

# MELBOURNE RESIDENTIAL MARKET UPDATE

## MELBOURNE ENDURES SOLID CAPITAL AND RENTAL GROWTH

Not being overshadowed by Sydney’s headlining residential market, last month Melbourne achieved the strongest median capital value growth across the capitals for both houses and apartments. As values rose, so too did rents, with total vacancy continuing to straddle equilibrium as building approvals continue to trend upwards.

### Key facts May 2015

**Capital growth** for houses in the last month was up 2.3% (8.6% year on year); while apartments witnessed growth of 1.1% (3.5% year on year)

**Sales volume** was up 13.8% for houses and up 15.5% for apartments year on year to March

Annual **rental growth** for houses was recorded at 3.4% for houses and 2.6% for apartments over the year to March

Gross **rental yields** currently average 3.54% for houses and 4.45% for apartments

- The cash rate fell 25 basis points in May to 2.00% - a new historic low. The standard variable rate currently stands at circa 5.40% and the 3-year fixed mortgage rate at circa 4.50%.
- Population growth is set to continue for the Melbourne metropolitan area, with an annual rate of 2.0% projected out to 2021. This will be led by net overseas migration.
- The unemployment rate as at April 2015 stands at 6.0% for the metropolitan region (SA4), trending below the 6.4% rate of April 2014.
- Building approvals in the three months to March, totalled 7,964 houses and 7,869 apartments approved in the Melbourne metropolitan area. This is trending 7.7% higher for houses and 55.0% higher for apartment approvals compared to the same period in 2014.
- Sales transacted in the twelve months to March tallied 48,991 houses (up 13.8% on previous year) and 37,439 apartments (up 15.5% over the prior year).
- House values continue to gain pace, rising 2.3% in the last month (total 8.6% over the last year) to a median \$672,500 as apartments followed suit increasing 1.1% over the month (total 3.5% over the year) to record a median of \$470,000.
- Rental growth was recorded at 3.4% for houses and 2.6% for apartments over the year to March. Weekly median rents are currently achieving \$455 for houses and \$400 for apartments.
- Average rolling six month total vacancy was last recorded at 3.0% in April 2015 for metropolitan Melbourne; with 3.4% for the CBD ring (0-4km), 2.6% for the inner ring (4-10km), 3.6% for the middle ring (10-20km) and 2.3% for the outer ring (20km+).
- Gross rental yields across the metropolitan area have remained stable off the back of similar capital value and rental growth to stand at 3.54% for houses and 4.45% for apartments.

FIGURE 1  
Melbourne Capital Value Growth  
12-month rolling

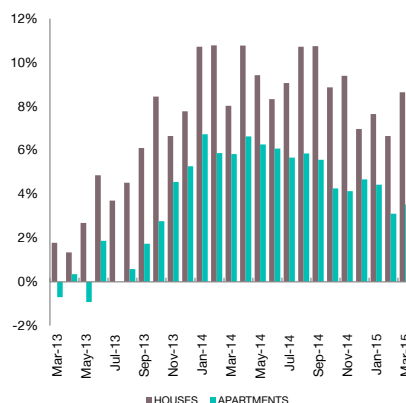
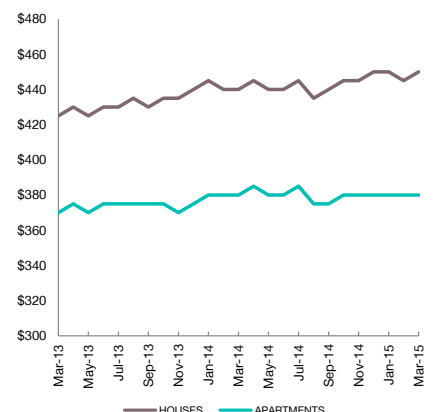


FIGURE 2  
Melbourne Rents  
Median, weekly



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Source: Knight Frank Residential Research, Residex, Department of Transport, Planning and Land Infrastructure, RBA, ABS, REIV



## Knight Frank House Price Index, Melbourne Mainstream

	KF House Price Index January 2000=100	12-month % change	6-month % change	3-month % change	Monthly % change
Mar-14	304	8.0%	4.7%	1.5%	0.4%
Apr-14	308	10.8%	4.0%	2.1%	1.4%
May-14	308	9.4%	4.3%	1.8%	0.0%
Jun-14	310	8.3%	3.4%	1.9%	0.6%
Jul-14	308	9.1%	1.9%	-0.2%	-0.8%
Aug-14	315	10.7%	3.9%	2.1%	2.3%
Sep-14	322	10.7%	5.7%	3.7%	2.2%
Oct-14	323	8.9%	4.7%	5.0%	0.4%
Nov-14	323	9.4%	4.9%	2.7%	0.2%
Dec-14	321	7.0%	3.4%	-0.3%	-0.8%
Jan-15	325	7.6%	5.7%	0.7%	1.4%
Feb-15	323	6.7%	2.7%	-0.1%	-0.6%
Mar-15	<b>330</b>	<b>8.6%</b>	<b>2.8%</b>	<b>3.1%</b>	<b>2.3%</b>

Source: Knight Frank Residential Research, Residex

## Knight Frank Apartment Price Index, Melbourne Mainstream

	KF Apartment Price Index January 2000=100	12-month % change	6-month % change	3-month % change	Monthly % change
Mar-14	280	5.8%	3.2%	1.0%	0.7%
Apr-14	283	6.6%	2.7%	1.4%	1.0%
May-14	283	6.3%	2.3%	1.6%	-0.1%
Jun-14	285	6.1%	2.9%	1.9%	1.0%
Jul-14	282	5.7%	1.1%	-0.3%	-1.2%
Aug-14	285	5.8%	2.3%	0.8%	1.0%
Sep-14	287	5.6%	2.3%	0.4%	0.7%
Oct-14	287	4.3%	1.5%	1.9%	0.2%
Nov-14	288	4.1%	1.7%	1.0%	0.1%
Dec-14	290	4.7%	1.7%	1.3%	1.0%
Jan-15	291	4.4%	3.3%	1.4%	0.3%
Feb-15	287	3.1%	0.8%	-0.2%	-1.5%
Mar-15	<b>290</b>	<b>3.5%</b>	<b>1.2%</b>	<b>-0.1%</b>	<b>1.1%</b>

Source: Knight Frank Residential Research, Residex

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