

Regional Victoria Residential Insight

Q4 2023

Knight Frank's quarterly analysis of mainstream sales and rental housing markets in Regional Victoria

knightfrank.com.au/research

Annual rental growth for regional towns dips below 2020 levels

Although it's now taking longer for a home to transact and prices are lower than twelve months ago across Regional Victoria, an uptick in values were recorded last quarter with a better outlook forecast for 2024.

THE ECONOMY

The Victorian economy grew by an estimated 4.6% in 2022, with a forecast of 3.1% in 2025 (Oxford Economics).

While unemployment in September 2023 was 2.5% across Regional Victoria (ABS).

LENDING ENVIRONMENT

New household loan commitments across Victoria were down by 25.2% in the year to September 2023, lower than the 9.4% change recorded the previous year.

The number of lending commitments to owner occupier first home buyers in Victoria fell by 19.0% in September 2023, compared to 9.4% a year earlier. This first home buyer group represented 26.1% of all Victorian owner occupier loans in September 2023 (ABS).

The official cash rate was last set by the Reserve Bank of Australia at 4.35% on 5 December 2023.

Oxford Economics forecast the official cash rate towards an average rate of 3.85% by the end of 2025.

NEW BUILDS

Annual building approvals in September 2023 fell by 15.5% to total 52,954 additional dwellings in Victoria, compared to a fall of 9.8% a year ago (ABS).

POPULATION

Regional Victoria total population saw 1.1% growth to 1.6 million persons in the year to June 2022. The projected population growth to 2032, is higher, at 1.5% per annum. The inner regional areas of Victoria saw annual population change of 1.2% in 2022, while outer regional Victoria recorded 0.2% (ABS).

TOTAL RESIDENTIAL VACANCY

The total residential rental vacancy was recorded at 2.1% in September 2023, rising 10 bps over the past year across Regional Victoria (Knight Frank Research).

Generally, 3% vacancy is considered a balanced rental market between supply and demand.

4.6%

Victorian annual economic growth in 2022 with forecast of 3.1% in 2025

2.5%

Regional Victoria unemployment rate in September 2023

4.35%

Official cash rate target in December 2023 with forecast of 3.9% in 2025

-25.2%

The annual change in Victorian new household loan commitments in September 2023

-19%

Yearly change in number of lending commitments to owner occupier first home buyers in Q3 2023

1.1%

Regional Victoria annual population change in 2022 to an estimated 1.6 million persons, with 1.5% annual forecast in 2025

Regional Victoria Established Houses

- As more homes across Regional Victoria have become available for rent, residential vacancy has seen an upward trend over the past twelve months, as weekly rental growth subsided in the last quarter.

\$657,000

Regional Victoria average house value at the end of September 2023

-4.6%

The change in Regional Victoria's average house values in the year to September 2023

2.2%

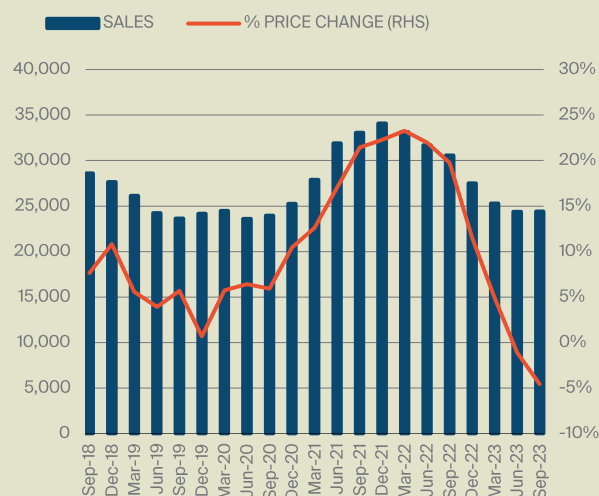
Annual average weekly rental growth in September 2023 across Regional Victoria houses

SALES & PRICE PERFORMANCE

- Sales volume trended down 20.2% in the year ending September 2023, with 24,405 houses across Regional Victoria.
- The average days on market for a house was 82 days in September 2023. This was 73 days three months earlier, and 50 days one year ago.
- House values fell 4.6% in the year to September 2023, while rising by 0.2% over the last quarter to \$657,000.
- Looking forward, average prices are forecast to change -4% at the end of 2023, with -2% in 2024 and 1% in 2025, according to Knight Frank Research.

Regional Victoria Houses Sales Market

No. annual sales & % annual price growth



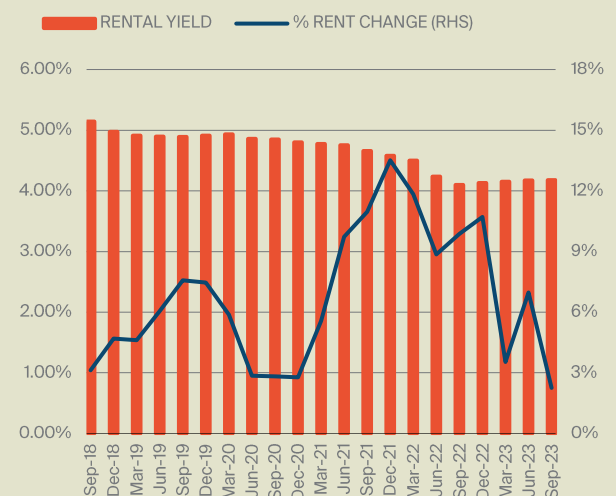
Source: Knight Frank Research

RENTAL MARKET

- Gross rental yields rose 8 bps in the past year, with Regional Victoria houses averaging 4.18% in September 2023.
- House rents fell 1.1% in the September 2023 quarter, while being up 2.2% annually, to stand at \$455 per week.
- Knight Frank Research forecast rents to fall 2% at the end of 2023, with 1% growth likely in 2024, and 1% in 2025.

Regional Victoria Houses Rental Market

Gross rental yield & % annual rental change



Source: Knight Frank Research

Regional Victoria Residential Forecast

Key Drivers Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
VIC Economic Growth	4.7%	4.6%	1.8%	0.6%	3.1%	1.8%
Unemployment Rate	5.1%	3.7%	3.7%	4.3%	4.3%	4.1%
Cash Rate Target	0.1%	1.2%	3.9%	4.6%	3.9%	4.1%

Source: Oxford Economics

Regional Victoria Residential Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Price Performance	22%	12%	-4%	-2%	1%	-2%
Rental Market	14%	11%	-2%	1%	1%	0%

Source: Knight Frank Research

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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Residential Research

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