

SALES TURNOVER CONTINUES TO STRENGTHEN IN GREATER MELBOURNE

Capital value growth is trending somewhat similarly to what was recorded this time last year, off the back of elevated sales volumes and building approvals for both apartments and houses; while gross rental yields compress.

October 2015

Key facts

Capital growth for houses in the last month was up 2.5% (up 9.3% YoY); while apartments remained stable (up 5.2% YoY)

Sales volumes were up 15.3% for houses and up 12.6% for apartments YoY to August

Annual **rental growth** was recorded at 2.3% for houses and 2.5% for apartments over the year to August

Gross **rental yields** currently average 3.35% for houses and 4.33% for apartments

- The cash rate remained stable at 2.00% in October after falling 25 basis points in May, to an all-time historic low.
- Greater Melbourne experienced 2.2% population growth in the year to June 2014, led by the Cranbourne East SA2 (24.1%), with the largest increase in the number of people being in South Morang (4,235 persons).
- Strong annual population growth is projected out to 2021 at 2.0% for the Greater Melbourne region.
- Unemployment as at August 2015 stood at 5.8% for Greater Melbourne (SA4), trending below the 6.9% recorded in August 2014.
- Building approvals in the three months to August totalled 6,387 houses and 7,017 apartments approved in Greater Melbourne. This is trending 8.6% higher for houses and 8.7% higher for apartment approvals compared to the same period in 2014.
- Sales transacted in the year to August tallied 51,015 houses (up 15.3% on previous year) and 39,706 apartments (up 12.6% on the prior year).
- House values rose by 2.5% in the month of August (growth of 9.3% over the last year) to a median of \$700,000 while apartment values remained stable over the month (growth of 5.2% over the year) to record a median of \$485,500.
- Over the year to August, rental growth was recorded at 2.3% for houses and 2.5% for apartments. Weekly median rents are currently achieving \$450 for houses and \$405 for apartments.
- Average rolling six month total vacancy was last recorded at 2.9% in June 2015 for Greater Melbourne; with 3.4% for the CBD ring (0-4km), 2.7% for the inner ring (4-10km), 3.3% for the middle ring (10-20km) and 2.2% for the outer ring (20km+).
- In August 2015, gross rental yields across Greater Melbourne area compressed 23bps (to 3.35%) for houses and 12bps (to 4.33%) for apartments compared to the previous year.

FIGURE 1
Greater Melbourne Capital Growth
12-month rolling

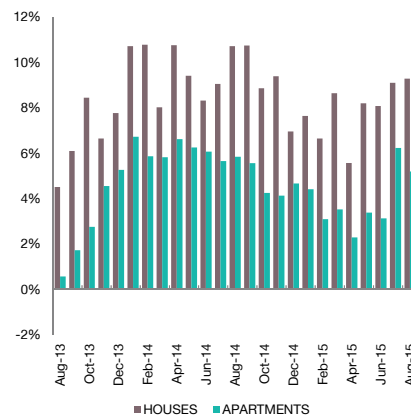
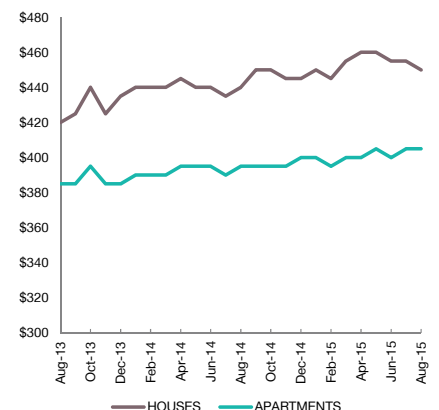


FIGURE 2
Greater Melbourne Rents
Median, weekly



Source: Knight Frank Research, Residex, Dept of Transport, Planning & Land Infrastructure, RBA, ABS, REIV



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Knight Frank House Price Index, Greater Melbourne Mainstream

	KF House Price Index January 2000=100	12-month % change	6-month % change	3-month % change	Monthly % change
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	330	8.6%	2.8%	3.1%	2.3%
Apr-15	326	5.6%	0.8%	0.2%	-1.5%
May-15	334	8.2%	3.2%	3.3%	2.5%
Jun-15	335	8.1%	4.5%	1.4%	0.4%
Jul-15	336	9.1%	3.3%	3.1%	0.1%
Aug-15	344	9.3%	6.5%	3.1%	2.5%

Source: Knight Frank Research, Residex

Knight Frank Apartment Price Index, Greater Melbourne Mainstream

	KF Apartment Price Index January 2000=100	12-month % change	6-month % change	3-month % change	Monthly % change
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	290	3.5%	1.2%	-0.1%	1.1%
Apr-15	290	2.3%	0.8%	-0.6%	-0.2%
May-15	292	3.4%	1.6%	1.8%	1.0%
Jun-15	294	3.1%	1.4%	1.5%	0.7%
Jul-15	300	6.2%	2.9%	3.5%	1.8%
Aug-15	300	5.2%	4.4%	2.5%	0.0%

Source: Knight Frank Research, Residex

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