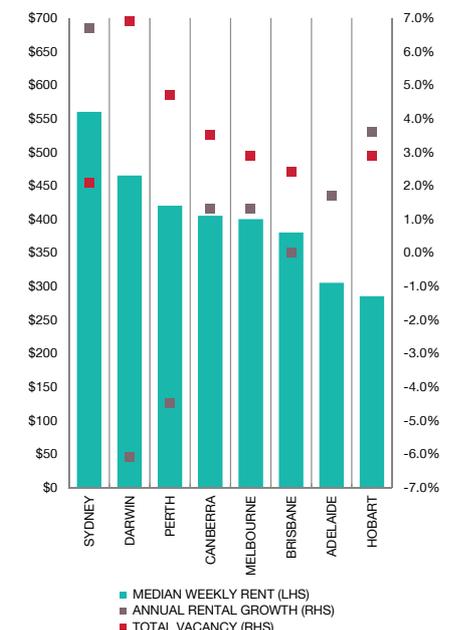
## Rents & Vacancy

Similar to the growth recorded in each capital city for median values, there has been a wide divergence in rental growth over the year to June 2015. Median rents have remained stable over this period to achieve a median \$410 per week in Australia, while total vacancy was recorded by REIA, in June 2015, at 2.9%.

Highest annual rental growth is still being experienced in Greater Sydney, at 6.7% over the year to June 2015, achieving \$560 per week, and although ranking in second place across Australia, Greater Darwin is expected to soon lose this position as rental growth fell significantly over this time to record -6.1%, whilst total vacancy was at 6.9% in June 2015.

Most indicators for the Greater Sydney apartment market are demonstrating that there is still room for growth in rents, given total vacancy is straddling 2.1% and despite relatively stable rents, total vacancy in Greater Brisbane, at 2.7%, is still below equilibrium.

FIGURE 4  
**Rents, Rental Growth & Vacancy**  
Median Weekly Rent (\$), Annual Rental Growth (%) and Total Vacancy (%), June 2015



Source: Knight Frank Research, Residex

# SYDNEY

The June quarter saw continued growth in capital values of 5.8%; with total growth of 15.4% year on year

Over the past year, 44,818 apartments were sold; falling by 2.9% to June 2015

Weekly rents rose by 6.7% in June to \$560 compared to one year ago

Gross rental yields currently average 4.46% across Greater Sydney

## Capital Values & Sales Volumes

Maintaining the highest capital value across Australia at \$656,000, Greater Sydney apartments continued to see considerable price growth of 5.8% in the second quarter of 2015. Annual capital growth was recorded at 15.4% to June, with median values increasing 34.8% since the last trough in December 2012 and 65.9% since the end of 2008. Although 44,818 apartments transacted, yearly sales turnover was down by 2.9% on the prior year, after reaching what appears to be a peak in the cycle.

## Rents & Vacancy

Standing at a median \$560 per week in June 2015, Greater Sydney apartment rents continue to gain strength—up 6.7% over the last year. On average, rents have grown 4.8% each year, since 2005.

Holding the tightest total vacancy across the country, Greater Sydney recorded 2.1% in June 2015; compressing from a peak of 3.1% in August 2012. The Middle (10-25km) and Outer (20km+) rings assisted in keeping vacancy down with 1.9% and 1.7% respectively. The Inner (0-10km) ring witnessed 2.6% vacancy—still below the 3% market equilibrium.

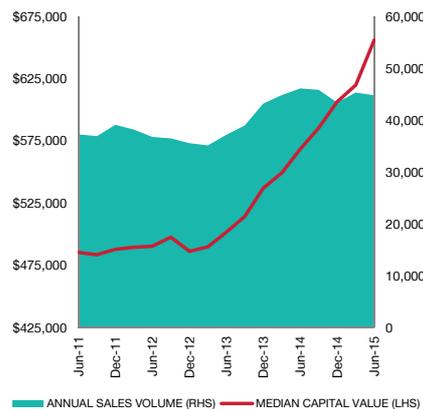
## Rental Yields

Median gross rental yields fell 35bps over the year to June quarter in 2015, with the last quarter alone contracting a substantial 16bps due to strong capital value growth.

## Outlook

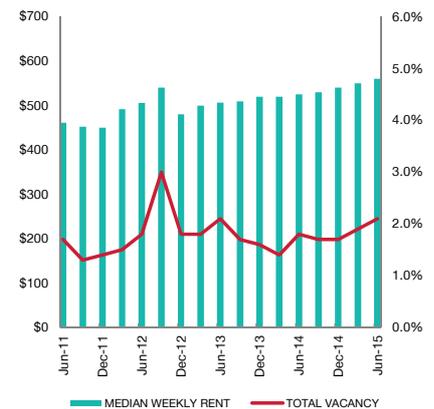
Gross rental yields will continue to compress over the next 12 months, although at a more modest pace, as the gap between capital value growth and rental growth narrows. Annual sales volume will continue to ease but remain elevated when compared to two years ago.

FIGURE 5  
Apartment Values & Sales Volume Greater Sydney



Source: Knight Frank Research, Residex

FIGURE 6  
Apartment Rents & Total Vacancy Greater Sydney



Source: Knight Frank Research, Residex, REINSW

TABLE 1  
Apartment Key Indicators, June Quarter 2015

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)	Gross Rental Yield (% p.a)
Sydney*	767,000	7.0	16.3	527	770	5.45#
CBD & South^	800,500	5.6	16.2	12,937	680	4.44
North^	771,500	6.4	14.1	8,135	635	4.31
North West^	608,500	6.3	17.0	10,450	515	4.41
South West^	553,000	6.5	16.7	10,657	470	4.45
Far West^	356,000	6.3	15.2	4,041	365	5.32
Greater Sydney	656,000	5.8	15.4	44,818	560	4.46
Australia	462,000	2.8	6.1	160,045	410	4.72

Source: Knight Frank Research, Residex

\*Denotes Select Suburbs Only

#Annual Average

^Denotes Residential Region (see back page)

# MELBOURNE

**Annual capital growth was recorded at 3.2%** to June 2015; while the last quarter rose by 1.6%

**Sales volume increased 8.0%** over the past year to 37,993 apartments

**Rents increased by 1.3%** to \$400 per week over the past 12 months to June 2015

**Gross rental yields** in Greater Melbourne **currently average 4.40%**, to become the lowest in the country

## Rents & Vacancy

Weekly apartment rents in Greater Melbourne rose 1.3% to \$400 over the past year. A rolling 6 month average of 2.9% was recorded in the total vacancy in June, after oscillating around the 3.0% market equilibrium over the past five years. Rents have sustained an upward trend during this time, growing on average 2.6% per annum. Total vacancy was mixed in Melbourne, with the Inner (0-10km) ring standing at 2.8%, the Middle (10-20km) ring standing at 3.3% and the Outer (20km+) ring recording 2.2% during the June quarter.

## Rental Yields

In the June quarter 2015, rental yields were recorded at 4.40%, the lowest in the country. Gross rental yields have averaged 4.45% across Greater Melbourne area over the past 10 years.

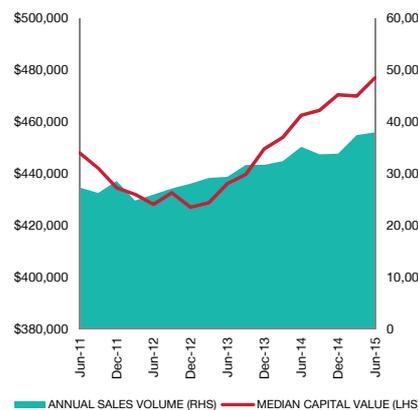
## Outlook

As sales volume continues to rise, Melbourne capital values are expected to follow, although at a more modest rate of growth than Sydney. Sustained population growth will aid vacancy, although we see this moving above equilibrium in the next 12 months.

## Capital Values & Sales Volumes

In the second quarter of 2015, median capital values of Greater Melbourne were up 1.6% at \$477,000; an improvement on the 0.1% decline recorded in the first quarter of 2015. Over the past two years to June 2015, apartments have experienced growth of 9.4%, although only 3.2% growth was recorded in the last 12 months. After a lull in late 2014, sales volume has picked up, with 37,993 apartments sold over the year to June 2015, up 8.0% on the prior year.

FIGURE 7  
Apartment Values & Sales Volume Greater Melbourne



Source: Knight Frank Research, Residex

FIGURE 8  
Apartment Rents & Total Vacancy Greater Melbourne



Source: Knight Frank Research, Residex, REIV. ^rolling 6-mth average

TABLE 2  
Apartment Key Indicators, June Quarter 2015

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)	Gross Rental Yield (% p.a)
Melbourne*	459,500	2.7	4.1	4,264	480	5.52#
CBD & Inner/North West^	435,000	1.8	3.1	17,354	400	4.81
North East^	524,500	2.5	6.6	7,076	405	4.01
South East^	483,500	2.6	5.4	7,279	395	4.27
Bayside & Frankston^	498,000	0.0	0.8	7,026	405	4.25
Greater Melbourne	477,000	1.6	3.2	37,993	400	4.40
Geelong*	449,500	-0.9	5.9	69	390	4.50#
Australia	462,000	2.8	6.1	160,045	410	4.72

Source: Knight Frank Research, Residex

\*Denotes Select Suburbs Only

#Annual Average

^Denotes Residential Region (see back page)

# BRISBANE

**Annual capital growth was recorded at 3.1%** with capital values rising 1.1% over the past quarter alone

**Sales volume was up 16.9%** over the past year to June, to 18,871 apartments

**Rents have remained stable** over the last 12 months, at \$380 per week

Across Greater Brisbane, **gross rental yields currently average 5.29%**

## Capital Values & Sales Volumes

In the June 2015 quarter, Greater Brisbane apartment values witnessed growth of 1.1% to \$374,500, with total annual growth of 3.1%. Continued strong sales volume has pushed up capital values, with a total 18,871 apartments transacting over the past year, 16.9% more than the year to June 2014—and increasing almost 59% over the past three years.

## Rents & Vacancy

Over the year to June 2015, Greater Brisbane apartment weekly rents remained steady at \$380; weaker than the average annual growth of 3.9% over the last decade. Rents have remained stable for quite some time, growing only 2.3% since September quarter 2012. Brisbane has remained below 3% vacancy over the past five years, recording 2.4% in the June 2015 quarter, on par with the long term, 10 year average. This was pushed up slightly by higher vacancies in the post-GFC period.

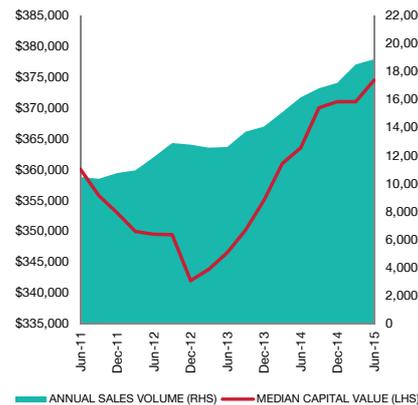
## Rental Yields

Across Greater Brisbane, gross rental yields have fallen 14bps to 5.29% over the year to June quarter 2015, whilst the gross rental yield reaches as high as 6.16% in the suburb of Brisbane.

## Outlook

As vacancy continues to trend below equilibrium, we would expect rents to climb, however we are currently witnessing stabilising rents, so as more stock comes on line, we expect both rents and vacancy to be further impacted over the next 12 months.

FIGURE 9  
Apartment Values & Sales Volume Greater Brisbane



Source: Knight Frank Research, Residex

FIGURE 10  
Apartment Rents & Total Vacancy Greater Brisbane



Source: Knight Frank Research, Residex, REIQ

TABLE 3  
Apartment Key Indicators, June Quarter 2015

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)	Gross Rental Yield (% p.a)
Brisbane*	479,500	1.4	0.4	546	570	6.16#
CBD & North^	417,000	0.6	3.1	9,791	405	5.06
South^	348,500	0.6	2.2	7,412	375	5.63
Greater Brisbane	374,500	1.1	3.1	18,871	380	5.29
Cairns*	358,500	-2.3	-3.7	95	415	5.92#
Gold Coast^	351,000	0.6	2.3	7,598	390	5.77
Noosa Heads*	583,000	-3.5	0.1	269	590	5.28#
Rockhampton*	476,500	-2.5	-5.6	516	450	5.38#
Townsville*	399,500	-2.7	-3.9	104	425	5.67#
Australia	462,000	2.8	6.1	160,045	410	4.72

Source: Knight Frank Research, Residex

\*Denotes Select Suburbs Only

#Annual Average

^Denotes Residential Region (see back page)

# PERTH

**Capital growth over the year to June was recorded at 0.2%**; with growth up 3.7% in the last quarter

**Annual apartment sales of 11,774 was down 10.3%** in June when compared to the prior year

**Weekly rents currently average \$420**; down from \$440 the year before in June

**Gross rental yields in Greater Perth area currently average 4.72%**

## Rents & Vacancy

Greater Perth median rents declined by 4.5% in the year to June 2015, to record \$420 a week. This is up 16.2% from the trough of September 2011, and well above the 10 year average of just over \$350 a week.

Total vacancy currently trends 170bps above market equilibrium, at 4.7% for the Greater Perth area. This level was last experienced in 2009. Total vacancy has averaged 2.8% since 2005; with a peak of 4.7% in December 2009 after coming off a low of 0.8% recorded in March 2007.

## Rental Yields

Gross rental yields have fallen 28bps over the past quarter with Greater Perth averaging 4.72%, as capital values . Higher yields are still being achieved in pockets of the market, including suburbs such as Perth (5.43%) and East Perth (5.31%).

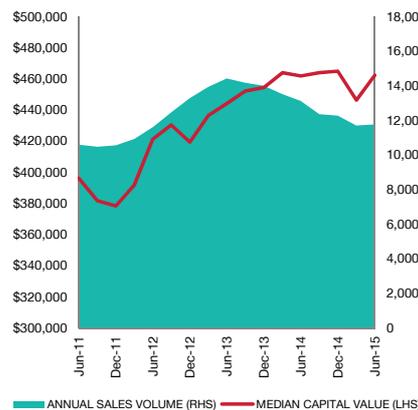
## Outlook

After a long period of strong growth in capital values and sales volume, the market is expected to stabilise over the next 12 months, with interest likely to pick up from investors unable to achieve similar rental returns in the Sydney and Melbourne markets.

## Capital Values & Sales Volumes

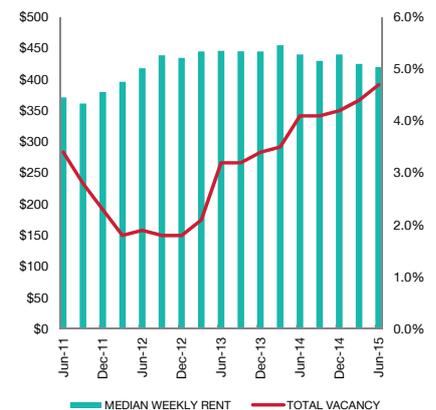
Median capital values for Greater Perth apartments were recorded at \$462,500 in June 2015, rising 3.7% on the previous quarter and growing more than the annual total (0.2%) experienced over the 12 months to June quarter. Over the past 10 years, an average annual 6.1% growth was recorded in Greater Perth. After strong growth in the lead up to the peak in sales volume of 14,789, in December 2013, sales turnover has achieved a more sustainable 11,774 in June 2015.

FIGURE 11  
Apartment Values & Sales Volume Greater Perth



Source: Knight Frank Research, Residex

FIGURE 12  
Apartment Rents & Total Vacancy Greater Perth



Source: Knight Frank Research, Residex, REIWA

TABLE 4  
Apartment Key Indicators, June Quarter 2015

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)	Gross Rental Yield (% p.a)
Perth*	511,000	0.2	-4.6	269	520	5.43#
East Perth*	551,500	1.8	-3.1	355	540	5.31#
North Perth*	601,000	0.7	0.6	72	505	4.64#
South Perth*	574,500	0.4	0.7	241	490	4.67#
Subiaco*	640,000	3.2	2.0	105	555	4.62#
Fremantle*	589,000	1.8	-1.5	140	505	4.58#
Greater Perth	462,500	3.7	0.2	11,774	420	4.72
Australia	462,000	2.8	6.1	160,045	410	4.72

Source: Knight Frank Research, Residex

\*Denotes Select Suburbs Only

#Annual Average

# ADELAIDE

The June quarter recorded marginal capital growth of 0.4%; with annual growth also achieving modest growth of 1.4%

Sales turnover grew 12.4% over the past year to June to 5,429 apartments

Rents increased 1.7% in the year to June, to \$305 per week

Gross rental yields currently return 5.02% across Greater Adelaide

## Capital Values & Sales Volumes

Greater Adelaide apartment values have increased marginally at 0.4% growth over the last quarter to June 2015, to stand with a median capital value of \$316,000. Over the past 12 months, apartment capital values recorded a total 1.4% growth in the capital city. Sales turnover increased by a substantial 12.4% over the past year to 5,429 apartments. This was the highest recorded by a capital city in Australia, with growth higher than that experienced in both Sydney and Melbourne combined.

## Rents & Vacancy

Greater Adelaide apartment rents rose 1.7% to \$305 per week over the year to June 2015. The suburb of Adelaide achieves considerably more, at \$415 per week. With the exception of Hobart, Greater Adelaide currently achieves the lowest rent across the country.

The last recorded vacancy in Greater Adelaide reported by the REIA was at December 2014, which was down to 2.8% from 3.1% at the close of 2013. This followed a vacancy peak of 3.9% in June 2012, after averaging 1.8% vacancy in the five years prior.

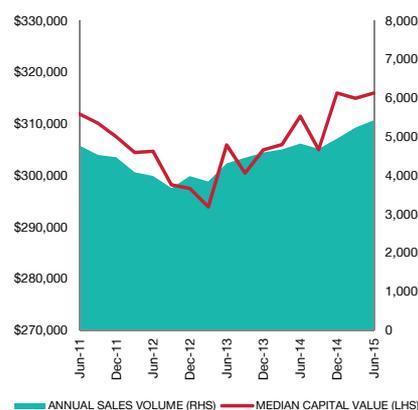
## Rental Yields

Greater Adelaide gross rental yields have remained above 5.00% over the past two years. As capital values strengthen, gross rental yields have fallen 16bps in Greater Adelaide over the last quarter to a median 5.02%.

## Outlook

Despite relatively stable rental growth, sales volume continues to pick up in Adelaide. This momentum is likely to have a similar impact on values and are expected to strengthen over the next 12 months.

FIGURE 13  
Apartment Values & Sales Volume  
Greater Adelaide



Source: Knight Frank Research, Residex

FIGURE 14  
Apartment Rents & Rental Yields  
Greater Adelaide



Source: Knight Frank Research, Residex, REIA

TABLE 5  
Apartment Key Indicators, June Quarter 2015

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)	Gross Rental Yield (% p.a)
Adelaide*	374,000	3.0	3.3	479	415	5.95#
CBD & Inner^	343,000	0.7	0.9	3,580	320	4.90
Outer^	263,000	0.1	1.2	1,866	270	5.39
North Adelaide*	428,000	0.4	2.4	93	390	4.79#
Glenelg*	439,500	3.0	2.1	158	420	5.18#
Greater Adelaide	316,000	0.4	1.4	5,429	305	5.02
Mt Gambier*	174,000	-0.3	-1.8	85	180	5.44#
Australia	462,000	2.8	6.1	160,045	410	4.72

Source: Knight Frank Research, Residex

\*Denotes Select Suburbs Only

#Annual Average

^Denotes Residential Region (see back page)

# CANBERRA

**Capital values grew 1.1% over the year to June 2015;** with growth strengthening over the last quarter at 2.1%

**Sales volume decreased 10.6% over the past year** to 3,150 apartments transacting

**Weekly rents average \$405** in June; up from \$400 one year ago

**Gross rental yields currently average 5.20%** across the Australian Capital Territory

## Capital Values & Sales Volumes

After values rose marginally (1.1%) since June 2014, in the second quarter of 2015, ACT apartment values strengthened 2.1% to stand at \$408,500—more than growth experienced in Melbourne over the same time. However, this could be short-lived as the total number of annual apartment sales transacted has reduced significantly, from 3,524 in the June quarter of 2014 to 3,150 in June quarter in 2015. However, the annual sales volume is trending close to the 10 year annual average of 3,229 apartments.

## Rents & Vacancy

Rents grew marginally in the ACT, with apartments recording a rise of 1.3% across the year to June 2015, to record a median of \$405 per week. This has remained stable since the fourth quarter of 2014, but down from the peak of \$460 per week, 3 years ago. Canberra City grew by 3.3% in the quarter to achieve \$470 per week whilst Gungahlin saw modest growth of 1.4% to a median \$350 per week.

Total vacancy in the ACT was 3.5% as at June 2015. This had fallen from a height of 5.2% in December 2013, and has compressed 70bps from June 12 months ago.

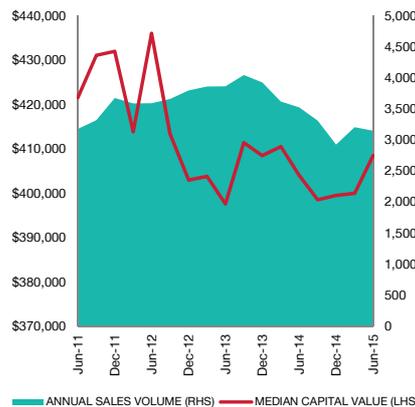
## Rental Yields

Gross rental yields across the territory have fallen to 5.20% as rents underperformed capital values, and have moved erratically for the most part of 10 years reflecting the volatile Canberra apartment market.

## Outlook

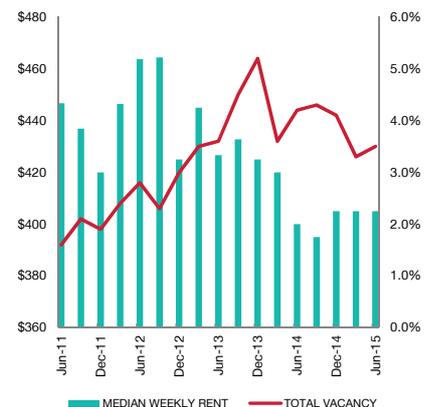
The strong quarterly capital value growth of June 2015 was a welcome boost to Canberra’s apartment market. A lowered sales volume and higher vacancy rate over the past quarter indicates that the market still has some repairing to do before we see a resurgence across all indicators.

FIGURE 15  
Apartment Values & Sales Volume  
Australian Capital Territory



Source: Knight Frank Research, Residex

FIGURE 16  
Apartment Rents & Total Vacancy  
Australian Capital Territory



Source: Knight Frank Research, Residex, REIA

TABLE 6  
Apartment Key Indicators, June Quarter 2015

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)	Gross Rental Yield (% p.a)
Canberra City*	460,500	2.6	1.2	73	470	5.37#
Braddon*	422,000	0.5	0.9	229	420	5.28#
Belconnen*	364,000	1.0	-2.5	249	360	5.20#
Deakin*	767,500	3.9	7.2	20	665	4.57#
Kingston, ACT*	498,500	3.3	3.3	220	495	5.21#
Gungahlin*	338,500	1.3	1.0	34	350	5.31#
Australian Capital Territory	408,500	2.1	1.1	3,150	405	5.20
Australia	462,000	2.8	6.1	160,045	410	4.72

Source: Knight Frank Research, Residex

\*Denotes Select Suburbs Only

#Annual Average

# HOBART

**Annual capital growth was recorded at 5.9% to June 2015;** with last quarter growth at 1.6%

**Over the past year, the number of apartments transacted fell 4.3%** with a total 647 sold

**Rents currently stand at \$285 per week in June, rising by 3.6%** compared to 12 months ago

Across Greater Hobart, **gross rental yields currently average 5.36%**

## Capital Values & Sales Volumes

A total of 647 apartments were sold in the year to June 2015; an annual decrease of 4.3%. However, sales in the June quarter grew by 5.2%, almost reaching the levels experienced in the recent peak of June 2014. Over the same time, apartment values rose 5.9% to a median \$276,500, with the last quarter recording a growth rate of 1.6%. This annual growth was the second largest annual figure recorded since June 2010. Despite the overall quarterly growth in Greater Hobart, the suburb of Hobart recorded -2.6% growth.

## Rents & Vacancy

Greater Hobart rents have averaged \$250 per week over the past 10 years, while vacancy has averaged circa 2.9%. Over the year to June 2015, rents for Greater Hobart apartments rose 3.6% to stand at a median \$285 per week. This volatile rental market is 7.9% higher than that recorded in June 2013.

Conversely, vacancy has contracted from 3.9% to 2.9% over the year to June 2015, after a peak of 5.0% in September 2012. The suburbs of Hobart and prestigious suburb of Battery Point achieve median weekly rents of \$430.

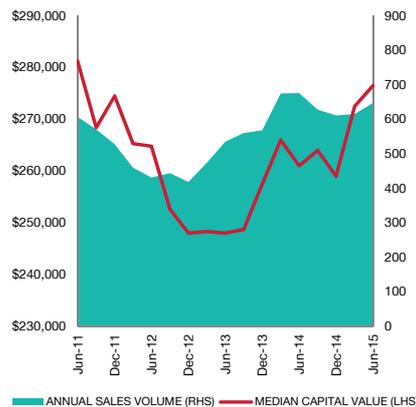
## Rental Yields

Gross rental yields across Greater Hobart have increased 1bps on the previous quarter. Apartment yields now average 5.36%, well above the Australian average of 4.72%.

## Outlook

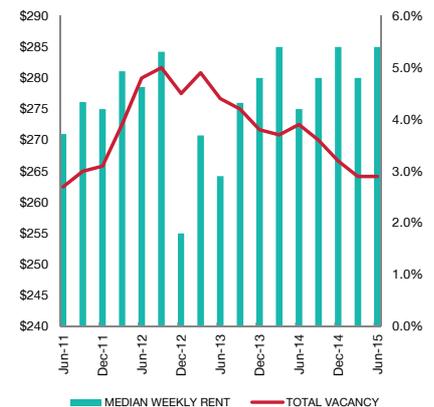
Capital values have strengthened considerably over the past year, aligning with the sustained decline of vacancy, now reaching market equilibrium. The next 12 months is likely to see continued growth in capital values with an upswing in sales volumes.

FIGURE 17  
Apartment Values & Sales Volume  
Greater Hobart



Source: Knight Frank Research, Residex

FIGURE 18  
Apartment Rents & Total Vacancy  
Greater Hobart



Source: Knight Frank Research, Residex, REIA

TABLE 7  
Apartment Key Indicators, June Quarter 2015

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)	Gross Rental Yield (% p.a)
Hobart*	484,500	-2.6	1.4	33	430	4.72#
Battery Point*	469,000	-0.2	-0.9	18	430	4.73#
Kingston, Tas*	276,000	-2.8	3.2	42	300	5.75#
Greater Hobart	276,500	1.6	5.9	647	285	5.36
Launceston*	266,500	3.3	12.1	23	315	6.50#
Devonport*	197,000	0.5	-1.1	40	220	5.99#
Burnie*	160,500	-2.1	-5.6	3	195	6.14#
Australia	462,000	2.8	6.1	160,045	410	4.72

Source: Knight Frank Research, Residex

\*Denotes Select Suburbs Only

#Annual Average

# DARWIN

**Capital values decreased 2.3%** in the June quarter of 2015 and 5.3% over the year to June

**Annual apartment sales of 594 was down 30.4%** when compared to the year earlier

**Weekly rents averaged \$465 in June;** softer than the \$495 witnessed in June 2014

**Gross rental yields** in Greater Darwin currently average **5.95%**, the highest in the country

## Capital Values & Sales Volumes

In the June 2015 quarter, median values for Darwin apartments fell 2.3% to \$407,000, and 5.3% over the past year. Capital values have steadily decreased since September 2014, a total decline of 6.0% recorded since this period. Yearly apartment sales to June 2015 are currently totalling just over one third of that experienced in Greater Darwin a decade ago; with 594 sold over the year to June 2015 with 147 being in the last quarter.

## Rents & Vacancy

Greater Darwin apartment rents have weakened over the past year to June 2015 to \$465 per week, falling 6.1%, and down 4.1% over the June quarter alone. Despite this, Greater Darwin holds the second highest apartment rents across Australia. Rents in the suburb of Darwin achieve significantly higher rates at \$635 per week. Total vacancy in Greater Darwin as at June 2015 was recorded at 6.9%. Vacancy has steadily climbed since recording 2.4% in June 2013. This is significantly higher than market equilibrium, at 3%, with rents likely to continue to be impacted as a result.

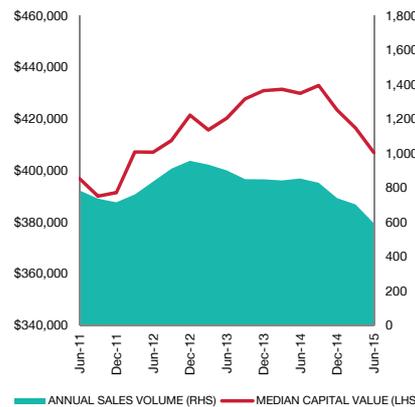
## Rental Yields

Gross rental yields currently average 5.95% across Greater Darwin—the highest return in the country. The combination of falling capital values, as well as relatively high rents, has resulted in higher yields recorded.

## Outlook

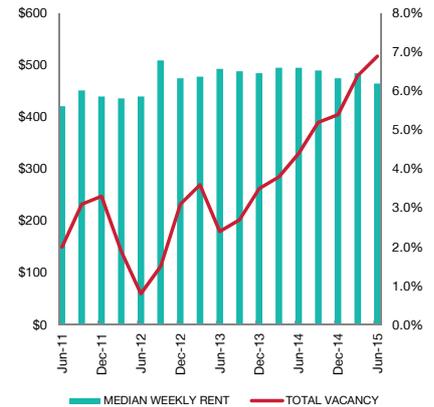
Capital values in Darwin will continue to fall, shadowing the decline in annual sales volume. Vacancy is expected to rise as further mining activities ease, in turn, impacting any growth in weekly rents.

FIGURE 19  
Apartment Values & Sales Volume Greater Darwin



Source: Knight Frank Research, Residex

FIGURE 20  
Apartment Rents & Total Vacancy Greater Darwin



Source: Knight Frank Research, Residex, REIA

TABLE 8  
Apartment Key Indicators, June Quarter 2015

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)	Gross Rental Yield (% p.a)
Darwin*	524,000	-2.1	-4.8	17	635	6.39#
Larrakeyah*	452,500	0.8	-1.6	65	525	6.08#
Stuart Park*	474,500	-3.3	-5.3	60	520	5.85#
Fannie Bay*	524,500	1.2	2.3	30	585	5.74#
Coconut Grove*	413,500	-2.9	-3.6	36	455	5.73#
Nightcliff*	362,500	-0.4	-1.9	38	415	5.95#
Greater Darwin	407,000	-2.3	-5.3	594	465	5.95
Australia	462,000	2.8	6.1	160,045	410	4.72

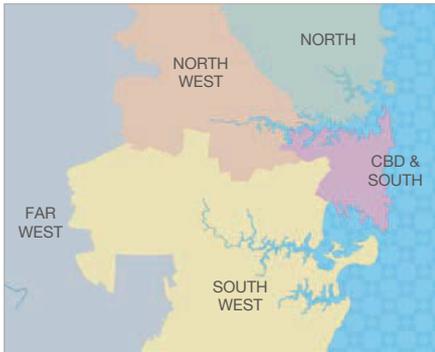
Source: Knight Frank Research, Residex

\*Denotes Select Suburbs Only

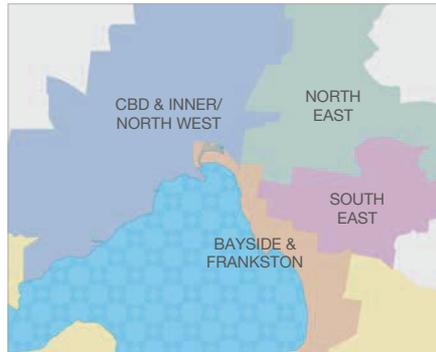
#Annual Average



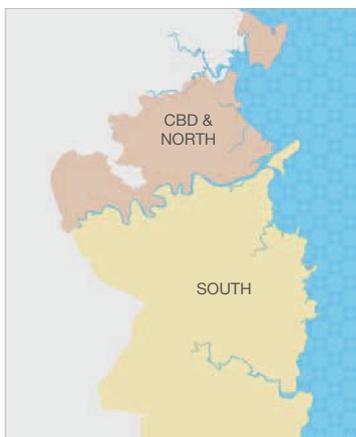
# RESIDENTIAL REGION MAPS



GREATER SYDNEY



GREATER MELBOURNE



GREATER BRISBANE



GREATER ADELAIDE

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