RESIDENTIAL RESEARCH

MELBOURNE RESIDENTIAL MARKET UPDATE

APARTMENT SALES TURNOVER PICKS UP THE PACE IN GREATER MELBOURNE

Off the back of elevated sales volume for both apartments and houses; capital values are trending similar growth once again as was recorded this time last year, although gross rental yields have felt the pinch.

Key facts September 2015

Capital growth for houses in the last month was up 0.1% (up 9.1% YoY); while apartments rose by 1.8% (up 6.2% YoY)

Sales volume was up 13.7% for houses and up 10.4% for apartments YoY to July

Annual **rental growth** was recorded at 4.6% for houses and 3.8% for apartments over the year to July

Gross **rental yields** currently average 3.48% for houses and 4.36% for apartments

- The cash rate remained stable at 2.00% in September 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 July totalled 6,128 houses and 8,313 apartments approved in Greater Melbourne. This is trending 4.1% higher for houses and 55.4% higher for apartment approvals compared to the same period in 2014.
- Sales transacted in the year to July tallied 50,190 houses (up 13.7% on previous year) and 39,195 apartments (up 10.4% on the prior year).
- House values rose by 0.1% in the month of July (growth of 9.1% over the last year) to a median of $683,000 while apartment values rose 1.8% over the month (growth of 6.2% over the year) to record a median of $477,000.
- Over the year to July, rental growth was recorded at 4.6% for houses and 3.8% for apartments. Weekly median rents are currently achieving $455 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 July 2015, gross rental yields across Greater Melbourne area compressed 17bps (to 3.48%) for houses and 11bps (to 4.36%) for apartments compared to the previous year.

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FIGURE 1

Greater Melbourne Capital Growth

12-month rolling

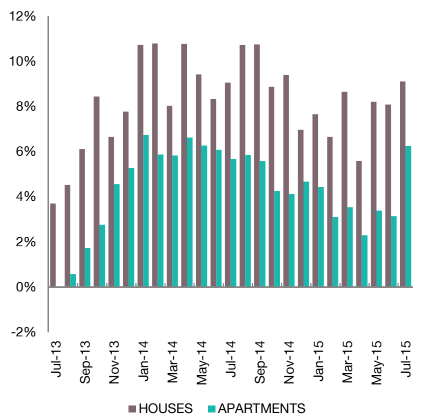
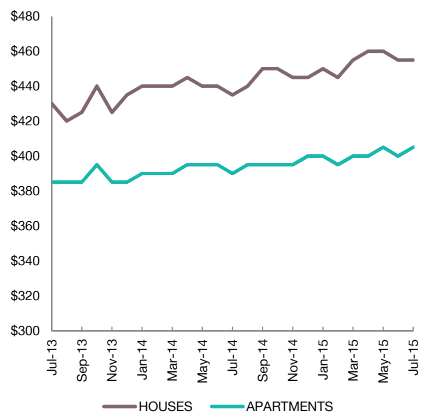


FIGURE 2

Greater Melbourne Rents

Median, weekly



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

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
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	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%**

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
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	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%**

Source: Knight Frank Research, Residex

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