

# Australian Residential Review

Q4 2023

Knight Frank's quarterly analysis of the mainstream residential sales and rental markets across major Australian cities and regional areas

[knightfrank.com.au/research](https://knightfrank.com.au/research)

## Australian price growth now in top third of global rankings

▲ Most residential property markets across Australia saw price growth in the last quarter, but it was the alarming rate of accelerated rental growth continuing to burden cost of living and denying many home ownership opportunities.

Multiple interest rate rises and the ongoing cost of living pressures throughout 2023 were expected to considerably impact Australia's current mortgage holders, however, distressed sales were relatively minimised as the economy continued to operate close to full employment.

An increasing portion of residential transactions taking place across Australia are not completely reliant on a mortgage. Many buying their next home have not been put off by the market having only a thin number of listed homes for sale, which has in turn, restimulated property prices.

Australia recorded 5% growth in prices over the year to September 2023, placing 18<sup>th</sup> spot from 56 countries in the Knight Frank [Global House Price Index](#).

When drilling down to the performance of Australia's largest capital cities around the world over the same time, Perth ranked best in 8<sup>th</sup> place from 107 cities with 10% annual growth. Sydney followed in 13<sup>th</sup> place (7%) and Brisbane in position 36 (4%), outpacing the global 2.3% annual price growth within the Knight Frank [Global Residential Cities Index](#).

The Australian economy is heavily reliant on new skilled migrants to join the local workforce. However, these workers are finding it difficult to find rental accommodation on arrival and once secured, residential rents have been pushed to new heights.

Significantly more new homes are required to ensure entry-level purchases are once again in possible reach for first time home buyers and investors. Current elevated weekly rents and the inflated cost of living are making this an impossible reality.

The supply of affordable homes is unlikely to match this pent-up demand given the ongoing challenges for homebuilding around Australia. Although this demand and supply imbalance is likely to improve, albeit modestly, in the second half of 2024. In the meantime, this points to unavoidable higher prices for both buyers and renters.

Meeting new housing targets set over the next five years is going to be the ultimate challenge. The projected requirement of construction wasn't nearly reached in recent years when conditions were ideally more favourable for developers.

**-20%**

The change in Australian residential sales volume in the year to September 2023

**68 days**

Average number of days an Australian residential home was on market before transaction

**4.7%**

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

**\$951,000**

Australian residential median value at the end of September 2023

**3.92%**

The gross rental yield achieved in September 2023 for an Australian residential investment

**13.7%**

The annual change in Australian residential rents in September 2023

**\$580**

Australian residential median weekly rent at the end of September 2023

# Key Drivers

▲ Cash rate movements the key to 2024 housing performance.

## THE ECONOMY

Australia's economy grew by an estimated 2.1% in September 2022, with a forecast of 3.1% in 2025. Unemployment in September 2023 was 3.4% and is forecast to reach 4.3% by 2025 (Oxford Economics).

## LENDING ENVIRONMENT

New household loan commitments across Australia were down by 21.6% in the year to September 2023, lower than the 6.8% change recorded the previous year. The number of lending commitments to owner occupier first home buyers in Australia fell by 16.6% in September 2023, compared to -24.3% a year earlier. This first home buyer group represented 22.4% of all Australian 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. This rate was 3.10% a year ago. Oxford Economics forecast the official cash rate towards an average rate of 3.85% by the end of 2025.

Over the year to September 2023, average mortgage lending rates to owner occupiers increased by 51 bps to

6.56% for a 3-year fixed term loan and rose by 175 bps to 8.52% for a standard variable loan. For investors, a 3-year fixed term increased by 64 bps to 6.65%, and a standard variable loan rose by 175 bps to 9.10% (RBA).

## NEW BUILDS

Annual building approvals in September 2023 fell by 13.9% across Australia, compared to a fall of 16.5% a year ago. In this time, 102,664 houses and 64,125 apartments were approved. This was trending 13.7% lower for houses and 14.2% lower for apartment approvals compared to the year earlier (ABS).

## POPULATION

Australia's total population grew by 1.2% to 26.0 million persons in the year to June 2022.

Over this time, the major cities of Australia saw annual population change of 1.3%, while inner regional areas of Australia saw population change of 1.3% and outer regional areas of 0.8%.

The projected population growth to 2032, is higher, at 1.4% per annum (ABS).

**2.1%**

Annual economic growth in Australia in 2022

**3.4%**

Australian unemployment rate in September 2023

**4.35%**

Official cash rate target in December 2023

**1.2%**

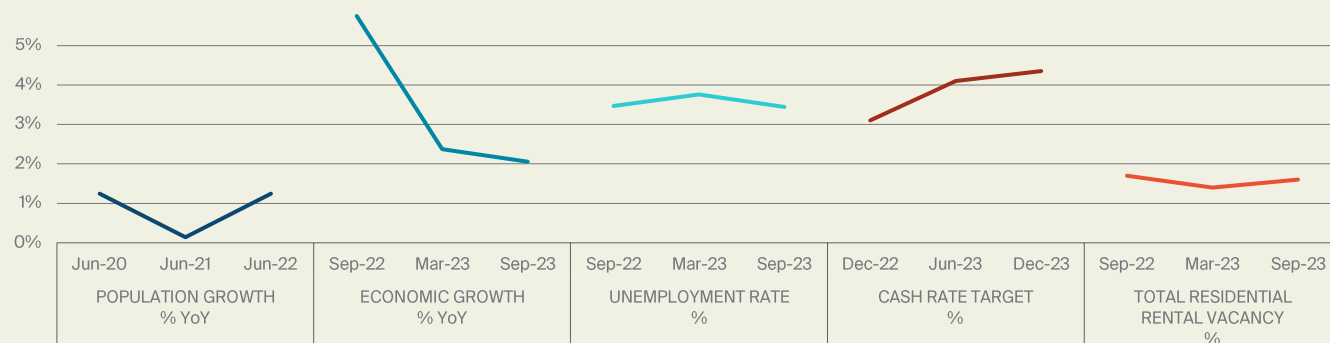
Australian annual population growth in 2022

**1.6%**

Australian residential rental vacancy in September 2023

## Australian Key Drivers

Mainstream residential market



Source: Knight Frank Research, ABS, RBA, REIA

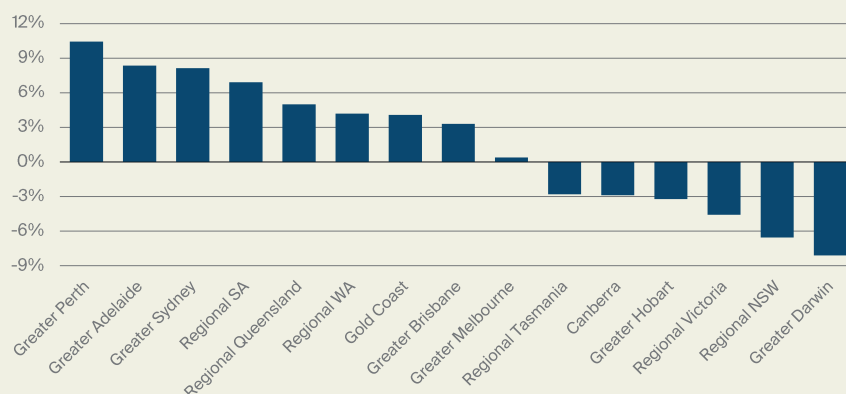
# Residential Price Performance

📍 Perth, Adelaide and Sydney record top price performance.

Across Australia, mainstream sales volume trended down 12.0% in the September 2023 quarter to total 109,768 residential homes (houses and apartments), as annual sales volume recorded -20.5%. The average days on market for an Australian home was 68 days in September 2023. This was 74 days three months earlier, and 65 days one year ago.

Residential property prices across Australia increased 4.7% in the year to September 2023, while rising 1.9% in the last quarter to stand at a median value of \$951,000. Looking forward, average prices are forecast to rise 7% at the end of 2023, with 6% in 2024 and 6% in 2025, according to Knight Frank Research.

**Australian Residential Price Index**  
% annual price change, September 2023



Source: Knight Frank Research

## Australian Price Forecast

Residential Price Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Greater Sydney	23%	-8%	7%	6%	6%	6%
Greater Melbourne	15%	-6%	2%	4%	6%	4%
Greater Brisbane	23%	1%	5%	5%	4%	5%
Greater Perth	9%	5%	12%	7%	6%	8%
Greater Adelaide	22%	10%	11%	6%	5%	7%
Greater Hobart	30%	-2%	-1%	4%	5%	3%
Canberra	28%	-7%	-2%	3%	5%	2%
Greater Darwin	29%	1%	-2%	3%	5%	2%
Gold Coast	21%	11%	7%	5%	4%	5%
Regional NSW	30%	14%	-5%	-3%	-1%	-3%
Regional Victoria	22%	12%	-4%	-2%	1%	-2%
Regional Queensland	14%	17%	8%	4%	3%	5%
Regional WA	11%	4%	5%	3%	2%	3%
Regional SA	5%	24%	8%	4%	3%	5%
Regional Tasmania	32%	17%	1%	2%	3%	2%
<b>Australia</b>	<b>21%</b>	<b>-4%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>

Source: Knight Frank Research

# Residential Rental Performance

📍 Perth, Melbourne and Sydney best rental performers.

## Australian Residential Rental Index

% annual rental change, September 2023



Source: Knight Frank Research

The total residential rental vacancy for Australian capital cities was recorded at 1.6% in September 2023, compressing 10 bps over the past year (REIA). Generally, 3% vacancy is considered a balanced rental market between supply and demand.

From an investment perspective, gross rental yields rose 18 bps in the year to September 2023, as Australian residential property averaged 3.92%.

Across Australia, residential rents increased 4.5% in the September 2023 quarter, while increased by 13.7% annually, to stand at \$580 per week. Knight Frank Research forecast rents to rise 18% at the end of 2023, with 11% likely in 2024, and 8% in 2025.

## Australian Rental Forecast

### Residential Rental Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Greater Sydney	7%	13%	16%	11%	8%	12%
Greater Melbourne	0%	11%	20%	12%	8%	13%
Greater Brisbane	11%	14%	12%	9%	7%	9%
Greater Perth	10%	15%	22%	11%	8%	14%
Greater Adelaide	9%	10%	12%	8%	6%	9%
Greater Hobart	9%	10%	-2%	2%	3%	1%
Canberra	10%	3%	-3%	3%	4%	1%
Greater Darwin	10%	5%	3%	2%	2%	2%
Gold Coast	19%	18%	6%	4%	3%	4%
Regional NSW	13%	9%	3%	2%	3%	3%
Regional Victoria	14%	11%	-2%	1%	1%	0%
Regional Queensland	13%	15%	8%	6%	4%	6%
Regional WA	8%	17%	8%	4%	1%	4%
Regional SA	11%	8%	6%	2%	2%	3%
Regional Tasmania	14%	12%	5%	3%	2%	3%
<b>Australia</b>	<b>7%</b>	<b>14%</b>	<b>18%</b>	<b>11%</b>	<b>8%</b>	<b>12%</b>

Source: Knight Frank Research

# Major Australian Cities Established Houses

**-13%**

**Hobart**

Best improvement in the growth of annual sale transactions

**41**

**Perth**

Lowest number of days on market

**10.4%**

**Perth**

Strongest annual price change

**5.54%**

**Darwin**

Highest gross rental yield

**20.0%**

**Perth**

Strongest annual rental change

**\$1,072,500**

Australian cities median house value at the end of September 2023

**5.1%**

The change in Australian cities median house value in the year to September 2023

**11.5%**

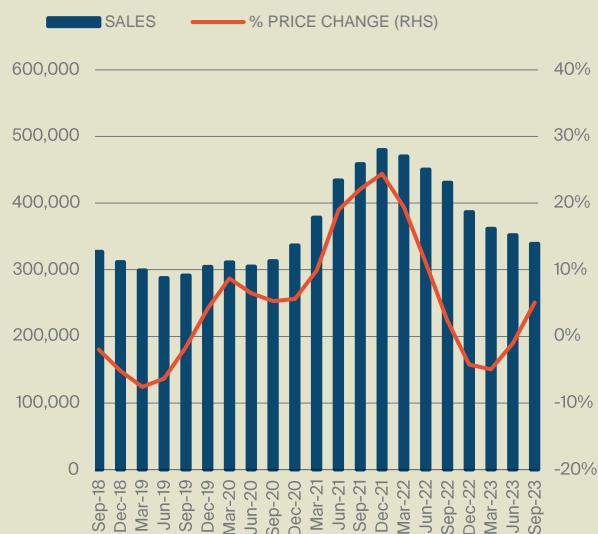
Annual median weekly rental change in September 2023 across Australian city houses

## SALES & PRICE PERFORMANCE

- ▲ Sales volume across Australian major cities fell by 12.6% in the September 2023 quarter to total 79,230 houses, whilst annual sales volume was 21.2% lower than a year ago.
- ▲ The average days on market for a house was 67 days in September 2023. This was 72 days three months earlier, and 62 days one year ago.
- ▲ Across Australian major cities, median house values rose 5.1% in the year to September 2023, while rising by 1.9% over the last quarter to \$1,072,500 (APM).

### Australian Cities Houses Sales Market

No. annual sales & % annual price change



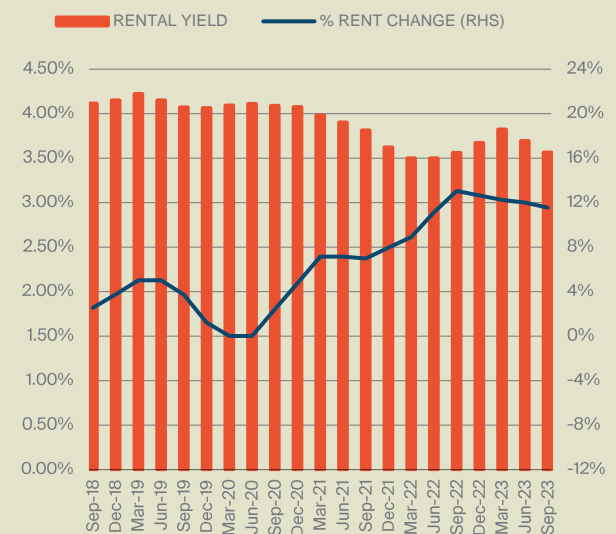
Source: Knight Frank Research, APM

## RENTAL MARKET

- ▲ Gross rental yields remained unchanged over the past year, with houses across the major cities averaging 3.56% in September 2023.
- ▲ Median apartment rents rose 3.6% in the September 2023 quarter, while up 11.5% annually, to stand at \$580 per week (APM).

### Australian Cities Houses Rental Market

Gross rental yield & % annual rental change



Source: Knight Frank Research, APM

# Regional Australia Established Houses

**-12%**

**Regional SA**

Best improvement in the growth of annual sale transactions

**66**

**Regional Tasmania**

Lowest number of days on market

**6.9%**

**Regional SA**

Strongest annual price change

**\$670,500**

Regional Australia average house value at the end of September 2023

**-2.4%**

The change in Regional Australia average house value in the year to September 2023

**6.08%**

**Regional WA**

Highest gross rental yield

**12.0%**

**Regional WA**

Strongest annual rental change

**1.7%**

**Regional Australia**

Average residential rental vacancy

**6.3%**

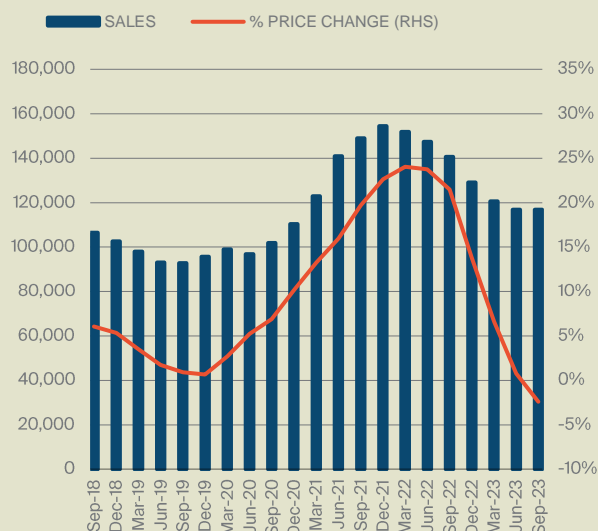
Annual average weekly rental change in September 2023 across Regional Australia houses

## SALES & PRICE PERFORMANCE

- ▲ In the year to September 2023, the volume of house sales across regional Australia was 116,907, trending 16.8% lower than a year ago.
- ▲ The average days on market for a regional house was 93 days in the September 2023 quarter. This was 88 days the quarter before and was 85 days one year ago.
- ▲ Prices for Australian regional houses fell 2.4% in the year to September 2023, while rising 0.1% in the last quarter to \$670,500 (Knight Frank Research).

### Regional Australia Houses Sales Market

No. annual sales & % annual price change



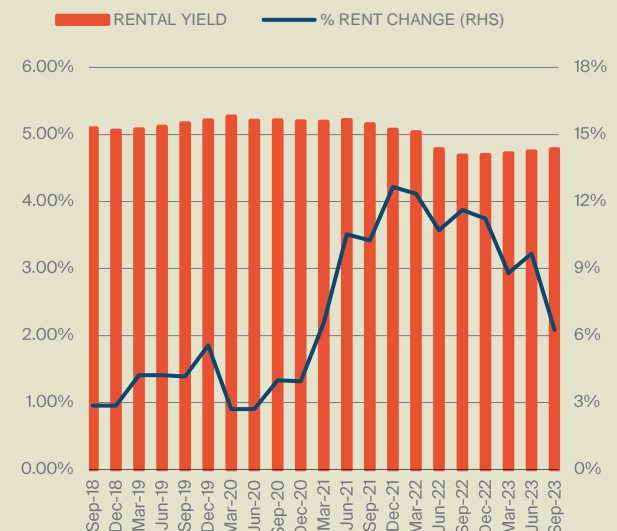
Source: Knight Frank Research

## RENTAL MARKET

- ▲ Residential rental vacancy in regional Australia was recorded at 1.7% in September 2023, increasing 23 bps over the past quarter.
- ▲ At the end of the third quarter of 2023, gross rental yields had increased 10 bps over the year as regional houses averaged 4.78%.
- ▲ Across regional Australia, house rents remained stable in the September 2023 quarter, while rising 6.3% over the past year to stand at \$510 per week (Knight Frank Research).

### Regional Australia Houses Rental Market

Gross rental yield & % annual rental change



Source: Knight Frank Research

# Major Australian Cities Established Apartments

**2%**

**Perth**

Best improvement in the growth of annual sale transactions

**41**

**Brisbane**

Lowest number of days on market

**15.0%**

**Adelaide**

Strongest annual price change

**7.72%**

**Darwin**

Highest gross rental yield

**23.6%**

**Sydney**

Strongest annual rental change

**\$622,500**

Australian cities median apartment value at the end of September 2023

**2.6%**

The change in Australian cities median apartment value in the year to September 2023

**19.8%**

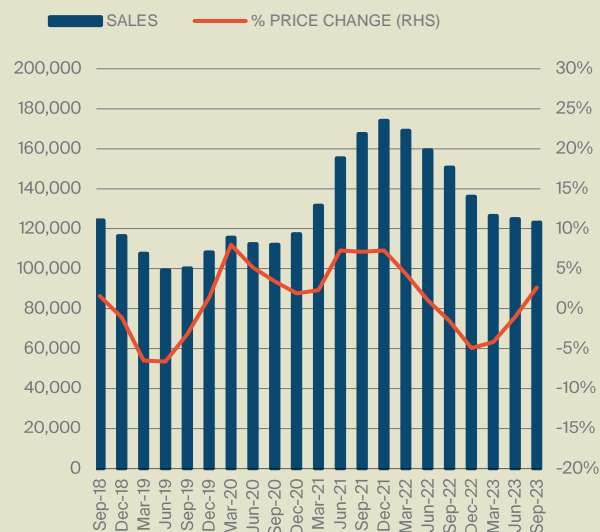
Annual median weekly rental change in September 2023 across Australian city apartments

## SALES & PRICE PERFORMANCE

- ▲ Across Australian major cities, sales volume decreased by 10.4% in the September 2023 quarter to count 30,538 apartments, as annual sales volume was 18.3% lower than a year ago.
- ▲ The average time on market for an apartment was 70 days in September 2023. This was 79 days one quarter earlier, and 72 days one year ago.
- ▲ Median apartment values grew by 2.6% in the year to September 2023, while rising 1.8% in the last quarter to stand at \$622,500 (APM).

### Australian Cities Apartments Sales Market

No. annual sales & % annual price change



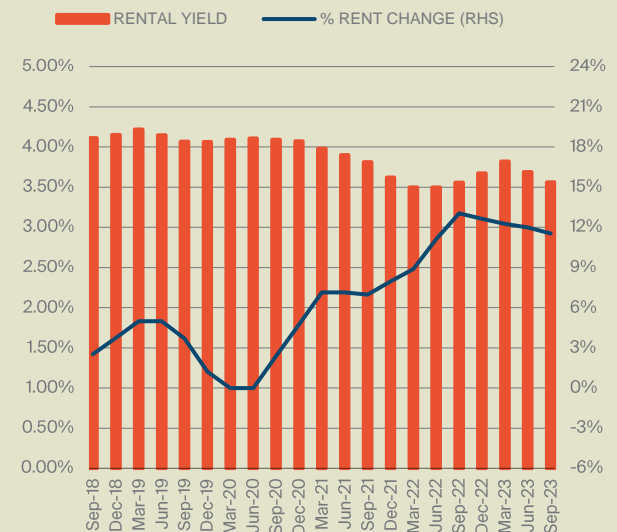
Source: Knight Frank Research, APM

## RENTAL MARKET

- ▲ In the year to September 2023, gross rental yields increased 66 bps with Australian apartments averaging 4.88%.
- ▲ Australian median apartment rents rose 4.5% in the September 2023 quarter, while rising 19.8% annually to \$575 per week (APM).

### Australian Cities Apartments Rental Market

Gross rental yield & % annual rental change



Source: Knight Frank Research, APM



# Data digest

## Major regional areas

Considered to be a Local Government Area (LGA) outside a greater city, with more than 10,000 dwellings at the time of the ABS Census 2021.

## Currency

All references made to dollars or \$ is Australian Dollars (AUD), unless stated.

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

## Recent Research



Global Residential Cities Index



Global House Price Index



Australian Prime Residential Review



The Wealth Report



### Residential Research

Michelle Ciesielski

+61 2 9036 6659

michelle.ciesielski@au.knightfrank.com



### Residential Site Sales

Justin Bond

+61 410 485 636

justin.bond@au.knightfrank.com



### Residential

Erin van Tuil

+61 409 325 700

erin.vantuil@au.knightfrank.com



### Franchise Partnerships

Sally Edvardsen

+61 2 9036 6845

sally.edvardsen@au.knightfrank.com



### Valuations

Chris Hill

+61 438 807 249

chris.hill@au.knightfrank.com