

Canberra Residential Insight

Q4 2023

Knight Frank's quarterly analysis of mainstream residential sales and rental markets across Canberra

knightfrank.com.au/research

An uptick in property prices as rental growth subsides

▲ Rising residential rental vacancy across Canberra continues to impact weekly rents for both houses and apartments, with a downward trajectory in the last quarter and over the past year, compressing rental yields being achieved.

SALES PERFORMANCE

Across Canberra, mainstream sales volume trended down 31.8% in the September 2023 quarter with 9,613 residential homes (houses and apartments) sold, after annual sales volume recorded -26.9%.

On average, the days on market for a home was 59 days in September 2023. This was 61 days three months earlier, and 48 days one year ago.

The auction clearance rate at the end of the September 2023 quarter was 57.9% from 109 scheduled actions. This was lower than the prior quarter at 69.2% (from 78 auctions held). By comparison, the same quarter last year was 50.9% (out of 115 auctions) sold (CoreLogic).

PRICE PERFORMANCE

Residential property prices decreased 3.5% in the year to September 2023, while rising 1.2% in the last quarter to stand at a median value of \$868,000.

Looking forward, average prices are forecast to change -2% at the end of 2023, with 3% in 2024 and 5% in 2025, according to Knight Frank Research.

RENTAL PERFORMANCE

The total residential rental vacancy was recorded at 1.9% in September 2023, rising 80 bps over the past year across Canberra (REIA). Generally, 3% vacancy is considered a balanced rental market between supply and demand.

Gross rental yields compressed 3 bps in the year ending September 2023, as residential property averaged 4.17%.

Residential rents decreased 2.4% in the September 2023 quarter, while decreasing by 2.4% annually, to stand at \$615 per week.

Knight Frank Research forecast rents to fall 3% at the end of 2023, with 3% likely in 2024, and 4% in 2025.

NEW BUILDS

Annual building approvals in September 2023 fell by 35% to total 3,834 additional dwellings in Canberra, compared to a rise of 13.8% a year ago. In this time, 922 houses and 2,912 apartments were approved. This was trending 41.9% lower for house approvals, and 32.4% lower for apartment approvals, compared to the year earlier.

1.8%

Australian Capital Territory (ACT) annual economic growth in 2022 with forecast of 2.4% in 2025

3.9%

Canberra unemployment rate in September 2023

4.35%

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

-23.6%

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

-16.7%

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

1.0%

Canberra annual population change in 2022 to an estimated 456,750 persons, with 1.5% annual forecast in 2025

\$868,000

Canberra residential median value at the end of September 2023

-3.5%

The change in Canberra's median residential values recorded between September 2022 and September 2023

1.9%

Total residential rental vacancy in September 2023 across Canberra

Canberra Established Houses

- Improving house values have been coupled with consistency in the average time taken this past quarter to sell a home across Canberra.

\$1,042,500

Canberra median house value at end of September 2023

-2.9%

The change in Canberra's median house values in the year to September 2023

-3.7%

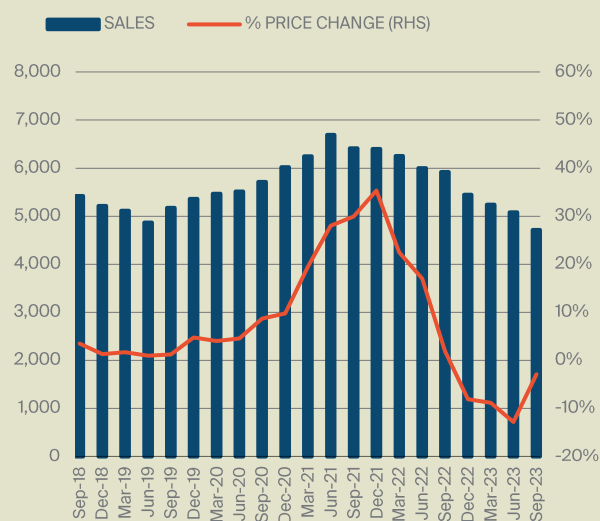
Annual median weekly rental growth in September 2023 across Canberra houses

SALES & PRICE PERFORMANCE

- Canberra sales volume fell by 25.2% in the September 2023 quarter to total 4,714 houses, whilst annual sales volume was 20.4% lower than a year ago.
- The average days on market for a house was 59 days in September 2023. This was 59 days three months earlier, and 47 days one year ago.
- Median house values fell 2.9% in the year to September 2023, while rising by 1.8% over the last quarter to \$1,042,500 (APM).

Canberra Houses Sales Market

No. annual sales & % annual price growth



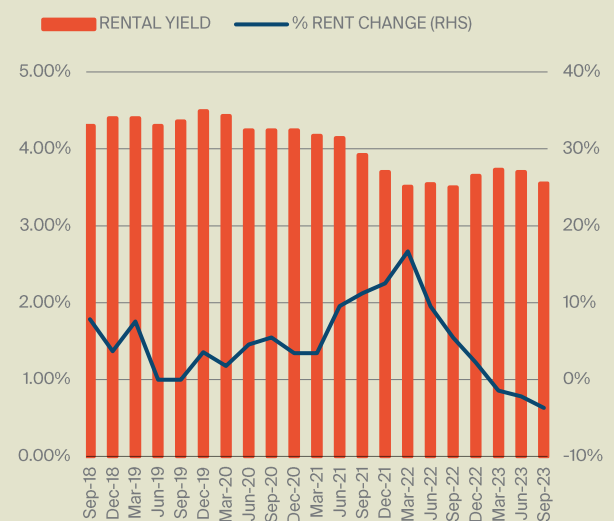
Source: Knight Frank Research, APM

RENTAL MARKET

- Gross rental yields increased 5 bps in the past year, with Canberra houses averaging 3.55% in September 2023.
- House rents fell 3.0% in the September 2023 quarter, while being down 3.7% annually, to stand at \$655 per week (APM).

Canberra Houses Rental Market

Gross rental yield & % annual rental change



Source: Knight Frank Research, APM

Canberra Established Apartments

- Weekly rents for Canberra apartments remained steady as apartment capital values continued to decline, but so far, falling gross rental yields are yet to stabilise.

\$567,000

Canberra median apartment value at the end of September 2023

-5.3%

The change in Canberra median apartment values in the year to September 2023

0%

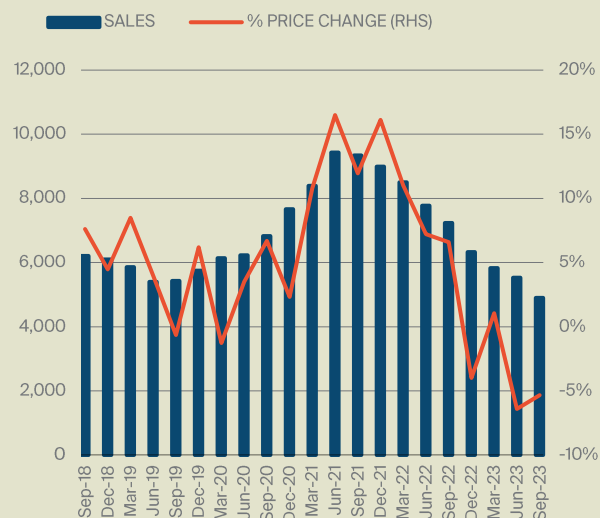
Annual median weekly rental growth in September 2023 across Canberra apartments

SALES & PRICE PERFORMANCE

- Canberra apartment sales volume decreased by 37.6% in the September 2023 quarter to count 4,899 apartments in the past year, as annual sales volume was 32.3% lower than a year ago.
- The average time on market for an apartment was 58 days in September 2023. This was 65 days one quarter earlier, and 49 days one year ago.
- Median apartment values fell by 5.3% in the year to September 2023, while falling 0.6% in the last quarter to stand at \$567,000 (APM).

Canberra Apartments Sales Market

No. annual sales & % annual price change



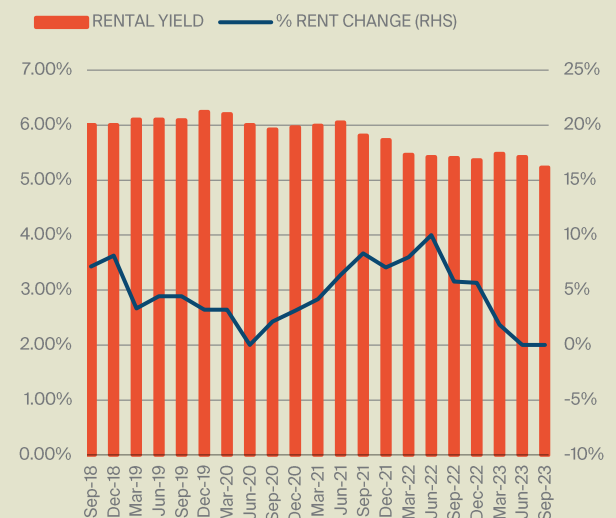
Source: Knight Frank Research, APM

RENTAL MARKET

- In the year to September 2023, Canberra apartment gross rental yields decreased 17 bps to 5.23%.
- Apartment rents saw no change in the September 2023 quarter, whilst also unchanged annually at \$550 per week (APM).

Canberra Apartments Rental Market

Gross rental yield & % annual rental change



Source: Knight Frank Research, APM

Canberra Residential Forecast

Key Drivers Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
ACT Economic Growth	4.7%	1.8%	1.3%	1.2%	2.4%	1.6%
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

Canberra Residential Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Price Performance	28%	-7%	-2%	3%	5%	2%
Rental Market	10%	3%	-3%	3%	4%	1%

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.

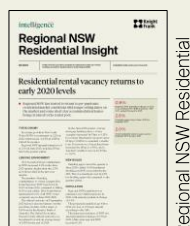
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