RESIDENTIAL RESEARCH

MELBOURNE RESIDENTIAL MARKET UPDATE

RISE IN VALUES EXPECTED AS ANNUAL SALES GROWTH REACHES DOUBLE-DIGITS

Greater Melbourne capital values continue to rise in September as positive growth is once again recorded for sales turnover, signs of a strengthening market. As growth in values currently overtakes the growth in rentals, gross rental yields are beginning to tighten.

Key facts November 2015

Capital growth for houses in the month of September was up 2.6% (up 9.7% YoY); while apartments witnessed monthly growth of 0.8% (up 5.4% YoY)

Sales volumes were up 14.7% for houses and up 11.0% for apartments YoY to September

Annual **rental growth** was recorded at 1.1% for houses and 2.5% for apartments over the year to September

Gross **rental yields** currently average 3.30% for houses and 4.34% for apartments

- The cash rate remained at an historic low of 2.00% in November after falling 25 basis points in May.
- 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 September 2015 stood at 6.2% for Greater Melbourne (SA4), trending below the 6.8% recorded in September 2014.
- Building approvals in the three months to September totalled 6,804 houses and 7,963 apartments approved in Greater Melbourne. This is trending 14.3% higher for houses and 19.0% higher for apartment approvals compared to the same period in 2014.
- Sales transacted in the year to September tallied 51,423 houses (up 14.7% on previous year) and 39,865 apartments (up 11.0% on the prior year).
- House values rose by 2.6% in the month of September (growth of 9.7% over the last year) to a median of $718,000 while apartment values grew 0.8% over the month (growth of 5.4% over the year) to record a median of $489,500.
- Over the year to September, rental growth was recorded at 1.1% for houses and 2.5% for apartments. Weekly median rents are currently achieving $455 for houses and $405 for apartments.
- Six-month average total vacancy trend was recorded at 2.9% in September 2015 for Greater Melbourne; with 2.8% for the inner ring (0-10km), 3.4% for the middle ring (10-20km) and 1.9% for the outer ring (20km+).
- In September 2015, gross rental yields across Greater Melbourne compressed 28bps (to 3.30%) for houses and 10bps (to 4.34%) for apartments compared to the previous year.

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FIGURE 1

Greater Melbourne Capital Growth

12-month rolling

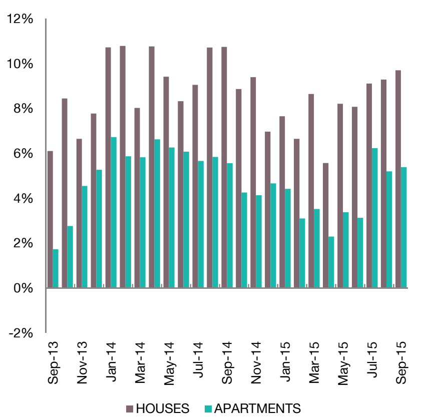
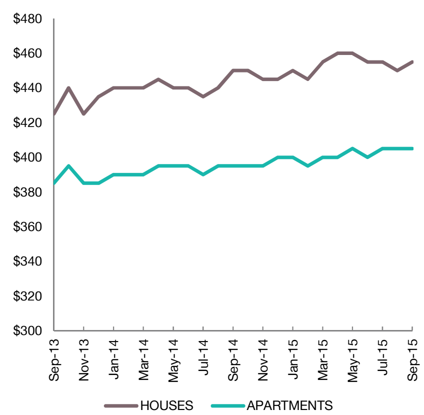


FIGURE 2

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
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%
Sep-15	**353**	**9.7%**	**6.8%**	**5.3%**	**2.6%**

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
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%
Sep-15	**302**	**5.4%**	**4.1%**	**2.6%**	**0.8%**

Source: Knight Frank Research, Residex

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