AUSTRALIAN RESIDENTIAL REVIEW
Q2 2018
Economic growth was recorded at 2.4% annual growth in December 2017. Unemployment across Australia remained steady at 5.5% in the March 2018 quarter. The official cash rate target remained unchanged at 1.50% on 1 May 2018. In March 2018 housing finance annual growth was 3.7%. Annual growth for residential building approvals was down 0.9% in March 2018.

Australian house values were up 2.3% in the year ending March 2018 (although falling 1.2% in the last quarter) to $809,000. Apartment values were up 0.6% over the year ending March 2018 (though falling 0.9% in the last quarter) to $555,500.

In the year ending March 2018, the volume of house sales across Australia fell 10.1% to 313,697; whilst 95,254 apartment sales were recorded (falling by 14.2%).

Gross rental yields for Australian houses were stable in Q1 2018 averaging 4.20%; whilst apartments were up 10 bps to average 4.40%.

Australian house rents rose 1.3% to $400 per week in the year ending March 2018; whilst apartment rents rose 3.8% to $410 per week.

The weighted average total residential vacancy for Australian capital cities was last recorded at 2.6% in December 2017; down 30 bps over the year.

Cooling measures encouraged by the Australian Prudential Regulation Authority (APRA) continue to challenge investors for both established and off-the- plan residential properties.

The Reserve Bank of Australia (RBA), left the official cash rate target unchanged at 1.50% in May 2018, and continues to support APRA’s supervisory measures and lighter credit standards to contain the build-up of risk on household balance sheets, noting that the level of household debt remains high.

With this backdrop, a risk-adverse lending environment is likely to be the new norm for the housing sector, and the current banking royal commission may lead to further steps to restrain lending to investors.

Greater Sydney capital values eased in the year ending March 2018, although this is likely to only be short-lived given a reasonably strong local economy, rising population growth, continued lowered vacancy and rising apartment rents.

Greater Melbourne continues to have the strongest capital growth along the East Coast capital cities, with the Gold Coast LGA next best. Greater Hobart is once again the best performer of all Australian capital cities and this was reflected in its global 12th ranking in the Knight Frank Global Residential Cities Index Q4 2017.

Greater Capital Cities, Gold Coast LGA & Australia (excl. Greater Darwin), as at 31 March 2018

-12% -10% -8% -6% -4% -2% 0% 2% 4% 6% 8% 10% 12% 14% 16% 18%
Dec-16 Jun-17 Dec-17 Mar-17 Sep-17 Mar-18 Sep-17 Mar-18 Sep-17 Mar-18
GROSS DOMESTIC PRODUCT, ANNUAL GROWTH
UNEMPLOYMENT RATE
CASH RATE TARGET
HOUSING FINANCE, ANNUAL GROWTH, BY VALUE (excl. refinancing)
TOTAL BUILDING APPROVALS, ANNUAL GROWTH (houses & apartments)

Bubble size reflects median capital value, whilst gross rental yield is represented on the x-axes & annual capital growth on the y-axes.

Source: Knight Frank Research, APM

National Key Economic Indicators

Source: Knight Frank Research, ABS, RBA

Michelle Ciesielski
Knight Frank Residential Research
Market Trends in Greater Sydney

Over the year ending March 2018, capital growth decreased 1.4% for houses; decreasing 2.6% over the past quarter to a median value of $1,150,500. Apartment values falling 0.6% over the year, and decreasing 0.5% in the past quarter to a median of $740,000.

The volume of sales tallied 43,878 houses (down 15.1%) and 27,285 apartments (down 20.6%) in the year ending March 2018.

The average days on market for houses stood at 68 days in the March 2018 quarter. For apartments this was 70 days. A year earlier, this comparable period was recorded at 52 days and 60 days, respectively.

The auction clearance rate for the week ending 6 May 2018 was 63.1% out of 797 scheduled auctions. This was higher than the week prior, at 55.8% from 829 scheduled auctions, but lower than the comparable week a year earlier when 73.8% (out of 592 auctions) were sold.

Gross rental yields remained steady to 3.10% for houses, and 3.80% for apartments over the March 2018 quarter. Rents remained steady for houses although rose 3.8% for apartments over the year ending March 2018. Weekly median rents stood at $550 for houses and $550 for apartments.

Total vacancy was 2.2% as at March 2018; recording 1.9% in the Inner Suburbs (0-10km from the CBD), 2.6% in the Middle Suburbs (10-25km) and 2.3% in the Outer Suburbs (25km+).
Market Trends in Greater Melbourne

Over the year ending March 2018, capital growth increased 8.8% for houses; rising 0.1% over the past quarter to a median value of $914,500. Apartment values rose 7.9% over the year, rising 0.7% in the past quarter to a median of $506,000.

The volume of sales tallied 58,359 houses (down 10.3%) and 20,303 apartments (down 12.6%) in the year ending March 2018.

The average days on market for houses stood at 57 days in the March 2018 quarter. For apartments this was 98 days. A year earlier, this comparable period was recorded at 52 days and 98 days, respectively.

The auction clearance rate for the week ending 6 May 2018 was 63.7% out of 1,144 scheduled auctions. This was slightly lower than the week prior, at 63.9% from 1,334 scheduled auctions, but lower than the comparable week a year earlier when 77.5% (out of 792 auctions) were sold.

Gross rental yields fell 10 bps to 3.10% for houses, but rose 10 bps to 4.50% for apartments over the March 2018 quarter. Rents for houses increased 2.4% and 3.8% for apartments over the year ending March 2018. Weekly median rents stood at $430 for houses and $410 for apartments.

Total vacancy was 2.1% as at March 2018; recording 1.8% in the Inner Suburbs (0-10km from the CBD), 3.0% in the Middle Suburbs (10-25km) and 1.7% in the Outer Suburbs (25km+).
BRISBANE

Population in Greater Brisbane was estimated at 2.4 million persons in June 2017, experiencing annual population growth of 2.0%. The population projection is currently set at 1.8% per annum until 2036.

Unemployment stood at 6.2% in Greater Brisbane as at March 2018, trending 45 bps lower than recorded in March 2017.

Gross State Product in Queensland was recorded at $308,709 million in 2016/17; 1.8% greater than the prior year.

The value of Queensland housing finance commitments rose by 0.2% in the year ending March 2018; up from 5.8% recorded for the previous year.

Building approvals in the year ending March 2018 totalled 13,903 houses and 11,802 apartments in Greater Brisbane. This was trending 15.1% higher for houses but 11.6% lower for apartment approvals compared to a year earlier.

Market Trends in Greater Brisbane

Over the year ending March 2018, capital growth increased 1.5% for houses; although falling 0.6% over the past quarter to a median value of $557,000. Apartment values fell 5.5% over the year, decreasing 4.3% in the past quarter to a median of $380,000.

The volume of sales tallied 32,186 houses (down 18.1%) and 10,790 apartments (down 25.8%) in the year ending March 2018.

The average days on market for houses stood at 84 days in the March 2018 quarter. For apartments this was 146 days. A year earlier, this comparable period was recorded at a similar 80 days and 122 days, respectively.

The auction clearance rate for the week ending 6 May 2018 was 47.3% out of 127 scheduled auctions. This was lower than the week prior, at 54.2% from 142 scheduled auctions, and lower than the comparable week a year earlier when 59.6% (out of 107 auctions) were sold.

Gross rental yields remained steady at 4.60% for houses, and increased 5.10% for apartments over the March 2018 quarter.

Rents decreased 1.2% for houses 1.3% for apartments over the year ending March 2018. Weekly median rents stood at $400 for houses and $375 for apartments.

Total vacancy was 3.1% as at March 2018; recording 3.5% in the Inner Suburbs (0-5km from the CBD), 2.8% in the Middle Suburbs (5-20km) and 2.0% in the Outer Suburbs (20km+).

Key Residential Indicators, 31 March 2018

<table>
<thead>
<tr>
<th>Greater Region</th>
<th>Type</th>
<th>Median Capital Value ($)</th>
<th>Capital Growth Last Quarter (%)</th>
<th>Capital Growth Last Year (%)</th>
<th>Sales Volume Last Year (no.)</th>
<th>Average Days on Market (no.)</th>
<th>Gross Rental Yield (%)</th>
<th>Median Weekly Rent ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brisbane</td>
<td>Houses</td>
<td>557,000</td>
<td>-0.6</td>
<td>1.5</td>
<td>32,186</td>
<td>84</td>
<td>4.60</td>
<td>400</td>
</tr>
<tr>
<td>Brisbane</td>
<td>Apartments</td>
<td>380,000</td>
<td>-4.3</td>
<td>-5.5</td>
<td>10,790</td>
<td>146</td>
<td>5.10</td>
<td>375</td>
</tr>
</tbody>
</table>

Source: Knight Frank Research, APM, CoreLogic, ABS, REIQ
The auction clearance rate for the week ending 6 May 2018 was 21.9% out of 39 scheduled auctions. This was lower than the week prior, at 48.4% from 39 scheduled auctions, and lower than the comparable week a year earlier when 43.8% (out of 34 auctions) were sold.

Gross rental yields were up 10 bps to 4.30% for houses, and up 10 bps to 4.50% for apartments over the March 2018 quarter.

Rents decreased 5.4% for houses but remained steady for apartments over the year ending March 2018. Weekly median rents stood at $350 for houses and $300 for apartments.

Total vacancy was 5.1% as at March 2018; down from 6.5% one year earlier.

### TABLE 4
**Key Residential Indicators, 31 March 2018**

<table>
<thead>
<tr>
<th>Greater Region</th>
<th>Type</th>
<th>Median Capital Value ($)</th>
<th>Capital Growth Last Quarter (%)</th>
<th>Capital Growth Last Year (%)</th>
<th>Sales Volume Last Year (no.)</th>
<th>Average Days on Market (no.)</th>
<th>Gross Rental Yield (%)</th>
<th>Median Weekly Rent ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perth</td>
<td>Houses</td>
<td>553,500</td>
<td>-2.0</td>
<td>-1.9</td>
<td>26,527</td>
<td>121</td>
<td>4.30</td>
<td>350</td>
</tr>
<tr>
<td>Perth</td>
<td>Apartments</td>
<td>351,000</td>
<td>-3.7</td>
<td>-4.4</td>
<td>3,381</td>
<td>147</td>
<td>4.50</td>
<td>300</td>
</tr>
</tbody>
</table>

Source: Knight Frank Research, APM, CoreLogic, ABS, REWA
Market Trends in Gold Coast LGA

Over the year ending March 2018, capital growth increased 3.3% for houses; also rising 0.2% over the past quarter to a median value of $620,000.

Apartment values rose 1.4% over the year, also rising 1.0% in the past quarter to a median of $424,000.

The volume of sales tallied 9,697 houses (falling by 19.8%) and 8,427 apartments (down 19.8%) in the year ending March 2018.

The average days on market for houses stood at 78 days in the March 2018 quarter. For apartments this was 100 days. A year earlier, this comparable period was recorded at 76 days and 100 days, respectively.

Gross rental yields were up 10 bps to 4.90% for houses, but remained steady at 5.80% for apartments over the March 2018 quarter.

Rents increased 4.3% for houses and rose 5.0% for apartments over the year ending March 2018. Weekly median rents stood at $490 for houses and $420 for apartments.

Total vacancy was 1.1% as at March 2018 falling from 1.7% one year earlier.

Table 5: Key Residential Indicators, 31 March 2018

<table>
<thead>
<tr>
<th>LGA</th>
<th>Type</th>
<th>Median Capital Value ($)</th>
<th>Capital Growth Last Quarter (%)</th>
<th>Capital Growth Last Year (%)</th>
<th>Sales Volume Last Year (no.)</th>
<th>Average Days on Market (no.)</th>
<th>Gross Rental Yield (%)</th>
<th>Median Weekly Rent ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Coast</td>
<td>Houses</td>
<td>620,000</td>
<td>0.2</td>
<td>3.3</td>
<td>9,697</td>
<td>78</td>
<td>4.90</td>
<td>490</td>
</tr>
<tr>
<td>Gold Coast</td>
<td>Apartments</td>
<td>424,000</td>
<td>1.0</td>
<td>1.4</td>
<td>8,427</td>
<td>100</td>
<td>5.80</td>
<td>420</td>
</tr>
</tbody>
</table>

Source: Knight Frank Research, National Institute of Economic and Industry Research (NIEIR), APM, ABS, Dept of Jobs and Small Business, REIQ
Market Trends in Greater Adelaide

Over the year ending March 2018, capital growth increased 3.7% for houses; rising 0.8% over the past quarter to a median value of $533,500. Apartment values rose 4.0% over the year, but remained steady in the past quarter to a median of $317,000.

The volume of sales tallied 19,862 houses (up 2.5%) and 4,304 apartments (up 5.8%) in the year ending March 2018. The average days on market for houses stood at 95 days in the March 2018 quarter. For apartments this was 128 days. A year earlier, this comparable period was recorded at 100 days and 137 days, respectively.

The auction clearance rate for the week ending 6 May 2018 was 59.1% out of 97 scheduled auctions. This was slightly lower than the week prior, at 60.2% from 133 scheduled auctions, and lower than the comparable week a year earlier when 62.5% (out of 100 auctions) were sold.

Gross rental yields remained steady at 4.50% for houses, and 5.20% for apartments over the March 2018 quarter. Rents increased 4.2% for houses and rose 1.7% for apartments over the year ending March 2018. Weekly median rents stood at $375 for houses and $300 for apartments.

### Table 6
Key Residential Indicators, 31 March 2018

<table>
<thead>
<tr>
<th>Greater Region</th>
<th>Type</th>
<th>Median Capital Value ($)</th>
<th>Capital Growth Last Quarter (%)</th>
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<th>Sales Volume Last Year (no.)</th>
<th>Average Days on Market (no.)</th>
<th>Gross Rental Yield (%)</th>
<th>Median Weekly Rent ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adelaide</td>
<td>Houses</td>
<td>533,500</td>
<td>0.8</td>
<td>3.7</td>
<td>19,862</td>
<td>95</td>
<td>4.50</td>
<td>375</td>
</tr>
<tr>
<td>Adelaide</td>
<td>Apartments</td>
<td>317,000</td>
<td>0.0</td>
<td>4.0</td>
<td>4,304</td>
<td>128</td>
<td>5.20</td>
<td>300</td>
</tr>
</tbody>
</table>

Source: Knight Frank Research, APM, CoreLogic, ABS
Market Trends in Canberra

Over the year ending March 2018, capital growth increased 3.3% for houses; rising 0.8% over the past quarter to a median value of $728,000. Apartment values fell 3.5% over the year, falling 2.2% in the past quarter to a median of $411,000.

The volume of sales tallied 5,379 houses (down 1.1%) and 3,627 apartments (down 22.4%) in the year ending March 2018.

The average days on market for houses stood at 71 days in the March 2018 quarter. For apartments this was 87 days. A year earlier, this comparable period was recorded at 54 days and 102 days, respectively.

The auction clearance rate for the week ending 6 May 2018 was 73.9% out of 102 scheduled auctions. This was higher than the week prior, at 66.7% from 92 scheduled auctions, and higher than the comparable week a year earlier when 64.7% (out of 58 auctions) were sold.

Gross rental yields fell 10 bps to 4.30% for houses, and remained steady at 5.80% for apartments over the March 2018 quarter.

Rents increased 6.0% for houses and rose 4.7% for apartments over the year ending March 2018. Weekly median rents stood at $530 for houses and $450 for apartments.

Total vacancy was 1.1% as at December 2017; falling from 2.2% one year earlier.
Market Trends in Greater Hobart

Over the year ending March 2018, **capital growth** increased 15.5% for houses; rising 2.7% over the past quarter alone to a **median value** of $450,500. Apartment values rose 8.3% over the year but fell 5.7% in the past quarter to a median of $326,000.

The **volume of sales** tallied 3,941 houses (down 8.0%) and 686 apartments (down 12.4%) in the year ending March 2018.

The **average days on market** for houses stood at 52 days in the March 2018 quarter. For apartments this was 49 days. A year earlier, this comparable period was recorded at 88 days and 85 days, respectively.

The **auction clearance rate** for the week ending 6 May 2018 was 50% out of 5 scheduled auctions. This was higher than the week prior, at 25% from 8 scheduled auctions, but lower than the comparable week a year earlier when 66.7% (out of 6 auctions) were sold.

**Gross rental yields** fell 20 bps to 5.10% for houses, and remained steady at 5.50% for apartments over the March 2018 quarter.

**Rents** increased 15.1% for houses and rose 14.8% for apartments over the year ending March 2018. Weekly median rents stood at $420 for houses and $350 for apartments.

**Total vacancy** was 1.4% as at December 2017; falling from 2.4% one year earlier.

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**TABLE 8**

**Key Residential Indicators, 31 March 2018**

<table>
<thead>
<tr>
<th>Greater Region</th>
<th>Type</th>
<th>Median Capital Value ($)</th>
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<th>Gross Rental Yield (%)</th>
<th>Median Weekly Rent ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hobart</td>
<td>Houses</td>
<td>450,500</td>
<td>2.7</td>
<td>15.5</td>
<td>3,941</td>
<td>52</td>
<td>5.10</td>
<td>420</td>
</tr>
<tr>
<td>Hobart</td>
<td>Apartments</td>
<td>326,000</td>
<td>-5.7</td>
<td>8.3</td>
<td>686</td>
<td>49</td>
<td>5.50</td>
<td>350</td>
</tr>
</tbody>
</table>

Source: Knight Frank Research, APM, CoreLogic, ABS, REIA
Market Trends in Greater Darwin

Over the year ending March 2018, capital growth decreased 10.2% for houses; falling 7.5% in the past quarter to a median value of $520,000. Apartment values decreased 26.9% over the year, and fell 15.9% in the past quarter to a median of $309,000.

The volume of sales tallied 661 houses (down 17.2%) and 525 apartments (down 9.3%) in the year ending March 2018.

The average days on market for houses stood at 172 days in the March 2018 quarter. For apartments this was 260 days. A year earlier, this comparable period was recorded at 174 days and 227 days, respectively.

The auction clearance rate for the week ending 6 May 2018 was 50% out of 7 scheduled auctions. This was higher than the week prior, at 40% (from 12 scheduled auctions) and higher than the comparable week a year earlier when 33% (out of 3 auctions) were sold.

Gross rental yields were up 20 bps to 5.10%, for houses, and up 20 bps to 5.90%, for apartments over the March 2018 quarter.

Rents decreased 3.6% for houses and fell 2.4% for apartments over the year ending March 2018. Weekly median rents stood at $530 for houses and $410 for apartments.

Total vacancy was 6.3% as at December 2017; falling from 7.8% one year earlier.

### Table 9

<table>
<thead>
<tr>
<th>Greater Region</th>
<th>Type</th>
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<th>Sales Volume Last Year (no.)</th>
<th>Average Days on Market (no.)</th>
<th>Gross Rental Yield (%)</th>
<th>Median Weekly Rent ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Darwin</td>
<td>Houses</td>
<td>520,000</td>
<td>-7.5</td>
<td>-10.2</td>
<td>661</td>
<td>172</td>
<td>5.10</td>
<td>530</td>
</tr>
<tr>
<td>Darwin</td>
<td>Apartments</td>
<td>309,000</td>
<td>-15.9</td>
<td>-26.9</td>
<td>525</td>
<td>260</td>
<td>5.90</td>
<td>410</td>
</tr>
</tbody>
</table>

Source: Knight Frank Research, APM, CoreLogic, ABS, REIA
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