

Melbourne Residential Insight

Q4 2023

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

knightfrank.com.au/research

Melbourne residential growth making up lost ground

▲ The investment proposition is improving for Greater Melbourne as vacancy rates continue a significant downward trajectory as weekly rents and gross rental yields remain elevated.

SALES PERFORMANCE

Across Greater Melbourne, mainstream sales volume trended down 8.9% in the September 2023 quarter with 78,552 residential homes (houses and apartments) sold, after annual sales volume recorded -22.6%.

On average, the days on market for a home was 65 days in September 2023. This was 71 days three months earlier, and 62 days one year ago.

The auction clearance rate at the end of the September 2023 quarter was 63.9% from 1,092 scheduled actions. This was lower than the prior quarter at 67.5% (from 744 auctions held). By comparison, the same quarter last year was 64.6% (out of 130 auctions) sold (CoreLogic).

PRICE PERFORMANCE

Residential property prices increased 0.6% in the year to September 2023, while rising 1.2% in the last quarter to stand at a median value of \$886,000.

Looking forward, average prices are forecast to rise 2% at the end of 2023, with 4% in 2024 and 6% in 2025, according to Knight Frank Research.

RENTAL PERFORMANCE

The total residential rental vacancy was recorded at 2.3% in September 2023, compressing 130 bps over the past year across Greater Melbourne (REIA). Generally, 3% vacancy is considered a balanced rental market between supply and demand.

Gross rental yields rose 67 bps in the year ending September 2023, as residential property averaged 3.98%.

Residential rents increased 4.9% in the September 2023 quarter, while increasing by 18.7% annually, to stand at \$540 per week.

Knight Frank Research forecast rents to rise 20% at the end of 2023, with 12% likely in 2024, and 8% in 2025.

NEW BUILDS

Annual building approvals in September 2023 fell by 14.3% to total 42,120 additional dwellings in Greater Melbourne, compared to a fall of 2.8% a year ago. In this time, 23,028 houses and 19,092 apartments were approved. This was trending 10.2% lower for house approvals, and 18.9% lower for apartment approvals, compared to the year earlier.

4.6%

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

3.7%

Greater Melbourne 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 Victoria new household loan commitments in September 2023

-19.0%

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

1.2%

Greater Melbourne population change in 2022 to an estimated 5.0 million persons, with 1.8% forecast in 2025

\$886,000

Greater Melbourne residential median value at the end of September 2023

0.6%

The change in Greater Melbourne's median residential values between September 2022 and September 2023

2.3%

Total residential rental vacancy in September 2023 across Greater Melbourne

Greater Melbourne Established Houses

- ▲ Rental growth is outperforming sales and price performance for houses, and this has been reflected in the significant uplift in gross rental yields across Greater Melbourne.

\$1,032,500

Greater Melbourne median house value at end of September 2023

0.4%

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

17.0%

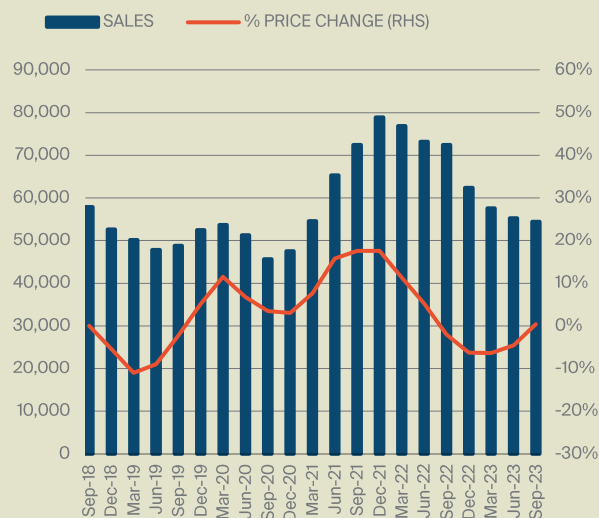
Annual median weekly rental growth in September 2023 across Greater Melbourne houses

SALES & PRICE PERFORMANCE

- ▲ Greater Melbourne sales volume fell by 10.0% in the September 2023 quarter to total 54,380 houses, whilst annual sales volume was 24.9% lower than a year ago.
- ▲ The average days on market for a house was 58 days in September 2023. This was 61 days three months earlier, and 51 days one year ago.
- ▲ Median house values rose 0.4% in the year to September 2023, while rising by 0.6% over the last quarter to \$1,032,500 (APM).

Melbourne Houses Sales Market

No. annual sales & % annual price growth



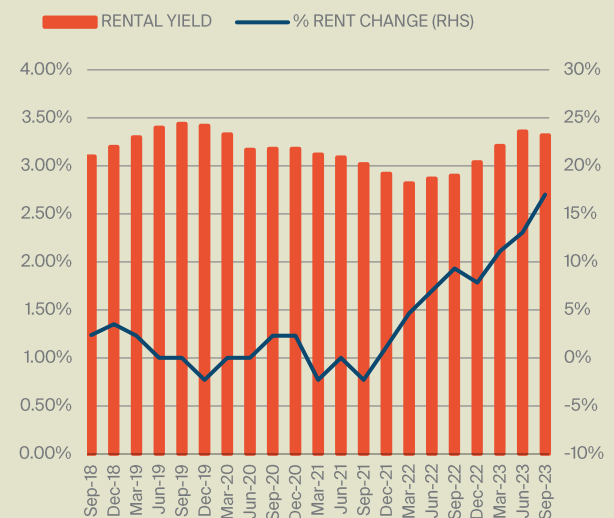
Source: Knight Frank Research, APM

RENTAL MARKET

- ▲ Gross rental yields increased 42 bps in the past year, with Greater Melbourne houses averaging 3.32% in September 2023.
- ▲ House rents rose 5.8% in the September 2023 quarter, while being up 17.0% annually, to stand at \$550 per week (APM).

Melbourne Houses Rental Market

Gross rental yield & % annual rental change



Source: Knight Frank Research, APM

Greater Melbourne Established Apartments

- Following modest activity for the past few years, there is momentum building for the established Greater Melbourne apartment market for sales, prices and rentals.

\$573,000

Greater Melbourne median apartment value at the end of September 2023

1.3%

The change in Greater Melbourne median apartment values in the year to September 2023

22.4%

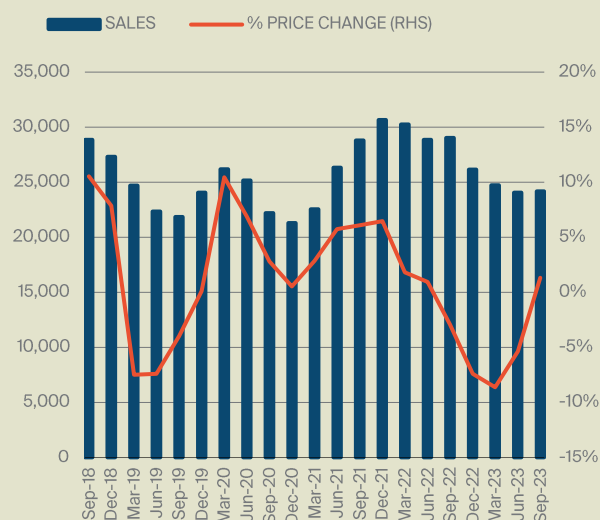
Annual median weekly rental growth in September 2023 across Greater Melbourne apartments

SALES & PRICE PERFORMANCE

- Greater Melbourne apartment sales volume decreased by 6.4% in the September 2023 quarter to count 24,172 apartments in the past year, as annual sales volume was 16.7% lower than a year ago.
- The average time on market for an apartment was 79 days in September 2023. This was 93 days one quarter earlier, and 87 days one year ago.
- Median apartment values grew by 1.3% in the year to September 2023, while rising 3.2% in the last quarter to stand at \$573,000 (APM).

Melbourne Apartments Sales Market

No. annual sales & % annual price change



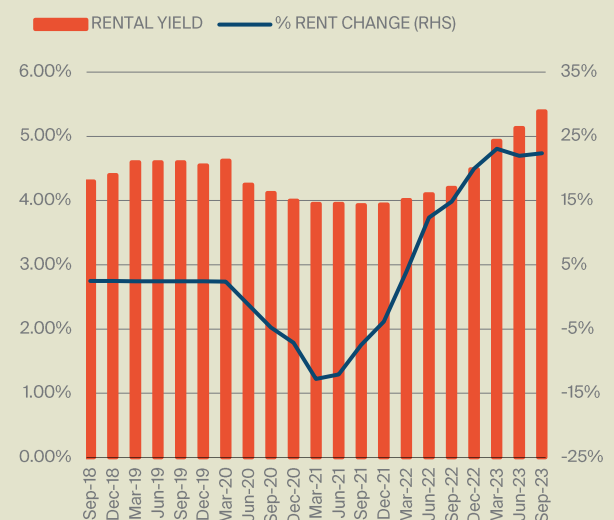
Source: Knight Frank Research, APM

RENTAL MARKET

- In the year to September 2023, Greater Melbourne apartment gross rental yields increased 119 bps to 5.39%.
- Apartment rents rose 4.0% in the September 2023 quarter, while rising 22.4% annually to \$520 per week (APM).

Melbourne Apartments Rental Market

Gross rental yield & % annual rental change



Source: Knight Frank Research, APM

Greater Melbourne 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

Melbourne Residential Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Price Performance	15%	-6%	2%	4%	6%	4%
Rental Market	0%	11%	20%	12%	8%	13%

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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