



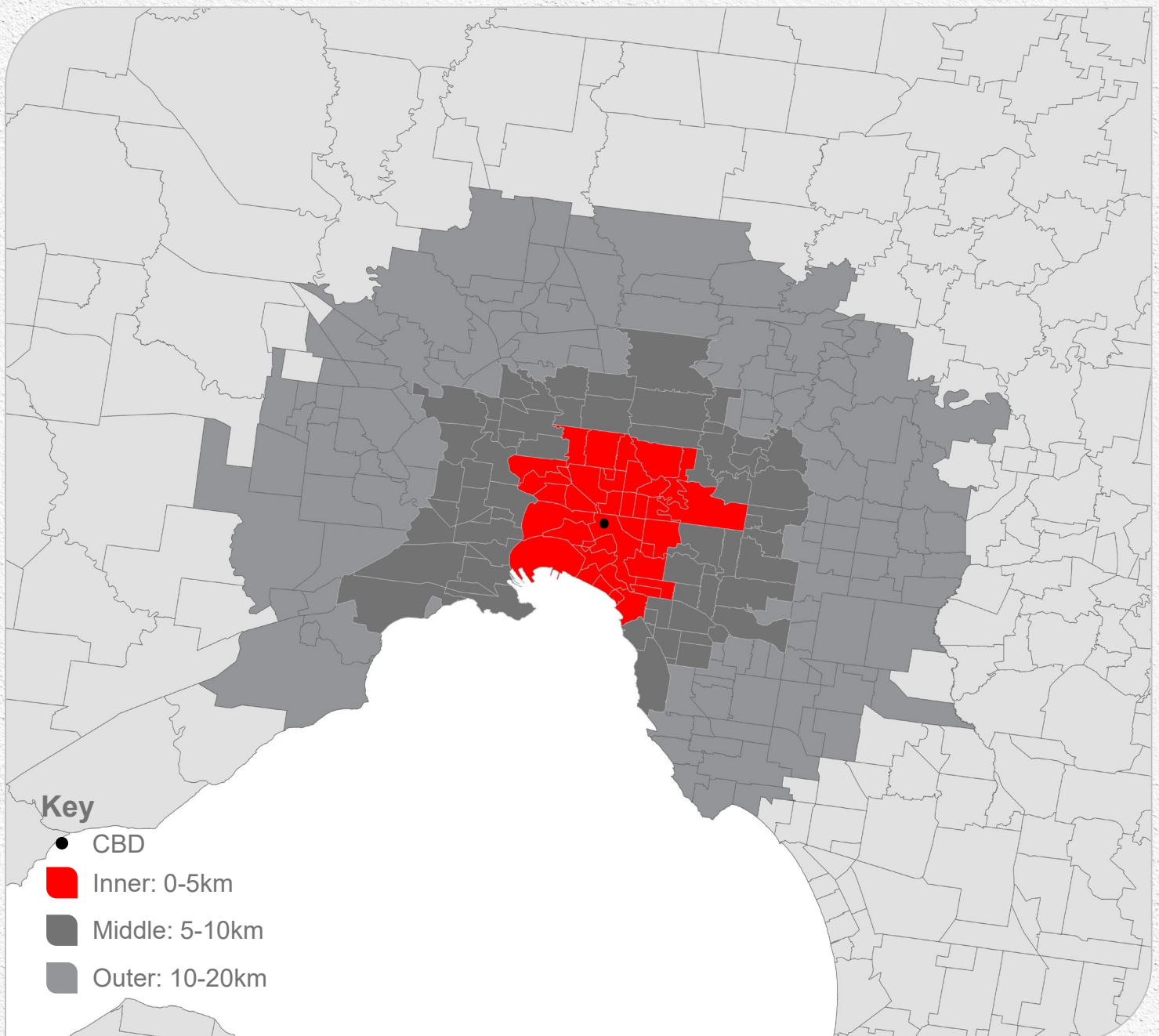
# > Melbourne | Major City Market Update

1st Half 2021

## INTRODUCTION

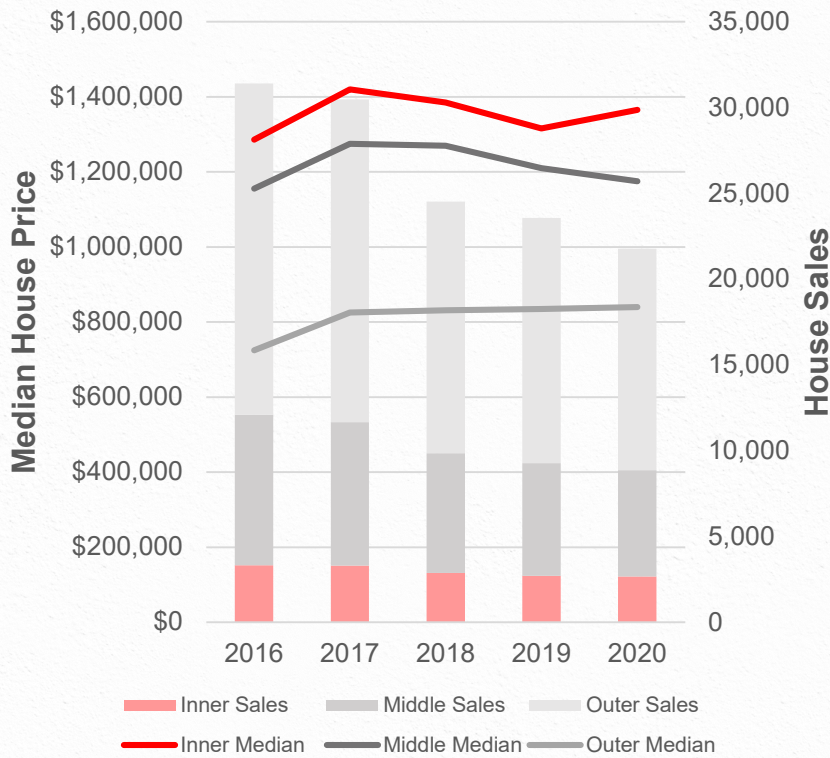
A first of its kind, the *PRD Melbourne Major City Market Update 1st Half 2021* is part of a series of reports which divides major cities into inner, middle, and outer-rings, allowing for an in-depth analysis of each specified market, whilst painting a holistic picture of property conditions in each area.

Melbourne's property market has seen exceptional growth since 2016, particularly in the outer-ring, for both houses and units. As the city faced COVID-19 lockdowns and restrictions, the outer-ring market continued to surge with the help of Government stimulus; as working from home has become more flexible and created strong demand in those areas. This has occurred in conjunction with the increase in median house rental prices across all rings over the past 12 months.





## MELBOURNE HOUSE SALES 2016-20



### 2020 Median Sale Price

- Inner: \$1,365,000
- Middle: \$1,175,000
- Outer: \$840,000

### 2016-20 Price Growth

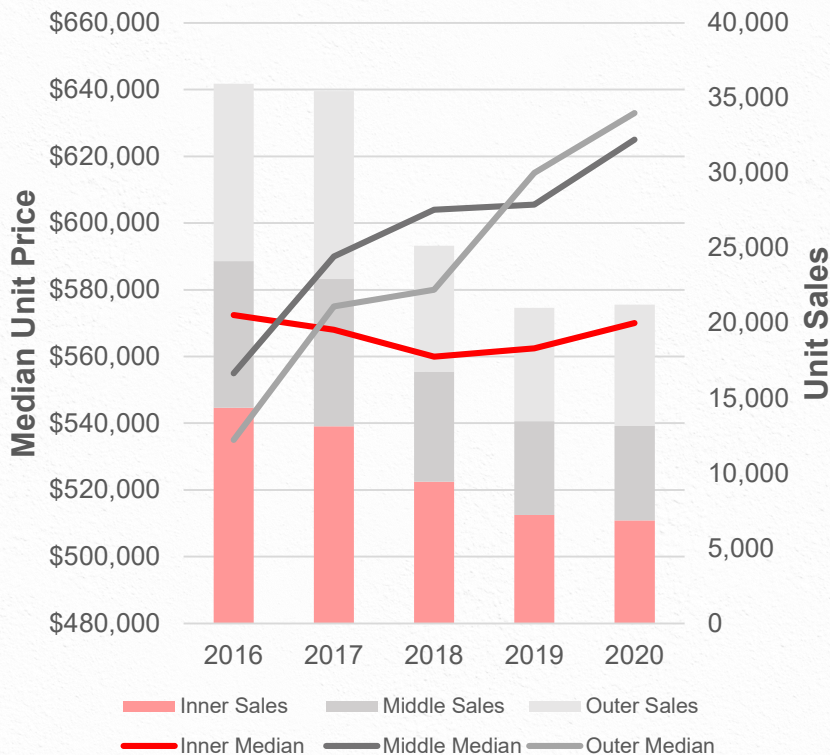
- Inner: +6.1% (+\$79,000)
- Middle: +1.7% (+\$20,000)
- Outer: +15.9% (+\$115,000)

### Key Comments

- Melbourne's inner ring house median price shows growth due to low levels of stock.
- Middle ring house prices have become more affordable since 2018.

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## MELBOURNE UNIT SALES 2016-20



### 2020 Median Sale Price

- Inner: \$570,000
- Middle: \$625,000
- Outer: \$633,000

### 2016-20 Price Growth

- Inner: -0.4% (+\$10,000)
- Middle: +12.6% (+\$70,000)
- Outer: +18.3% (+\$98,000)

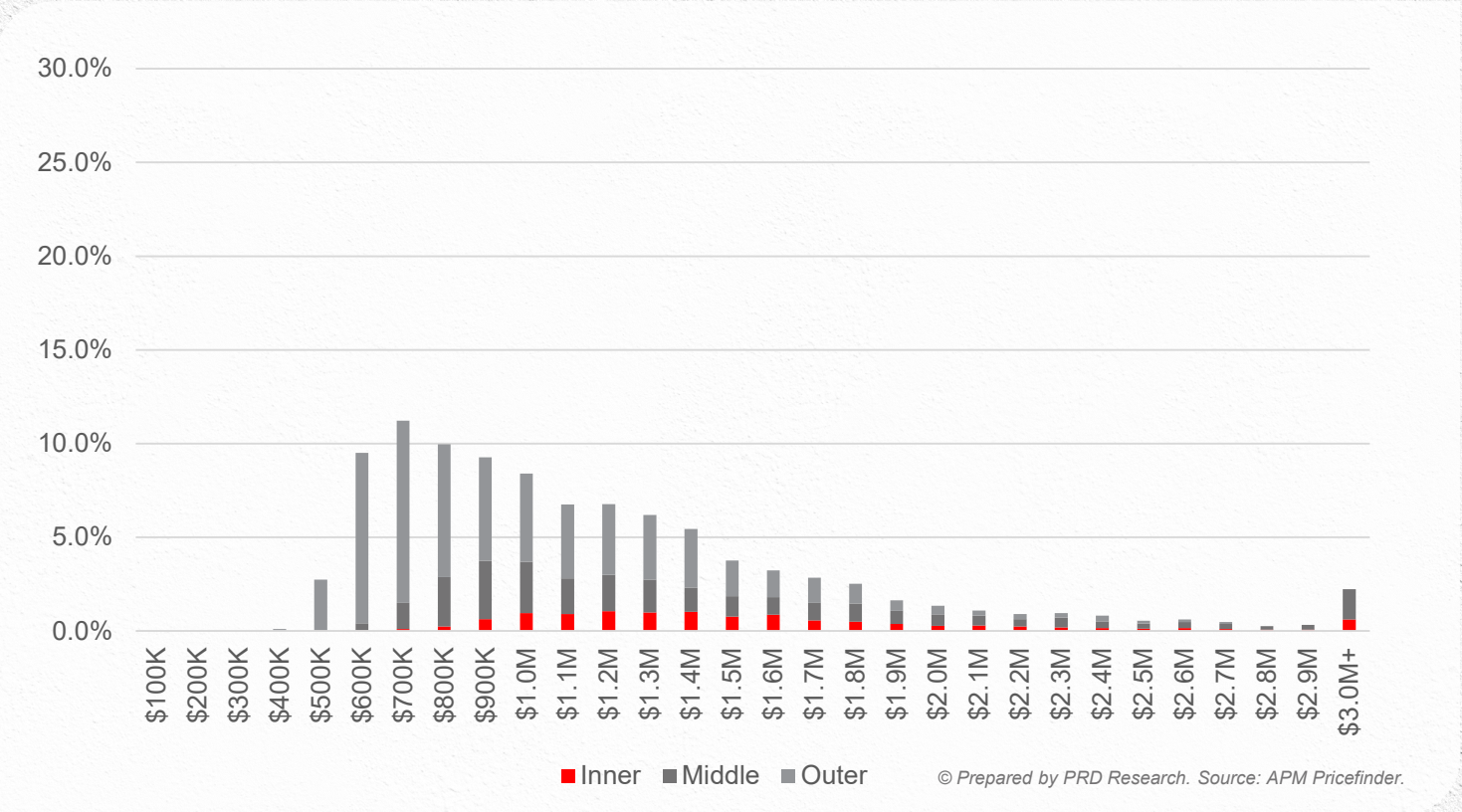
### Key Comments

- Melbourne's middle and outer ring unit median prices have surged amidst COVID-19.
- Overall unit median prices were resilient due to low levels of stock and Government support.

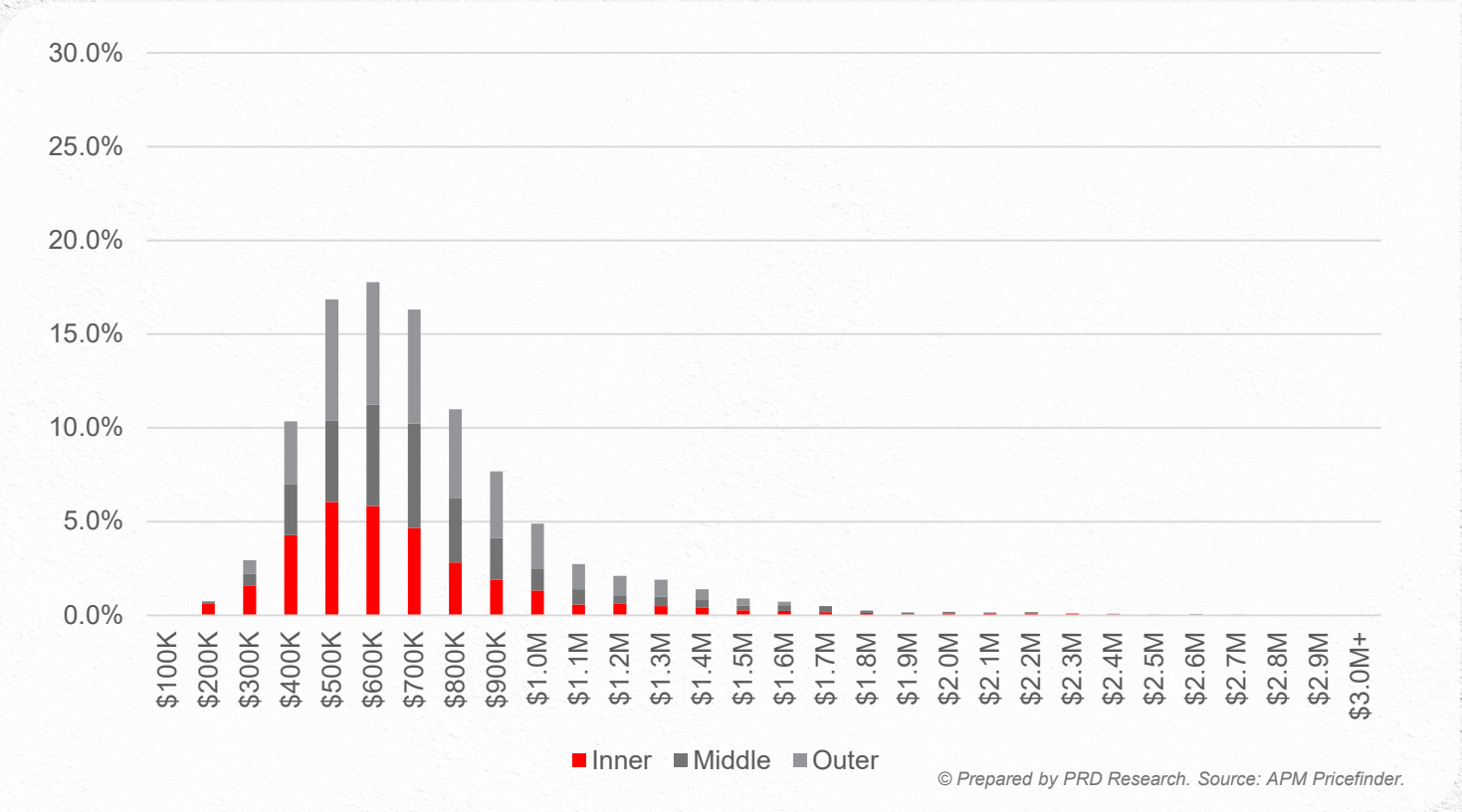
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# MELBOURNE HOUSE SALES PRICE DISTRIBUTION 2020

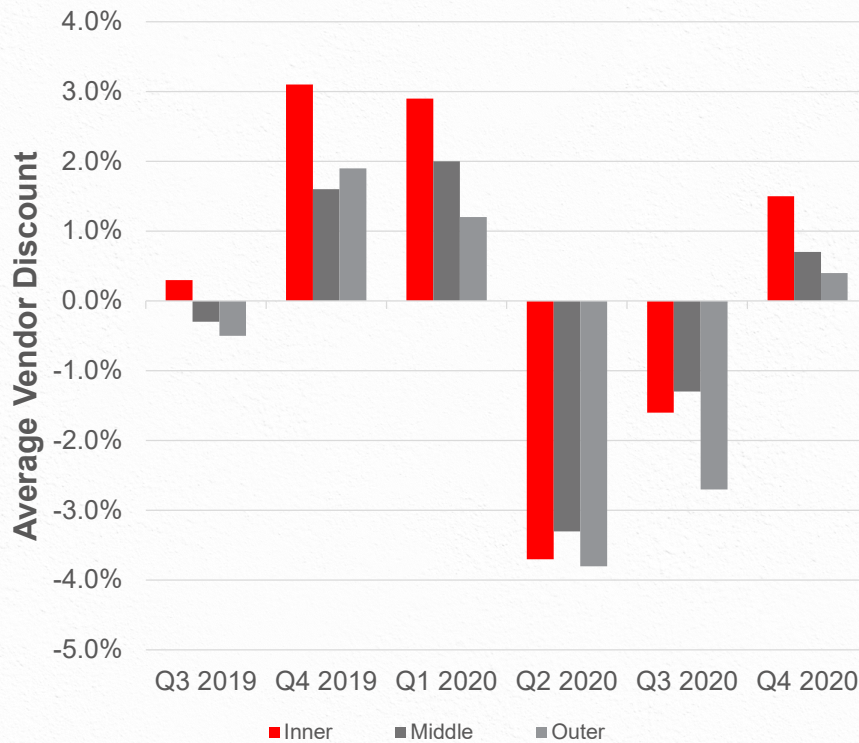


# MELBOURNE UNIT SALES PRICE DISTRIBUTION 2020





## MELBOURNE HOUSE AVERAGE VENDOR DISCOUNT



### Q4 2020 Overview

- Inner: +1.5%
- Middle: +0.7%
- Outer: +0.4%

### What is Average Vendor Discount?

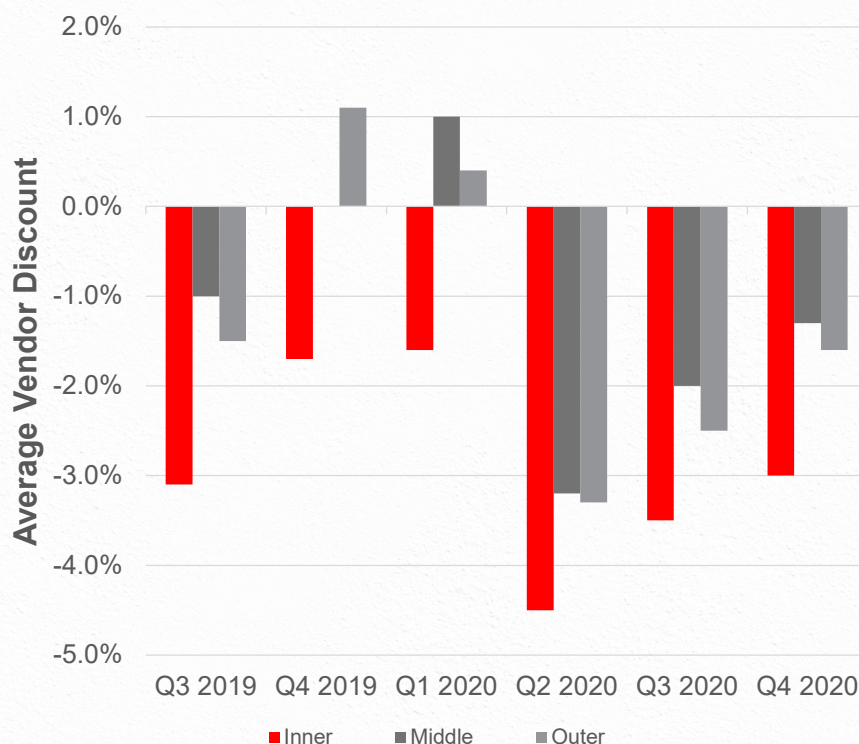
- The average percentage difference between the first list price and final sold price.

### Key Comments

- Average vendor discounting has strongly improved for inner ring houses, as confidence is starting to pick up again within the inner housing market.
- Q4 2020 average vendor discounting has swung to a premium, which is great news for vendors looking to sell houses.

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## MELBOURNE UNIT AVERAGE VENDOR DISCOUNT



### Q4 2020 Overview

- Inner: -3.0%
- Middle: -1.3%
- Outer: -1.6%

### What is Average Vendor Discount?

- A lower percentage difference (closer to 0.0%) suggests that buyers are willing to purchase closer to a property's initial asking price.

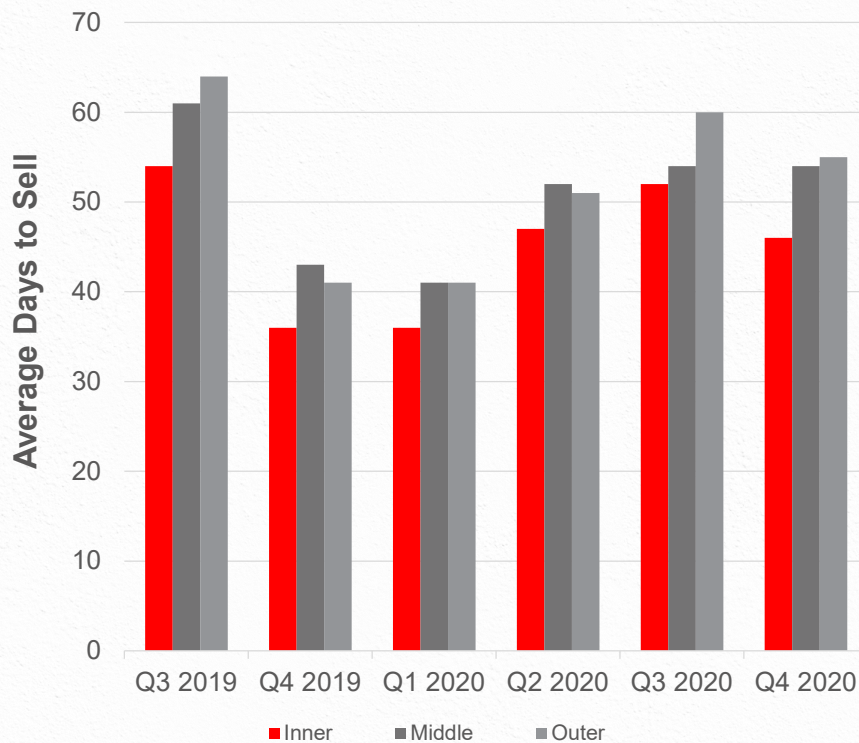
### Key Comments

- Unit discounting remains present in all rings, proving now is a great time for buyers to enter the market.
- Overall, average vendor discounting has started to tighten since the peak of COVID-19 for all rings as confidence returns to the market.

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## MELBOURNE HOUSE AVERAGE DAYS TO SELL



### Q4 2020 Overview

- Inner: 46 days
- Middle: 54 days
- Outer: 55 days

### Why Average Days to Sell?

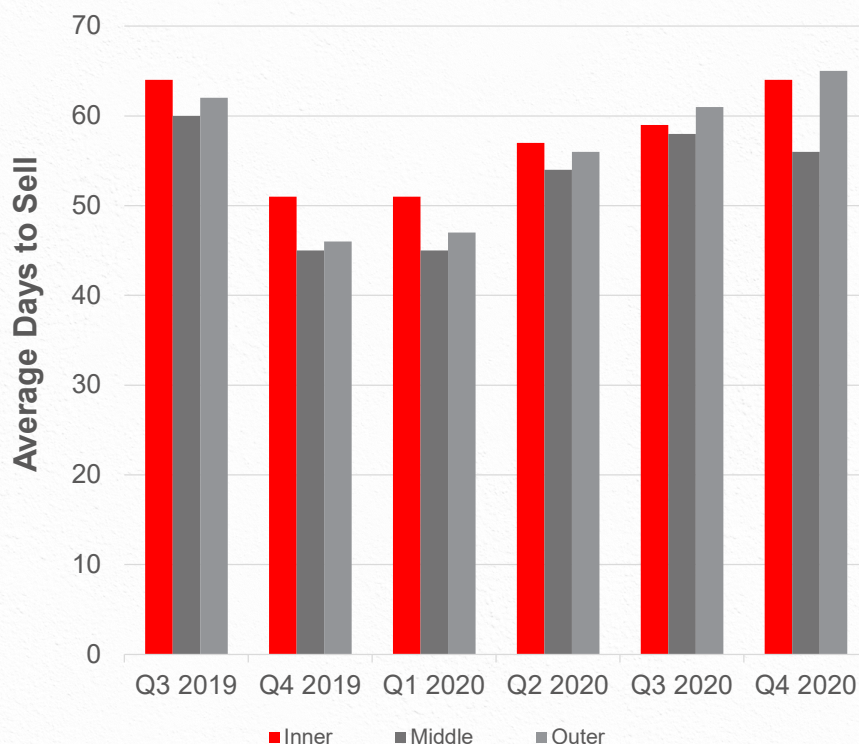
- The change in average days to sell a property is indicative of buyer demand.

### Key Comments

- Over the last 12 months, average days to sell a house increased across all rings.
- This has had impacts on low stock levels, however signs are leading towards a recovery.

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## MELBOURNE UNIT AVERAGE DAYS TO SELL



### Q4 2020 Overview

- Inner: 64 days
- Middle: 56 days
- Outer: 65 days

### Why Average Days to Sell?

- A lower average number of days to sell a property reveals an increase in the willingness of buyers to purchase property more quickly.

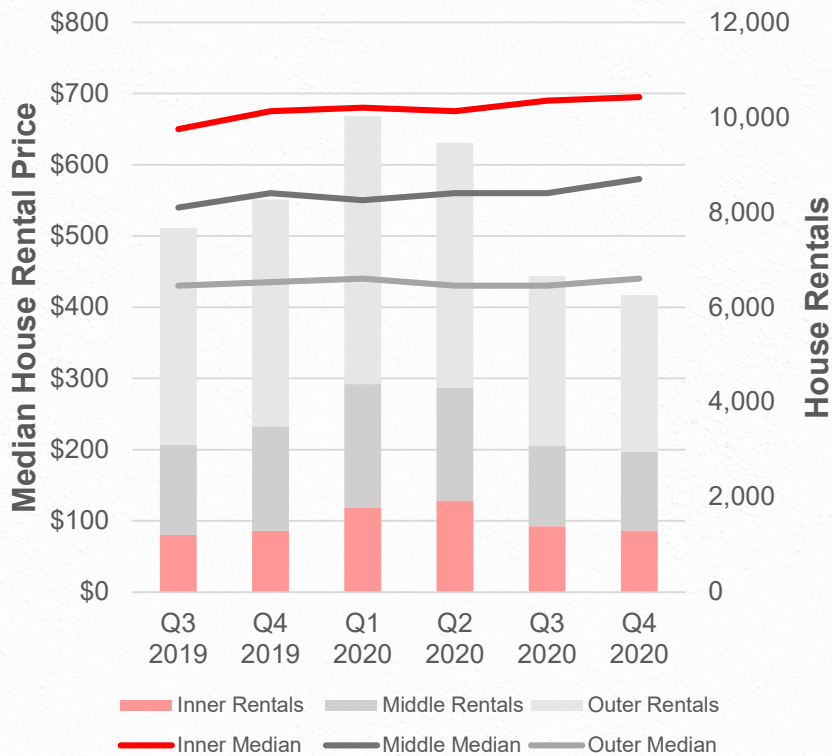
### Key Comments

- Average days to sell a unit have increased due to COVID-19, providing opportunity for buyers to negotiate.
- The inner and outer rings saw the highest days to sell a unit, while the middle ring was the least impacted.

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## MELBOURNE HOUSE RENTALS



### Q4 2020 Median Rental Price

- Inner: \$695 per week
- Middle: \$580 per week
- Outer: \$440 per week

### Annual Price Growth\*

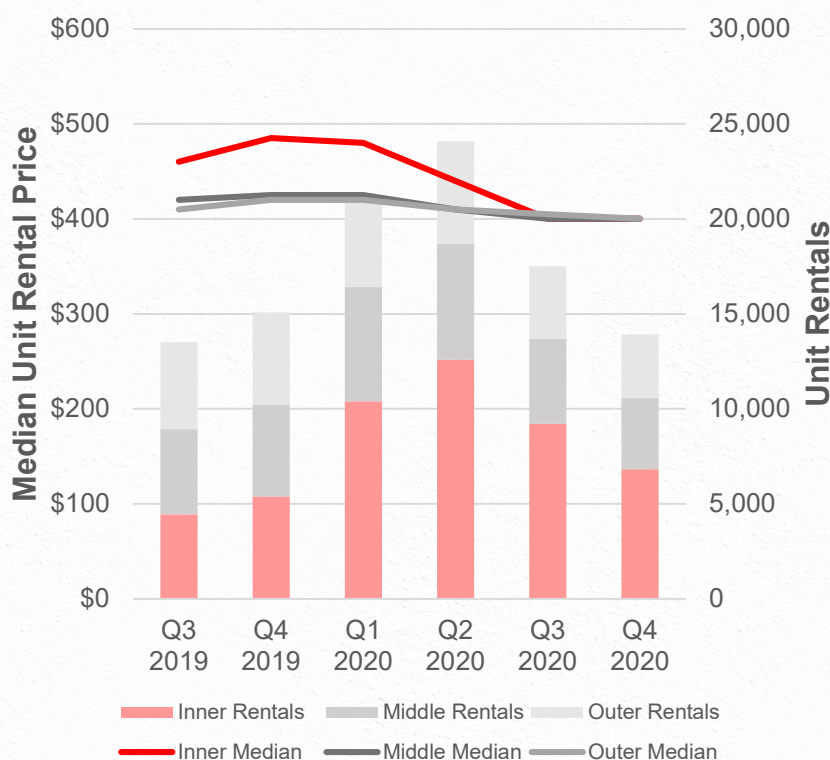
- Inner: +3.0% (+\$20 per week)
- Middle: +3.6% (+\$20 per week)
- Outer: +1.1% (+\$5 per week)

### Key Comments

- House median rental prices showed growth annually in each ring amidst COVID-19, indicating resilience.
- Middle ring house median rental prices outperformed other rings as working from home becomes a norm.

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## MELBOURNE UNIT RENTALS



### Q4 2020 Median Rental Price

- Inner: \$400 per week
- Middle: \$400 per week
- Outer: \$400 per week

### Annual Price Growth\*

- Inner: -17.5% (-\$85 per week)
- Middle: -5.9% (-\$25 per week)
- Outer: -4.8% (-\$20 per week)

### Key Comments

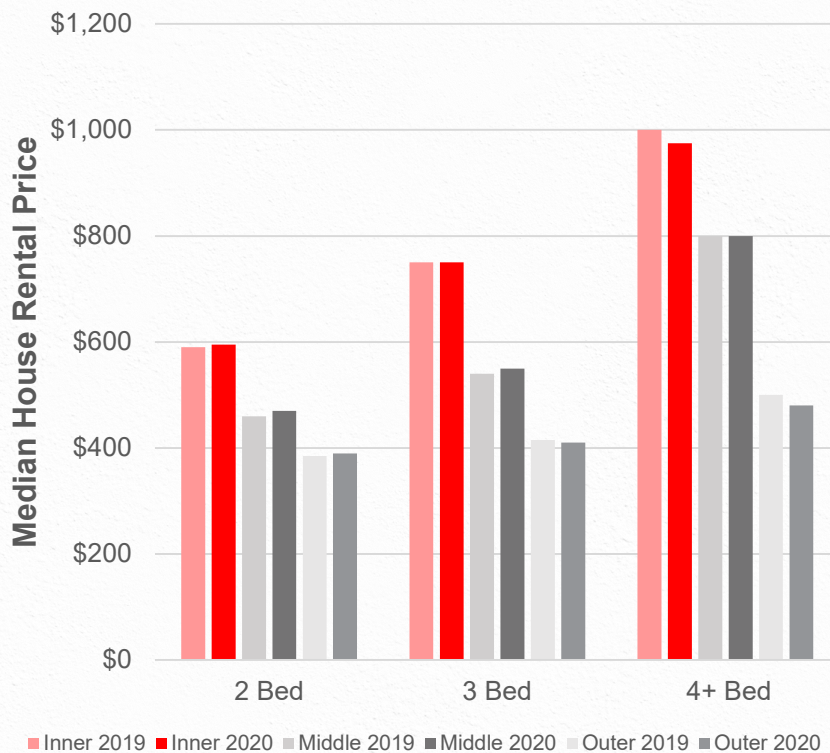
- Inner ring unit rental prices have been most affected during COVID-19, increasing affordability for tenants.
- COVID-19 lockdowns and restrictions have scattered inner city unit demand and flattened median rents citywide.

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\* Annual price growth is based on comparison between Q4 2019 and Q4 2020 figures.



## MELBOURNE HOUSE RENTAL PERFORMANCE 2019-20



### 2020 Median Rental Prices

#### 2 Bedroom

- Inner: \$595 per week
- Middle: \$470 per week
- Outer: \$390 per week

#### 3 Bedroom

- Inner: \$755 per week
- Middle: \$550 per week
- Outer: \$410 per week

#### 4+ Bedroom

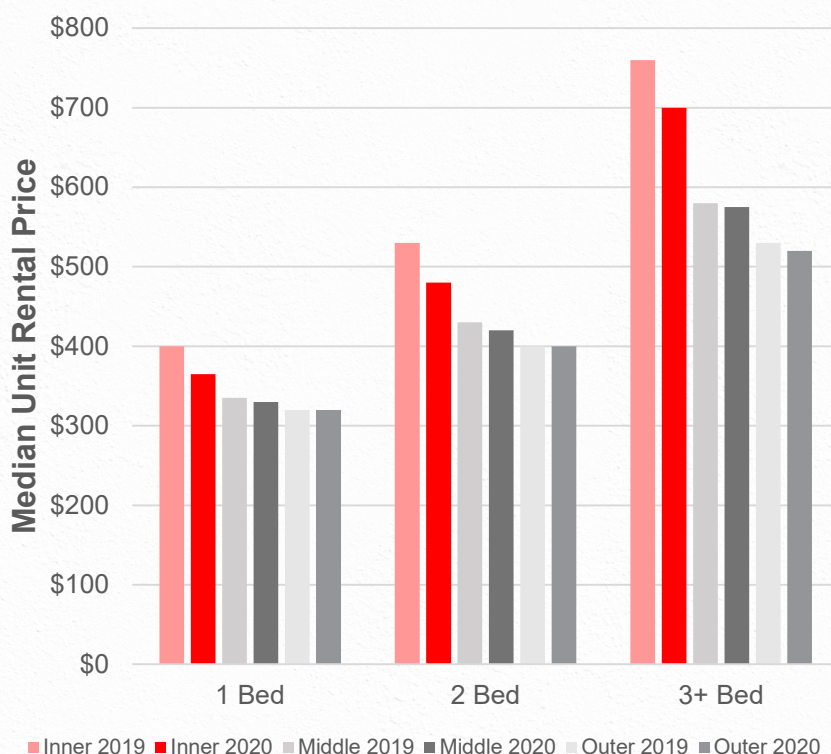
- Inner: \$975 per week
- Middle: \$800 per week
- Outer: \$480 per week

### Key Comments

- 3-bedroom house rentals in the middle ring showed the highest growth as working from home becomes a norm and extra space is needed.

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## MELBOURNE UNIT RENTAL PERFORMANCE 2019-20



### 2020 Median Rental Prices

#### 1 Bedroom

- Inner: \$365 per week
- Middle: \$330 per week
- Outer: \$320 per week

#### 2 Bedroom

- Inner: \$480 per week
- Middle: \$420 per week
- Outer: \$400 per week

#### 3+ Bedroom

- Inner: \$700 per week
- Middle: \$575 per week
- Outer: \$520 per week

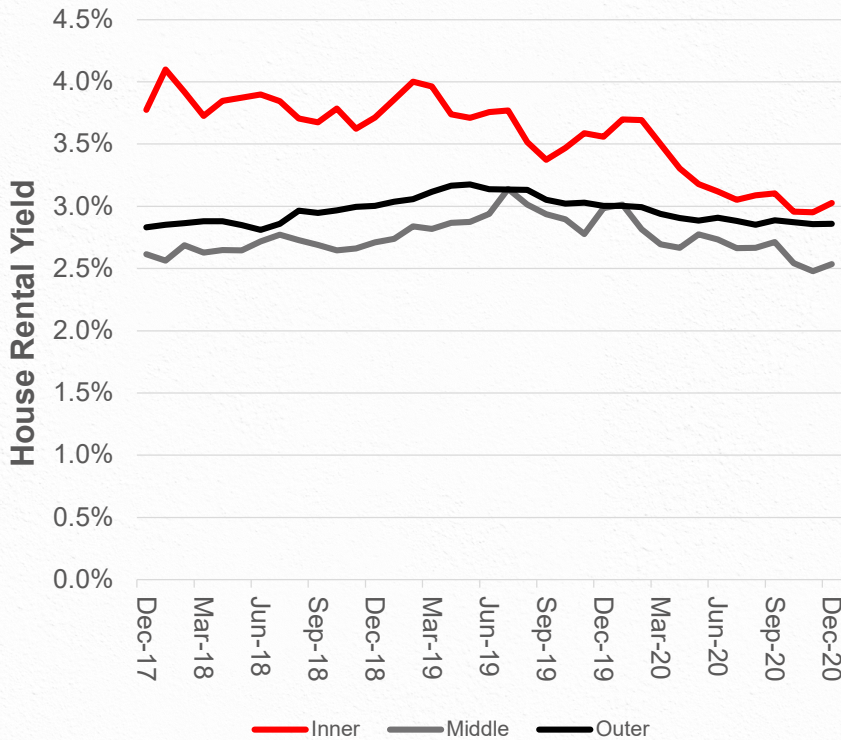
### Key Comments

- Inner ring 2-bedroom unit median rental prices were the most affected with a softening of -9.4% annually.

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## MELBOURNE HOUSE AVERAGE RENTAL YIELD



### Dec-20 Overview

- Inner: 3.0%
- Middle: 2.5%
- Outer: 2.9%

### Annual Change

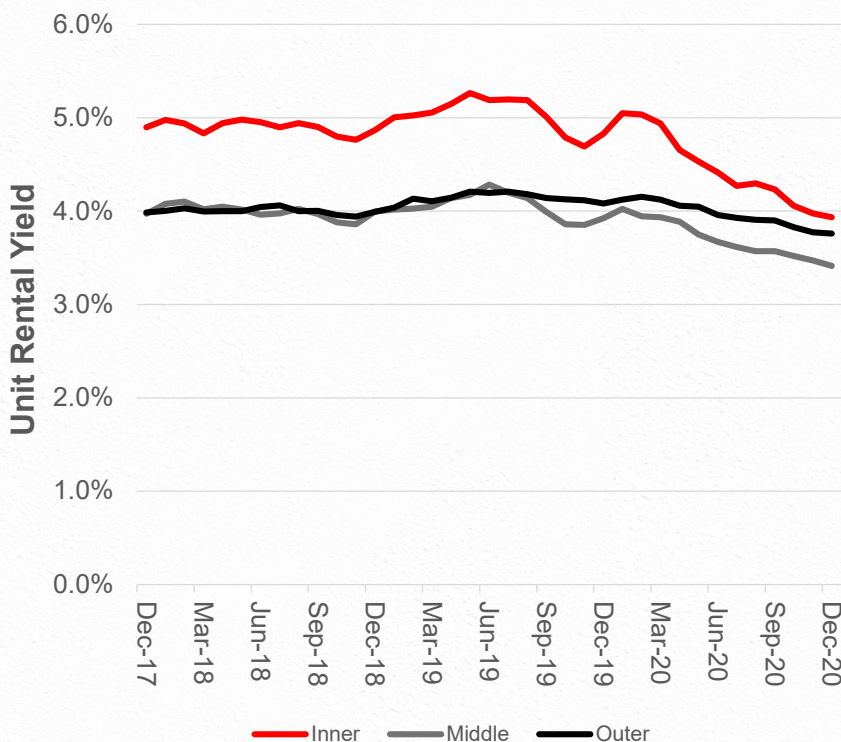
- Inner: -0.5%
- Middle: -0.4%
- Outer: -0.1%

### Key Comments

- House rental yields have tightened over the last 12 months, with the inner ring being the most affected.
- Outer ring house rental yields have been resilient throughout COVID-19, making it a great market for investors.

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## MELBOURNE UNIT AVERAGE RENTAL YIELD



### Dec-20 Overview

- Inner: 3.9%
- Middle: 3.4%
- Outer: 3.8%

### Annual Change

- Inner: -0.9%
- Middle: -0.5%
- Outer: -0.3%

### Key Comments

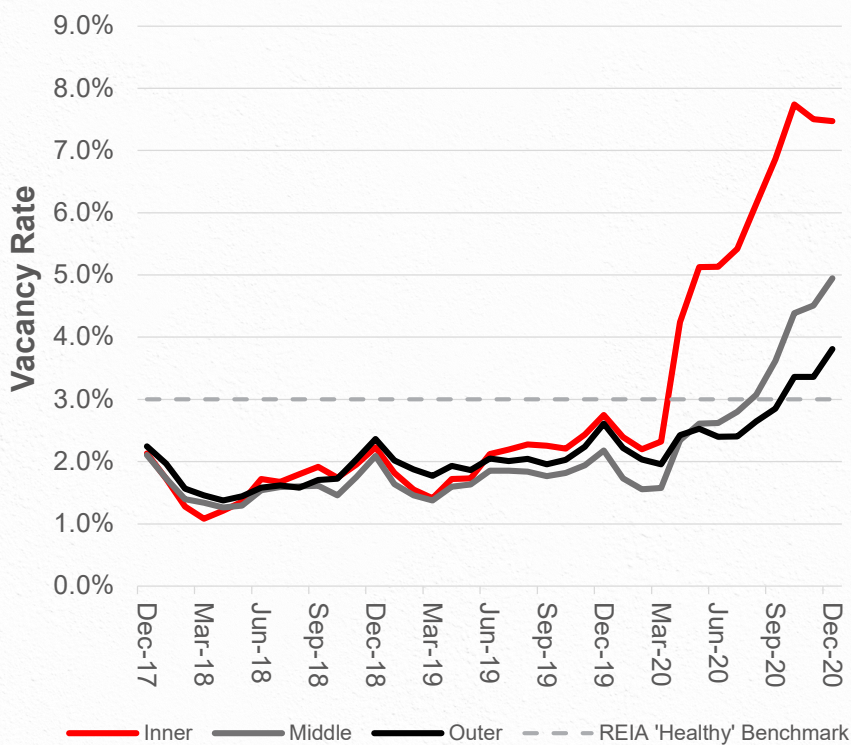
- Unit rental yields have declined due to COVID-19 restrictions, with the inner ring being worst affected.
- Melbourne's outer ring has been the least affected, proving the steadiest ongoing rental returns to investors.

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## MELBOURNE VACANCY RATES



### Dec-20 Overview

- Inner: 7.5%
- Middle: 4.9%
- Outer: 3.8%

### Annual Change

- Inner: +4.7%
- Middle: 2.8%
- Outer: +1.2%

### Key Comments

- Vacancy rates have surged in all rings due to COVID-19 lockdowns and restrictions, most heavily in the inner ring.
- This presents a unique opportunity for astute investors, as pre-COVID-19 vacancies were below the Real Estate Institute of Australia's benchmark.

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## REFERENCES

Inner ring market data encapsulates aggregate property conditions within following suburbs:

Abbotsford, Albert Park, Ascot Vale, Brunswick, Brunswick East, Brunswick West, Carlton, Carlton North, Clifton Hill, Collingwood, Cremorne, Docklands, East Melbourne, Fairfield, Fitzroy, Fitzroy North, Flemington, Kensington, Kew, Melbourne, Middle Park, North Melbourne, Northcote, Parkville, Port Melbourne, Prahran, Princes Hill, Richmond, South Melbourne, South Wharf, South Yarra, Southbank, St Kilda, St Kilda West, Travancore, West Melbourne, Windsor.

Middle ring market data encapsulates aggregate property conditions within following suburbs:

Aberfeldie, Alphington, Altona, Altona North, Armadale, Avondale Heights, Balaclava, Balwyn, Balwyn North, Bellfield, Braybrook, Brighton, Brooklyn, Bulleen, Burnley, Camberwell, Canterbury, Caulfield, Caulfield East, Caulfield North, Caulfield South, Coburg, Coburg North, Deepdene, Eaglemont, Elsternwick, Elwood, Essendon, Essendon Fields, Essendon North, Essendon West, Footscray, Gardenvale, Glen Iris, Hawthorn, Hawthorn East, Heidelberg West, Ivanhoe, Ivanhoe East, Keilor East, Kew East, Kingsville, Kooyong, Maidstone, Malvern, Malvern East, Maribyrnong, Moonee Ponds, Newport, Niddrie, Pascoe Vale, Pascoe Vale South, Preston, Reservoir, Ripponlea, Seddon, South Kingsville, Spotswood, St Kilda East, Strathmore, Thornbury, Toorak, Tottenham, West Footscray, Williamstown, Williamstown North, Yarraville.

Outer ring market data encapsulates aggregate property conditions within following suburbs:

Airport West, Albanvale, Albion, Altona Meadows, Ardeer, Ashburton, Ashwood, Attwood, Beaumaris, Bentleigh, Bentleigh East, Black Rock, Blackburn, Blackburn North, Blackburn South, Box Hill, Box Hill North, Box Hill South, Briar Hill, Brighton East, Broadmeadows, Bundoora, Burnside, Burnside Heights, Burwood, Burwood East, Cairnlea, Campbellfield, Carnegie, Caroline Springs, Chadstone, Cheltenham, Clarinda, Clayton, Clayton South, Coolaroo, Dallas, Deer Park, Delahey, Derrimut, Doncaster, Doncaster East, Donvale, Eltham, Eltham North, Epping, Fawkner, Forest Hill, Gladstone Park, Glen Huntly, Glen Waverley, Glenroy, Gowanbrae, Greensborough, Greenvale, Hadfield, Hampton, Hampton East, Heatherton, Heidelberg, Heidelberg Heights, Highett, Hughesdale, Huntingdale, Jacana, Kealba, Keilor, Keilor Downs, Keilor Lodge, Keilor North, Keilor Park, Kings Park, Kingsbury, Lalor, Laverton, Laverton North, Lower Plenty, Macleod, McKinnon, Meadow Heights, Melbourne Airport, Mentone, Mill Park, Mitcham, Mont Albert, Mont Albert North, Montmorency, Moorabbin, Mount Waverley, Mulgrave, Murrumbeena, Notting Hill, Nunawading, Oak Park, Oakleigh, Oakleigh East, Oakleigh South, Ormond, Plenty, Point Cook, Ravenhall, Rosanna, Roxburgh Park, Sandringham, Seabrook, Seaholme, Somerton, St Albans, St Helena, Strathmore Heights, Sunshine, Sunshine North, Sunshine West, Surrey Hills, Sydenham, Taylors Lakes, Templestowe, Templestowe Lower, Thomastown, Truganina, Tullamarine, Vermont, Vermont South, Viewbank, Warrandyte, Watsonia, Watsonia North, Westmeadows, Williams Landing, Yallambie.

Source: APM Pricer, SQM Research, ESRI ArcGIS.

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## ABOUT PRD RESEARCH

PRD Research Division provides reliable, unbiased, and authoritative property research and consultancy to clients in metro and regional locations across Australia

Our extensive research capability and specialised approach ensures our clients can make the most informed and financially sound decisions about residential and commercial properties.

## OUR KNOWLEDGE

Access to accurate and objective research is the foundation of all good property decisions.

As the first and only truly knowledge based property services company, PRD shares experience and knowledge to deliver innovative and effective solutions to our clients.

We have a unique approach that integrates people, experience, systems and technology to create meaningful business connections. We focus on understanding new issues impacting the property industry; such as the environment and sustainability, the economy, demographic and psychographic shifts, commercial and residential design; and forecast future implications around such issues based on historical data and fact.

## OUR PEOPLE

Our research team is made up of highly qualified researchers who focus solely on property analysis.

Skilled in deriving macro and micro quantitative information from multiple credible sources, we partner with clients to provide strategic advice and direction regarding property and market performance. We have the added advantage of sourcing valuable and factual qualitative market research in order to ensure our solutions are the most well considered and financially viable.

Our experts are highly sought after consultants for both corporate and government bodies and their advice has helped steer the direction of a number of property developments and secured successful outcomes for our clients.

## OUR SERVICES

**Our research services span over every suburb, LGA, and state within Australia; captured in a variety of standard and customised products.**

We have the ability and systems to monitor market movements, demographic changes and property trends. We use our knowledge of market sizes, price structure and buyer profiles to identify opportunities for clients and provide market knowledge that is unbiased, thorough and reliable.



## OUR SERVICES INCLUDE

- Advisory and consultancy
- Market Analysis including profiling and trends
- Primary qualitative and quantitative research
- Demographic and target market Analysis
- Geographic information mapping
- Project Analysis including product and pricing recommendations
- Rental and investment return analysis


**PRD Research**

T +61 7 3229 3344

E [research@prd.com.au](mailto:research@prd.com.au)

[PRD.com.au](http://PRD.com.au)



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