

AUSTRALIAN APARTMENTS

RESIDENTIAL MARKET OVERVIEW Q3 2014

HIGHLIGHTS

Apartment values recorded price increases across all capital cities over the 12 months to June 2014. Sydney was the standout at 13.3% followed by Melbourne at 6%. Price growth in Brisbane will accelerate into 2015.

A low interest rate environment, a growing buyer pool and the recent depreciation of the AUD is contributing to greater apartment sales numbers, higher approval rates and escalating development activity.

The current parliamentary inquiry into foreign investment in Australian residential real estate, which is due to report in November, has the potential to impact on the level of foreign buyer demand.

KEY FINDINGS

Low interest and mortgage rates are helping to maintain annual price growth, affordability and investor interest

Annual and quarterly capital value growth strongest in Sydney, at 13.3% and 3.5% respectively. Melbourne follows at 6% and 1.9% respectively

Gross rental yields at 5.99% are highest in Darwin, compared with an **Australia average of 4.92%**

Residential apartment sales increased by 20% to 124,000 across the eight capital cities over the last year

Rolling annual residential apartment approvals, across the eight greater metropolitan areas, have **risen to 75,000**, 23% higher than the same period last year



MICHELLE CIESIELSKI
Knight Frank Residential Research

"The low cash rate environment has been driving investment into residential property, benefitting borrowers and causing investors to seek alternative investments to cash."

AUSTRALIAN APARTMENTS

In the face of historically low interest rates, residential apartment values across all capital cities increased over the past year, leading to a resurgence in residential development and transactional activity

ECONOMY

The Australian economy is continuing to grow at a moderate rate. Latest figures suggest that GDP increased by 0.7% in the June 2014 quarter and by 3.2% over the past year. The rate of inflation (CPI) also rose to 3.0% in the year to June 2014, buoyed by rises for medical and hospital services and new dwelling purchases by owner-occupiers.

However, growth in the economy has been accompanied by decreases in employment. Australia's unemployment rate increased 0.1% to 6.1% in September 2014 (seasonally adjusted), with the number of unemployed persons increasing by 11,000 to 746,600.

Although data points towards rising unemployment and moderate household income growth, apartment values will likely be supported by persistently low rates and high population growth. Australia's population was estimated to have grown by 1.7% during the year ending March 2014. Natural increase and net overseas migration contributed 40% and 60% respectively to total population growth for the year. All states have recorded positive growth inflating

demand for housing, with similar future growth levels projected.

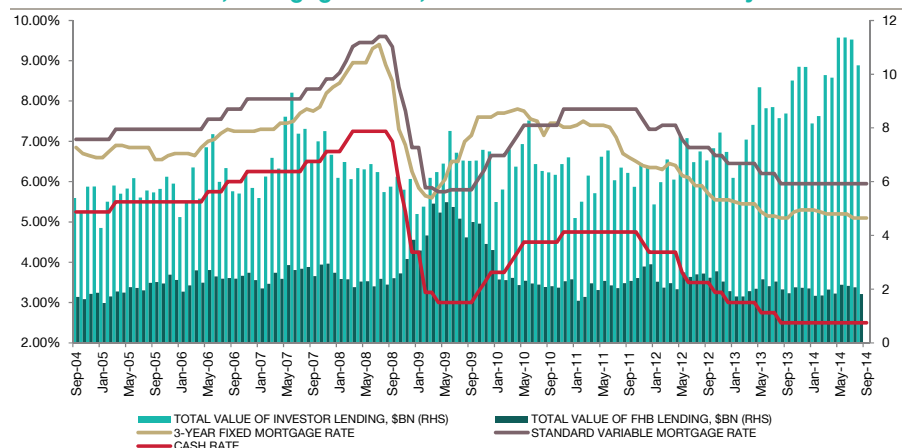
In addition, the recent decline in the exchange rate has further deepened housing demand, by adding increasing numbers of overseas investors to the rising domestic pool of buyers.

Australia's banks are taking advantage of cheaper global credit to cut fixed term mortgage rates. The average 3-year fixed term mortgage rate is now down to 5.1% from a 2008 high of 9.4%. The standard variable mortgage rate has fallen to 5.95%, some 150 bps below the 20 year average of 7.5%. These historically favourable rates have been reflected in the total value of housing investor loans being at cyclical highs, jumping by 45% over the past two years, according to the ABS (see Figure 1).

Although credit for housing has become relatively cheaper, loans to first home buyers (FHB) have fallen to their lowest annual level for over 10 years, recording less than 78,000 loans in the twelve months to August 2014. This reflects increasing investor competition, capital value growth and the subsequent need for larger deposits.

FIGURE 1

10 Year Cash Rate, Mortgage Rates, Investor and First Home Buyer Loans



Source: Knight Frank Residential Research, ABS, RBA

NB. FHB refers First Home Buyers

MARKET TRENDS

The stable political environment, a resilient domestic economy and historically low interest rates have supported the growth of the Australian residential market over the last twelve months.

The Australian residential property market has performed well over this time and purchasers are confident that their money or investment is relatively safe. On a global scale, Australia is perceived as a “safe haven” along with other global cities such as London, Paris and New York.

Apartment values have recorded relatively strong price increases with Sydney the best performing market over the past 12 months. Annual growth was recorded at 13.3% for Sydney apartments in the year to June 2014, with all other capital cities’ values growing between 1.6% and 6%, according to Residex (see Figure 2).

Quarterly data indicates that prices are continuing to increase across Sydney, Melbourne, Adelaide and Brisbane, up 3.5%, 1.9%, 1.9% and 0.7% respectively over the 3 month period to June 2014. However, all other capital cities have experienced a softening in values over the same 3 month period.

Demand & Supply

Prices across Sydney and Melbourne are partly being sustained by the interest from overseas purchasers. Purchaser demand

remains unabated from foreign buyers for new apartment developments, according to the September 2014 NAB Australian Residential Property Index.

The report shows foreign buyers accounted for 1 in 6 of all new housing purchases in Q3 2014 (rising to 1 in 4 in Victoria). In contrast, the report highlights local investors being less active in Q3, with their share of national demand falling to 27% (32.5% in Q2).

This level of foreign buyer demand could be tempered dependent on the result of the parliamentary inquiry into foreign investment in residential real estate, which is due to report in November. It is highly likely the parliamentary committee will recommend tougher screening and/or restrictions for foreign buyers of residential property.

After a long period of undersupply, commencement of major infrastructure projects, solid population growth resulting from natural increase and high net migration, and global interest in Australian real estate markets are all driving a new wave of residential apartment supply.

Over 75,000 apartments have been approved over the past year across the eight greater metropolitan areas (82% of the total across Sydney, Melbourne and Brisbane). This is a 23% increase since the same period last year and a 155% increase from the number of apartments approved on an annual basis in August 2009 (see Figure 3).

“The ABS has projected that the Australian population will exceed 30 million people by 2030, growth of 34%. This rate of growth will continue to influence the supply and demand of apartments.”

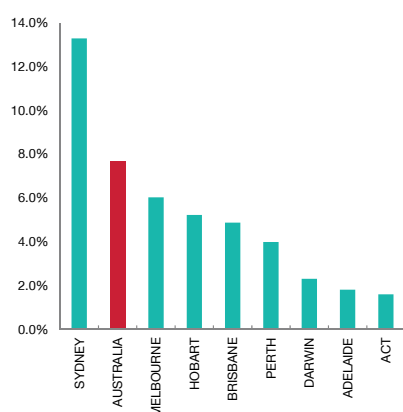
In parallel, apartment sales volumes have started to increase over the past six to nine months, as development and confidence improves. The number of apartments sold across the eight capital cities increased by 20% in the past year, to around 124,000.

Yields

Rents in Sydney, Melbourne, Brisbane, Hobart and Darwin all recorded growth of between 1% and 4% over the past year. As capital value growth in all the above capital cities recorded such strong gains, gross rental yields compressed marginally (see Figure 4).

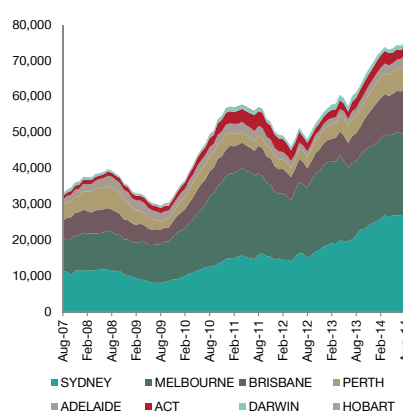
Yields are likely to compress further as the September 2014 NAB Australian Residential Property Index reported stronger house price expectations across all states over the next 1-2 years compared with relatively weaker rental prospects as new apartment supply comes online.

FIGURE 2
Annual Capital Value Growth
Apartments, to June 2014



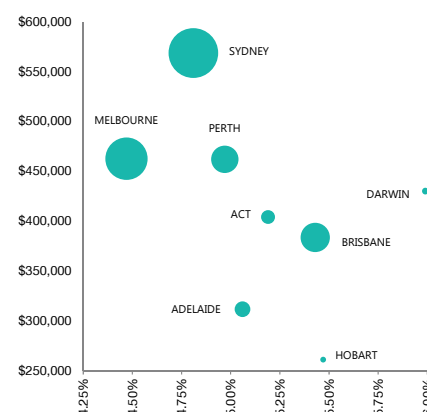
Source: Knight Frank Residential Research, Residex

FIGURE 3
Apartment Approvals
Rolling 12 month total



Source: Knight Frank Residential Research, ABS

FIGURE 4
Median Apartment Value and Yield
Bubble size reflects number of sales, past year



Source: Knight Frank Residential Research, Residex

SYDNEY

Key Facts

Annual capital growth was recorded at 13.3% with some acceleration over the past quarter

Sales volume increased 29% over the past year to 47,952 apartments

Rents increased by 4% to \$525 per week compared with June 2013

Gross rental yields currently average 4.81% across the broader Sydney metropolitan region, the second tightest behind Melbourne

“Capital value growth is unlikely to be sustained at current levels over the medium term, however with interest rates remaining low and strong population growth, its likely that growth in values of 7%-8% will be experienced in 2015.”

Apartment Values & Sales Volumes

Growth in apartment values has now reached a height not seen in metropolitan Sydney since 2001. In the twelve months to June 2014, capital growth reached 13.3%. Last quarter saw values rise by 3.5% sustaining this annual growth rate, with the last month realising growth of 1.2%.

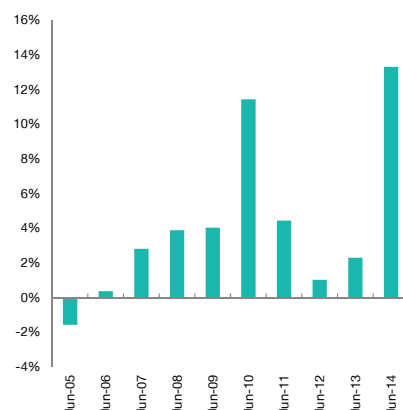
Sales turnover increased 295% over the past year to 47,952 apartments; currently the highest volume across Australia. After many years of undersupply, high demand has led to a buying frenzy amongst property developers. Many are buying up the last of the greenfield sites, office and industrial brownfield sites.

In the twelve months to August 2014, sales of major sites likely for high density residential development totalled \$2.7 billion, up 68.4% on the previous year.

FIGURE 5

Annual Price Growth Sydney Metropolitan

% annual change in growth for apartments



Source: Knight Frank Residential Research, Residex

Apartment Rents

Rent for Sydney metropolitan apartments rose 4% on the past year to \$525 a week as at June 2014. The suburb of Sydney achieves considerably more, at \$735 per week.

Based on the proportion of unlet residential properties to the total rent roll, total vacancy in Sydney Metropolitan, in August 2014, was 1.8%. This was down 20 bps from the month prior, with the Inner (0-10km) and Outer (20km+) rings pushing down the vacancy, despite the Middle (10-20km) ring rising to 2.1%.

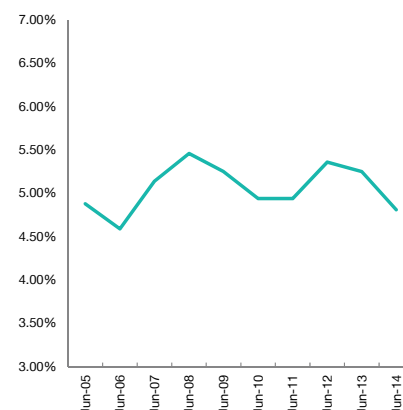
Rental Yields

Gross rental yields across the metropolitan area have notably compressed after recent significant gains in capital values. Apartment yields in Sydney currently average 4.81%, slightly below the Australian average.

FIGURE 6

Gross Rental Yields Sydney Metropolitan

% past decade



Source: Knight Frank Residential Research, Residex

TABLE 1

Key Indicators, Sydney Apartments, June 2014

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Gross Rental Yield (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)
Sydney, 2000	659,500	1.5	7.8	5.88	691	735
Sydney Metropolitan	568,500	3.5	13.3	4.81	47,952	525
Australia	436,000	2.1	7.7	4.92	159,834	410

Source: Knight Frank Residential Research, Residex

MELBOURNE

Key Facts

Annual capital growth was recorded at 6.0%, with values remaining resilient over the past quarter

Sales volume increased 16% over the past year to 34,285 apartments

Rents increased by 2.6% to \$395 per week compared with June 2013

Gross rental yields currently average 4.47% across Melbourne metropolitan, the tightest across Australia's broader metropolitan regions

"In the year to June 2014 residential apartment sales in the Melbourne CBD accounted for 8% of all Melbourne metropolitan sales, compared with only 1.5% of all sales in the Sydney CBD, highlighting Melbourne's growth trend towards city living"

Apartment Values & Sales Volumes

Apartment values in metropolitan Melbourne have experienced positive annual growth for the two years to June 2014, with the last year witnessing growth of 6%. This was upheld in the last quarter with growth of 1.9%; only slightly below the Australian benchmark, to stand at a median capital value of \$462,500.

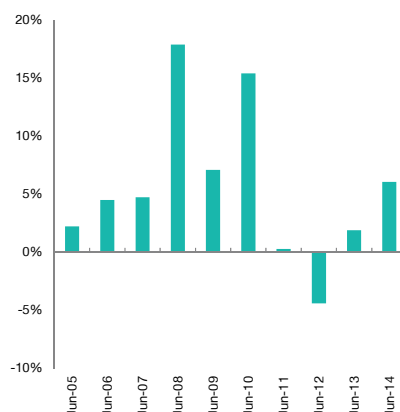
Sales volume increased by 16.4% over the past twelve months to record 34,285 sales in metropolitan Melbourne. In parallel to end user sales increasing, residential development site sales have increased by 58% over the year, to \$1.4 billion.

Strong population growth projected for metropolitan Melbourne, of 2.0% per annum over the next decade, will support the strong level of new apartment supply.

FIGURE 7

Annual Price Growth Melbourne Metropolitan

% annual change in growth for apartments



Source: Knight Frank Residential Research, Residex

Apartment Rents

Melbourne metropolitan rents were up 2.6% over the twelve months to June 2014 to a median weekly rent of \$395. The six month average total vacancy trend remained steady at 2.9% in August 2014, just below the 3% market equilibrium. As more supply comes online, it is likely that vacancy will trend above the market equilibrium for the medium term.

The suburb of Melbourne achieves a weekly rent at \$475. Located in the Inner (0- 10km) ring, the six month average vacancy trend was recorded at 3% in August 2014, steady over the last month.

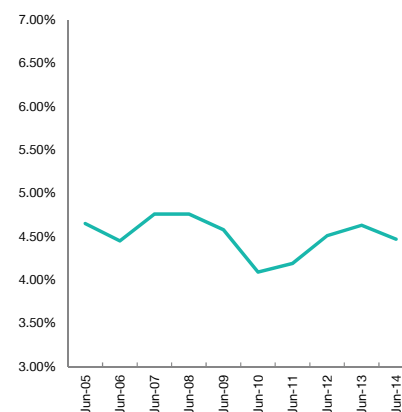
Rental Yields

Over the last year gross rental yields compressed marginally, by 16bps, to 4.47%, as prices rose. The suburb of Melbourne achieved a weekly rent at \$475 with a gross rental yield of 5.71%.

FIGURE 8

Gross Rental Yields Melbourne Metropolitan

% past decade



Source: Knight Frank Residential Research, Residex

TABLE 2

Key Indicators, Melbourne Apartments, June 2014

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Gross Rental Yield (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)
Melbourne, 3000	441,500	2.4	5.4	5.71	2,625	475
Melbourne Metropolitan	462,500	1.9	6.0	4.47	34,285	395
Australia	436,000	2.1	7.7	4.92	159,834	410

Source: Knight Frank Residential Research, Residex

PERTH

Key Facts

Annual capital growth was recorded at 4.0%, albeit a slight softening over the past quarter

Sales volume increased 1.6% over the past year to 14,399 apartments

Rents fell marginally by 1.1% to \$440 per week compared with June 2013

Gross rental yields currently average 4.97% across Perth metropolitan, having been as low as 3.3% eight years ago

“A total of \$177 million worth of development site sales have been purchased in the year to August 2014, 25% sold to foreign developers. This includes all major development sites that have potential for multi-level residential development in the Perth metropolitan area.”

Apartment Values & Sales Volumes

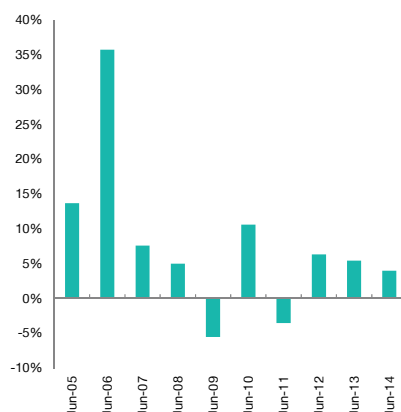
Over the year to June 2014, apartment values in metropolitan Perth experienced upward growth of 4%, marginally less than the previous year to stand at a median \$462,000. Over the past decade Perth has experienced the strongest growth across all major cities for apartments at 7.4% per annum; in line with the vast demand that has come from the resources sector.

Last quarter apartment values and sales volume marginally tapered back, although the prospect of values lifting again is encouraged by the strong population growth projected over the next decade. Apartment sales volumes were up by 1.6%, at 14,399 sales over the last year for the Perth metropolitan area.

FIGURE 9

Annual Price Growth Perth Metropolitan

% annual change in growth for apartments



Source: Knight Frank Residential Research, Residex

Apartment Rents

An upward movement in rents has been experienced in metropolitan Perth over the past decade, although softening marginally over the past year to \$440 per week, as at June 2014.

According to the REIA, total vacancy is slightly above market equilibrium at 4.1% for the Perth metropolitan area. This is likely to remain steady in the coming months, although this is dependent on the rate of take-up with the growing population, supporting demand.

Rental Yields

Gross rental yields in Perth metropolitan were up 167 bps since June 2006, to yield 4.97% as at June 2014. Perth yields are trending above those achieved in alternative metropolitan areas including Sydney (at 4.81%) and Melbourne (at 4.47%).

FIGURE 10

Gross Rental Yields Perth Metropolitan

% past decade



Source: Knight Frank Residential Research, Residex

TABLE 3

Key Indicators, Perth Apartments, June 2014

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Gross Rental Yield (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)
Perth, 6000	535,500	-0.1	3.1	5.78	433	585
Perth Metropolitan	462,000	-0.5	4.0	4.97	14,399	440
Australia	436,000	2.1	7.7	4.92	159,834	410

Source: Knight Frank Residential Research, Residex

BRISBANE

Key Facts

Annual capital growth was recorded at 4.9%, but we expect growth in prices to accelerate to 8% in 2015.

Sales volume increased 28% over the past year to 16,674 apartments

Rents increased by 1.3% to \$380 per week compared with June 2013

Gross rental yields currently average 5.43% across Brisbane metropolitan, but a high 6.45% in the city centre suburb of Brisbane

“Apartment approvals across the Greater Brisbane area have increased by 51% on a rolling annual basis to 11,765 as at August 2014, the greatest percentage growth for any of the Greater Metropolitan areas and the highest level seen in Brisbane for well over 15 years.”

Apartment Values & Sales Volumes

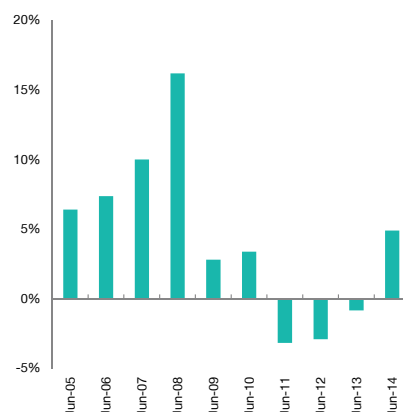
Apartment values in the Brisbane metropolitan area increased 4.9% over the twelve months to June 2014, after three consecutive years of negative growth in median values. Capital growth was recorded at 0.7% for the last quarter. Over the past year, apartment sales volumes increased to 16,674 for the Brisbane metropolitan area, representing a 28% increase on the prior year.

This growth in apartment transaction activity has been matched with increasing development site sale activity and significant building of proposed pipeline of residential projects, particularly within the CBD and Fringe suburbs. After previously concentrating on Melbourne and Sydney it is noticeable that offshore developers are now moving into the Brisbane market, where there is an expectation of stronger price growth flowing through to the market in 2015.

FIGURE 11

Annual Price Growth Brisbane Metropolitan

% annual change in growth for apartments



Source: Knight Frank Residential Research, Residex

Apartment Rents

Since June 2013, weekly apartment rents have increased by 1.3% to \$380, whilst the suburb of Brisbane saw upward movement in rents of 4.4% to \$590 per week. Over the same period, according to the REIA, total vacancy for the Brisbane metropolitan area has trended up 30 bps to 2.4%, but still below the market equilibrium of 3%.

Rental Yields

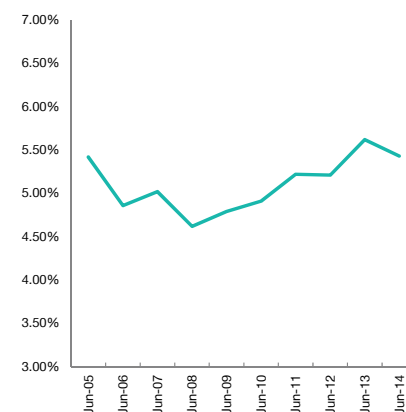
Brisbane metropolitan gross rental yields were down by 19 bps to 5.43%, over the year to June 2014. Yields are now back to March 2012 levels and as prices accelerate, this downtrend will continue.

Brisbane yields are above those achieved in other metropolitan areas such as Sydney (at 4.81%), Melbourne (at 4.47%) and Perth (at 4.97%). The suburb of Brisbane recorded the second highest city centre yield nationally at 6.45%, behind only Darwin at 6.49%.

FIGURE 12

Gross Rental Yields Brisbane Metropolitan

% past decade



Source: Knight Frank Residential Research, Residex

TABLE 4

Key Indicators, Brisbane Apartments, June 2014

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Gross Rental Yield (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)
Brisbane, 4000	477,500	1.4	5.4	6.45	632	590
Brisbane Metropolitan	363,500	0.7	4.9	5.43	16,674	380
Australia	436,000	2.1	7.7	4.92	159,834	410

Source: Knight Frank Residential Research, Residex

ADELAIDE

Key Facts

Annual capital growth was recorded at 1.8%, however, values grew by 1.9% over the most recent quarter

Sales volume increased 20% over the past year to 4,827 apartments

Rents fell marginally by 1.6% to \$300 per week compared with June 2013

Gross rental yields currently average 5.06% across Adelaide metropolitan

“Apartment living in Adelaide is the cheapest amongst all other mainland capital cities, almost 20% below Brisbane the next least expensive metropolitan area, and 45% below Sydney, the most expensive.”

Apartment Values & Sales Volumes

Annual capital growth was recorded at 1.8% in the Adelaide metropolitan area to record a median value of \$311,500, as at June 2014. In the previous three years apartment values have remained relatively static, recording an average decrease of 0.75% per annum. This leaves current apartment values exactly where they were four years ago.

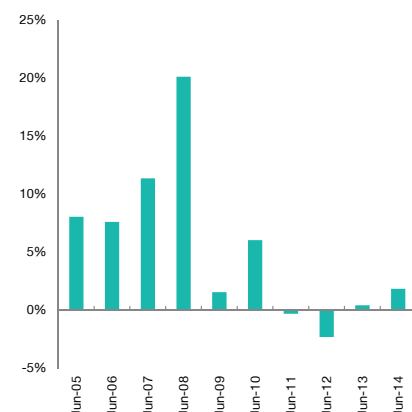
Over the last quarter, the Adelaide metropolitan area witnessed growth in prices of 1.9%. This trend was the opposite across the suburb of Adelaide, which saw a decline in values of 1.5% to stand at a median of \$362,000.

Sales volume increased 20%, to total 4,827 apartments, over the past year. However this sales rate is still 24% below levels seen pre the 2008 global financial crisis.

FIGURE 13

Annual Price Growth Adelaide Metropolitan

% annual change in growth for apartments



Source: Knight Frank Residential Research, Residex

Apartment Rents

Weekly apartment rents have decreased by 1.6%, to \$300, over the year to June 2014 in the Adelaide metropolitan area. The suburb of Adelaide also saw a downward trend in rents to \$405 per week. Over the same period, according to the REIA, total vacancy has compressed 40 bps for the Adelaide metropolitan area, to record a relatively tight 2.5%.

Rental Yields

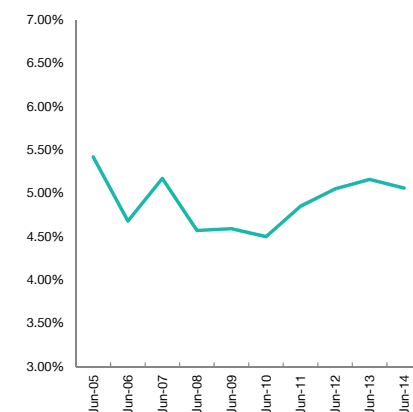
Adelaide metropolitan gross rental yields were down 10 bps to 5.06%, over the year to June 2014. Adelaide yields are above those achieved in other metropolitan areas including Sydney (at 4.81%), Melbourne (at 4.47%) and Perth (at 4.97%).

The suburb of Adelaide in the heart of the city recorded the third highest city centre yield nationally at 5.97%, behind only the Darwin and Brisbane suburbs.

FIGURE 14

Gross Rental Yields Adelaide Metropolitan

% past decade



Source: Knight Frank Residential Research, Residex

TABLE 5

Key Indicators, Adelaide Apartments, June 2014

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Gross Rental Yield (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)
Adelaide, 5000	362,000	-1.5	1.8	5.97	386	405
Adelaide Metropolitan	311,500	1.9	1.8	5.06	4,827	300
Australia	436,000	2.1	7.7	4.92	159,834	410

Source: Knight Frank Residential Research, Residex

CANBERRA

Key Facts

Annual capital growth was recorded at 1.6%, however softened by 1.6% over the past quarter

Sales volume decreased 3.8% over the past year to 3,720 apartments

Rents fell by 5.9% to \$400 per week compared with June 2013

Gross rental yields currently average 5.19% across the ACT and 5.68% in the Canberra suburb

“A turbulent few years in Canberra, wherein prices have bounced up and down, has left median apartment values back at March 2010 levels, and 7% below their previous June 2012 market peak.”

Apartment Values & Sales Volumes

Apartments in the Australian Capital Territory (ACT) experienced annual capital growth of 1.6%, to \$404,000 as at June 2014. This comes off a significant fall in capital values of 8.8% in the previous year. In the last quarter, the ACT witnessed a fall in growth of 1.6%, however the suburb of Canberra experienced modest growth of 0.3% to stand at \$455,000.

Sales volumes decreased 3.8%, to total 3,720 apartments, over the past year. The downsizing of the Commonwealth employment base and the subsequent reshaping of government departments has been a factor in the apartment market underperforming other capital cities, in terms of value growth, sales and rents over the last year.

Adaptive re-use opportunities may emerge for developers over the coming year, particularly to convert some older office stock to residential, however the

underlying fundamentals are not comparable to Sydney and Melbourne, hence developer interest in this trend has been minimal thus far.

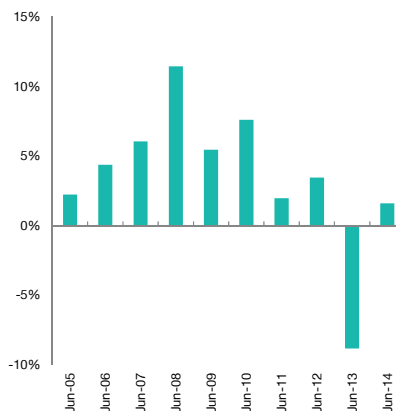
Apartment Rents

Weekly apartment rents have decreased by 5.9% to \$400 over the year to June 2014, due to concerns over future employment trends. The suburb of Canberra also recorded a downward trend in weekly rents to \$470. Over the same period, according to the REIA, total vacancy rose 40 bps for the Canberra metropolitan area, to record a vacancy rate of 3.9%.

Rental Yields

ACT gross rental yields were down 39 bps to 5.19%, over the year to June 2014, driven predominantly by a softening in rents. Yields remain above those achieved in other metropolitan areas such as Perth (at 4.97%), Sydney (at 4.81%) and Melbourne (at 4.47%).

FIGURE 15
Annual Price Growth
Australian Capital Territory
% annual change in growth for apartments



Source: Knight Frank Residential Research, Residex

FIGURE 16
Gross Rental Yields
Australian Capital Territory
% past decade



Source: Knight Frank Residential Research, Residex

TABLE 6
Key Indicators, Canberra Apartments, June 2014

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Gross Rental Yield (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)
Canberra City, 2601	455,000	0.3	-0.2	5.68	241	470
Australian Capital Territory	404,000	-1.6	1.6	5.19	3,720	400
Australia	436,000	2.1	7.7	4.92	159,834	410

Source: Knight Frank Residential Research, Residex

HOBART

Key Facts

Annual capital growth was recorded at 5.2%, however values fell noticeably over the past quarter

Sales volume increased 22% over the past year to 655 apartments

Rents increased by 3.8% to \$275 per week compared with June 2013

Gross rental yields currently average 5.47% across Hobart metropolitan, the second highest in the country

“Going forward, lower levels of new apartment stock completing across metropolitan Hobart will help maintain values, especially as investor demand remains strong due to high yields relative to other apartment markets.”

Apartment Values & Sales Volumes

Over the year to June 2014, apartment values in metropolitan Hobart experienced upward growth of 5.2%, after three consecutive years of negative growth in median values, to stand at a median of \$261,000. As a result, apartment values are now 10% from their December 2010 market peak.

Apartment sales volumes were up 22.4%, at 655 sales in the last year for the Hobart metropolitan area. The number of apartment sales is likely to stabilise over the medium term, due to a significant fall in apartment approvals. Annual rolling apartment approvals, across the Greater Hobart area, as at August 2014 have decreased by 68%, compared with the previous year, and now stand at their lowest levels in 10 years.

Apartment Rents

A 3.8% upward movement in rents has been experienced in metropolitan Hobart over the past twelve months, currently achieving \$275 per week. According to the REIA, total vacancy is above the market equilibrium at 4.4% for the Hobart metropolitan area. This has remained stable since June 2013 and down from 5% vacancy recorded in September 2012.

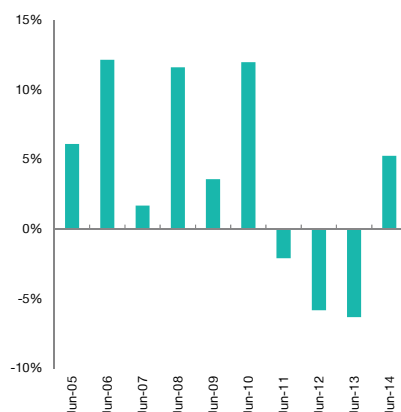
Rental Yields

Gross rental yields in Hobart metropolitan fell marginally by 7 bps to 5.47% in the year up to June 2014, however remain the second highest in the country behind Darwin. Hobart yields have been trending above those achieved in alternative metropolitan areas including Brisbane (at 5.43%), Perth (at 4.97%), Sydney (at 4.81%) and Melbourne (at 4.47%).

FIGURE 17

Annual Price Growth Hobart Metropolitan

% annual change in growth for apartments



Source: Knight Frank Residential Research, Residex

FIGURE 18

Gross Rental Yields Hobart Metropolitan

% decade



Source: Knight Frank Residential Research, Residex

TABLE 7

Key Indicators, Hobart Metropolitan Apartments, June 2014

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Gross Rental Yield (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)
Hobart, 7000	477,500	-0.1	8.3	4.95	19	445
Hobart Metropolitan	261,000	-1.9	5.2	5.47	655	275
Australia	436,000	2.1	7.7	4.92	159,834	410

Source: Knight Frank Residential Research, Residex

DARWIN

Key Facts

Annual capital growth was recorded at 2.3%, with a modest softening over the past quarter

Sales volume decreased 4.9% over the past year to 859 apartments

Rents increased by 1% to \$495 per week compared with June 2013

Gross rental yields currently average 5.99% for Darwin metropolitan, the highest across Australia's broader metropolitan regions

"Although recently recording a slight downward trend gross rental yields have displayed low volatility compared with other capital cities, having been relatively stable since 2006."

Apartment Values & Sales Volumes

Annual capital growth was recorded at 2.3% in the Darwin metropolitan area to \$430,000, as at June 2014. This was slightly lower than the past two years which recorded an average increase of 2.9% per annum. Furthermore, this level of growth is around 7% below the ten year annual average of 9.7%.

In the last quarter, the Darwin metropolitan area witnessed a fall in value of 0.4%. However, the suburb of Darwin experienced upward growth through this time, increasing by 1.2% to stand at \$550,000.

Despite price growth, sales volumes across the Darwin metropolitan area decreased by 4.9%, to total 859 apartments, over the past year.

FIGURE 19

Annual Price Growth Darwin Metropolitan

% annual change in growth for apartments



Source: Knight Frank Residential Research, Residex

Apartment Rents

Weekly apartment rents have increased by 1% to \$495 over the year to June 2014. Over the same period, according to the REIA, total vacancy has moved from sub 3% to record vacancy of 4.2% in the Darwin metropolitan area. The suburb of Darwin also saw an upward trend in rents (at 2.2%) to \$685 per week.

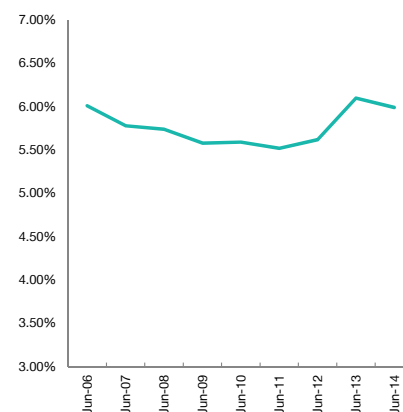
Rental Yields

Darwin metropolitan gross rental yields were down 11 bps to 5.99%, over the year to June 2014, a result of an increase in new apartment stock impacting on the vacancy rate and rental growth. However, yields remain the highest across Australia's broader metropolitan regions, significantly above those achieved in other metropolitan areas including Sydney (at 4.81%), Melbourne (at 4.47%) and Perth (at 4.97%).

FIGURE 20

Gross Rental Yields Darwin Metropolitan

% decade



Source: Knight Frank Residential Research, Residex

TABLE 8

Key Indicators, Darwin Metropolitan Apartments, June 2014

Region	Median Capital Value (\$)	Capital Growth Last Quarter (%)	Capital Growth Last Year (%)	Gross Rental Yield (%)	Sales Volume Last Year (no.)	Median Weekly Rent (\$)
Darwin, 0800	550,000	1.2	8.1	6.49	28	685
Darwin Metropolitan	430,000	-0.4	2.3	5.99	859	495
Australia	436,000	2.1	7.7	4.92	159,834	410

Source: Knight Frank Residential Research, Residex



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Definition:

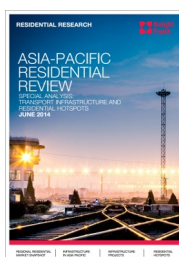
Suburb: The term Suburb as used in this report is based on Residex's area definitions. It does not necessarily relate to the entire postcode that is associated with the city.

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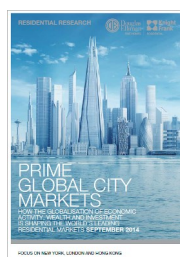
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