



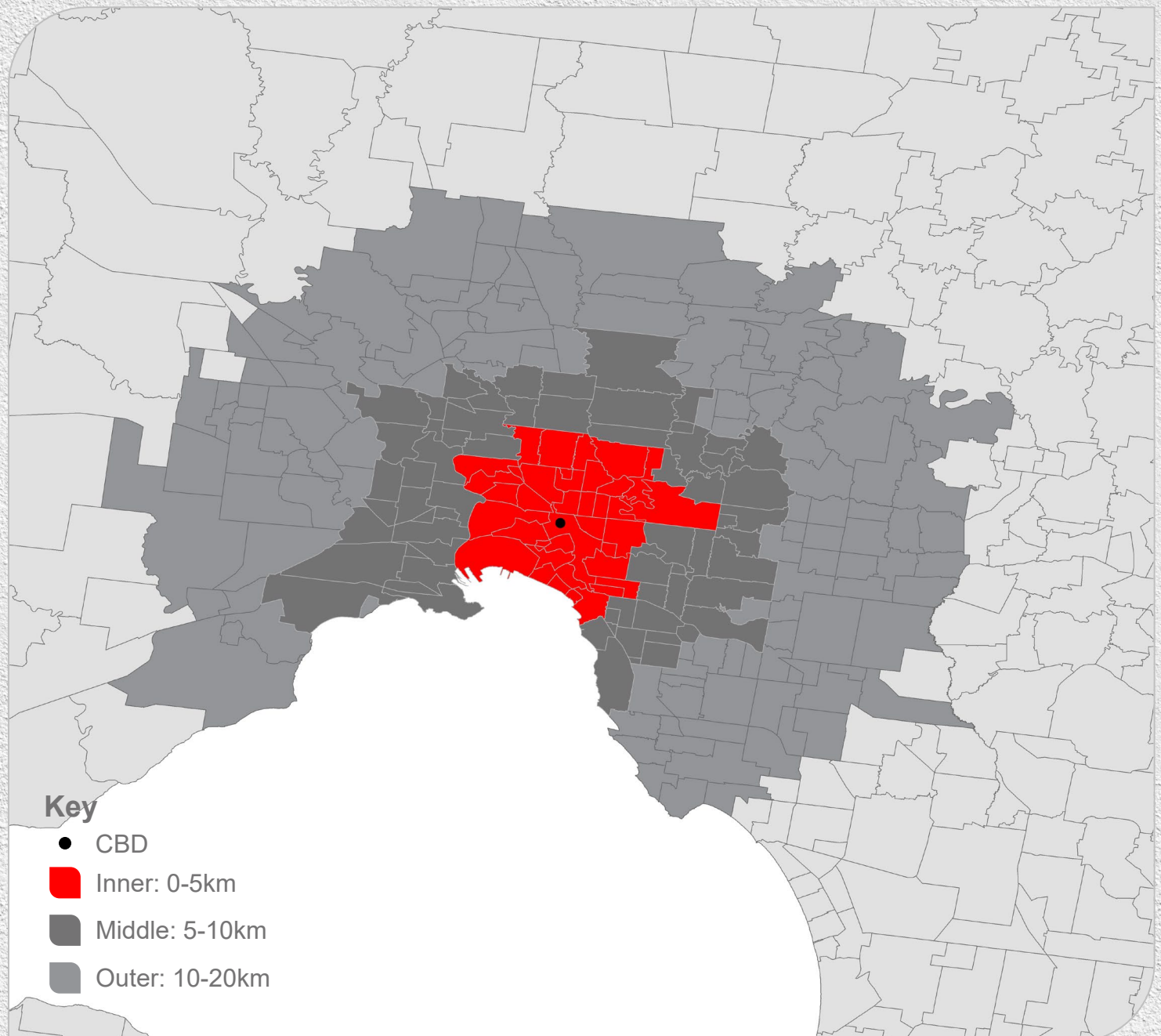
# > Melbourne Market Update

2<sup>nd</sup> Half 2021

## INTRODUCTION

The *PRD Melbourne Market Update 2nd Half 2021* is part of a report series that divides major cities into the inner, middle, and outer rings. This report provides an in-depth analysis of each specified market in an uncomplicated and simple manner, alongside a holistic picture of property conditions in each area.

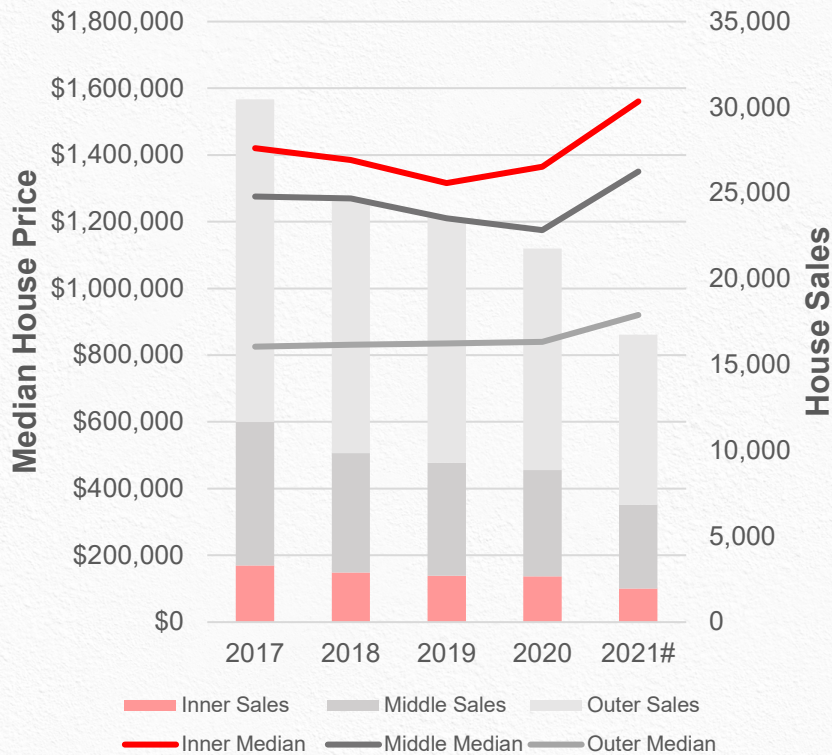
Melbourne's property market has seen exceptional growth between 2017-2021#, particularly in the outer ring, by 11.5% for houses and 15.7% for units. As the city faced COVID-19 lockdowns and restrictions, the outer ring market continued to surge due to working from home options becoming more commonplace and Government stimulus to increase home-ownership. Rental yields across all three rings remained relatively stable in the past 6 months, however, vacancy rates have declined sharply towards the Real Estate Institute of Australia's healthy benchmark of 3.0%. This creates an opportunity for investors.



#2021 encapsulates sales transactions for 1H 2021 (01/01/2021 – 30/06/2021).



## MELBOURNE HOUSE SALES 2017-21#



### 2021# Median Sale Price

- Inner: \$1,560,000
- Middle: \$1,350,000
- Outer: \$920,000

### 2017-21 Price Growth

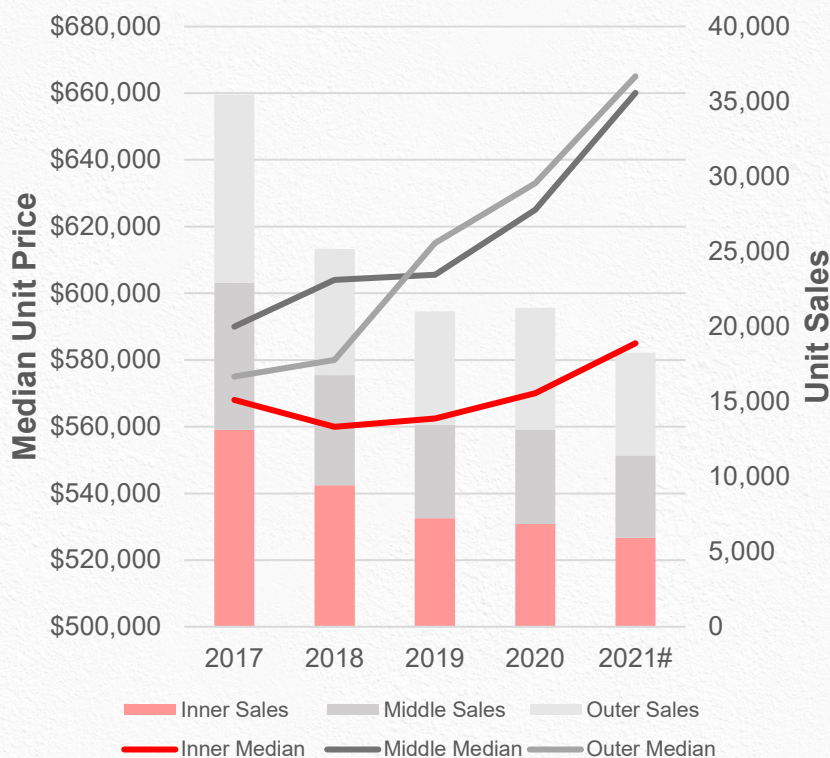
- Inner: +9.9% (+\$140,000)
- Middle: +5.9% (+\$75,000)
- Outer: +11.5% (+\$95,000)

### Key Comments

- The outer ring recorded the highest median house price growth in the past 5 years. The inner ring remains the most expensive for buyers.
- The outer ring remains to be the most affordable option. 2021# sees it inching closer to breaking the \$1.0M mark.

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## MELBOURNE UNIT SALES 2017-21#



### 2021# Median Sale Price

- Inner: \$585,000
- Middle: \$660,000
- Outer: \$665,000

### 2017-21 Price Growth

- Inner: +3.0% (+\$17,000)
- Middle: +11.9% (+\$70,000)
- Outer: +15.7% (+\$90,000)

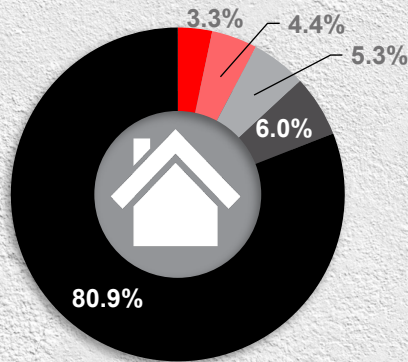
### Key Comments

- Middle and outer ring unit prices continue to outpace that of the inner ring, with the outer ring being the most expensive.
- Despite COVID-19 lockdowns units in the inner ring continue to record positive growth, a testament to its resilience.

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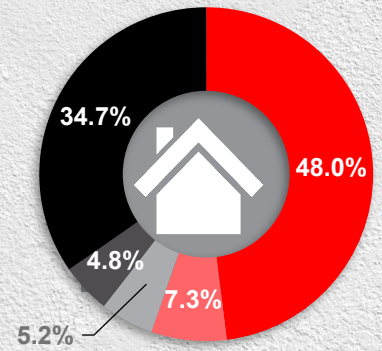


## MELBOURNE HOUSE PRICE BREAKDOWN 2021#

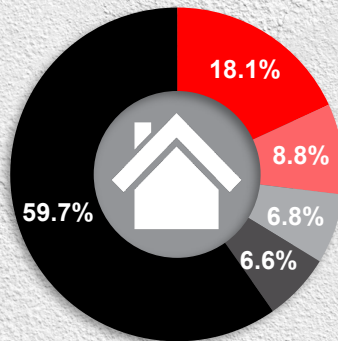


Inner

- Less than \$899,999
- \$900,000 to \$999,999
- \$1,000,000 to \$1,099,999
- \$1,100,000 to \$1,199,999
- \$1,200,000 and above

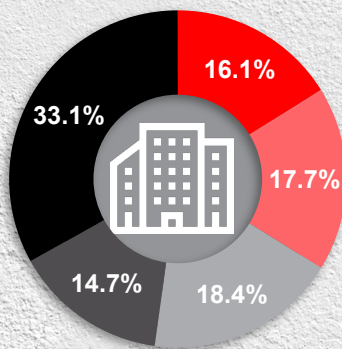


Outer



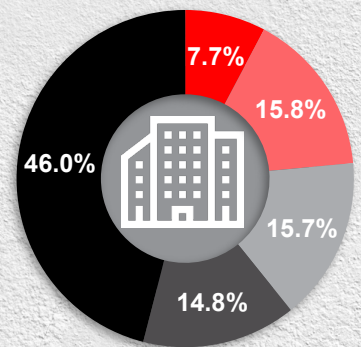
Middle

## MELBOURNE UNIT PRICE BREAKDOWN 2021#

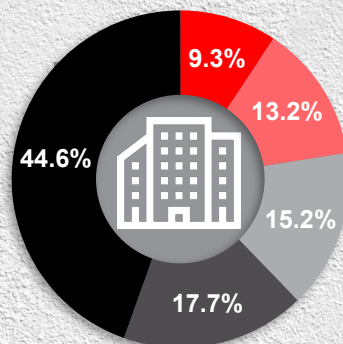


Inner

- Less than \$399,999
- \$400,000 to \$499,999
- \$500,000 to \$599,999
- \$600,000 to \$699,999
- \$700,000 and above



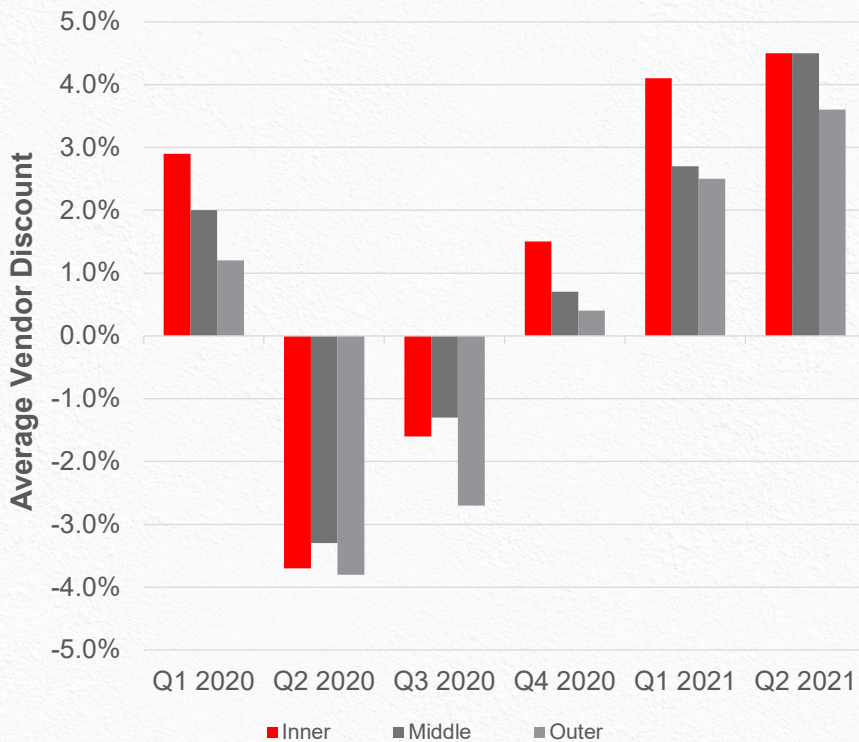
Outer



Middle



## MELBOURNE HOUSE AVERAGE VENDOR DISCOUNT



### Q2 2021 Overview

- Inner: +4.5%
- Middle: +4.5%
- Outer: +3.6%

### What is Average Vendor Discount?

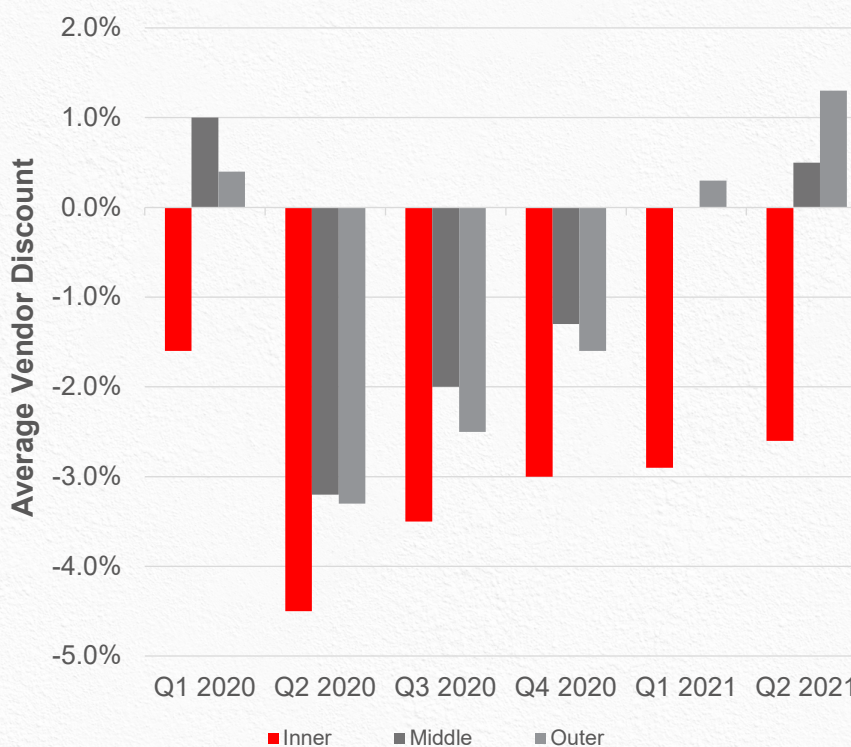
- The average percentage difference between the first list price and final sold price.

### Key Comments

- Average vendor discounting has swung to premium levels for all rings, indicating high buyer confidence.
- Vendors are encouraged to take this opportunity to capitalise on their houses.
- Inner and middle ring house buyers are equally disadvantaged.

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## MELBOURNE UNIT AVERAGE VENDOR DISCOUNT



### Q2 2021 Overview

- Inner: -2.6%
- Middle: +0.5%
- Outer: +1.3%

### 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.

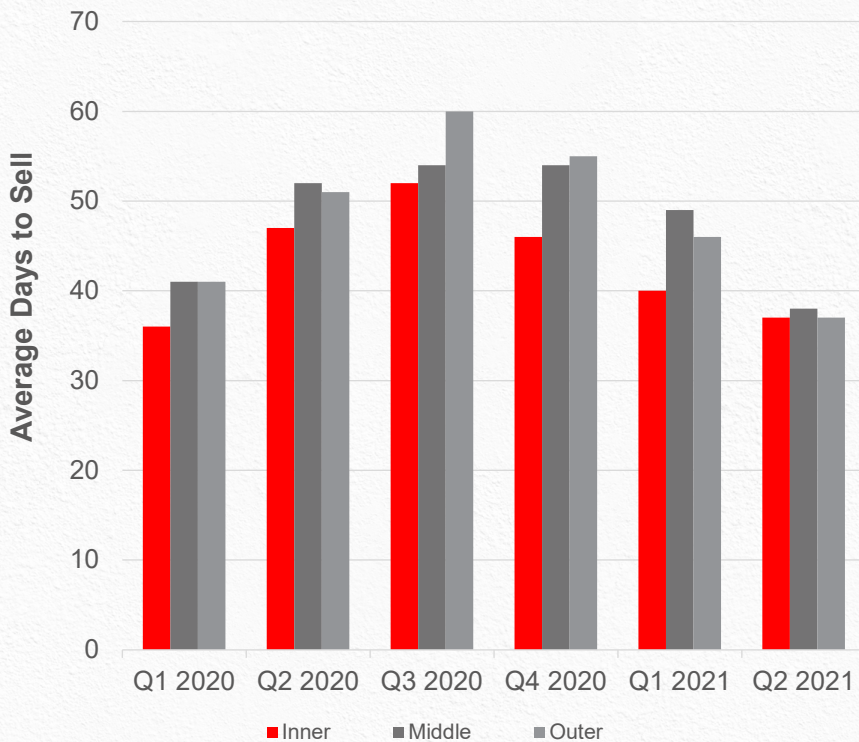
### Key Comments

- Average vendor discounts in the middle and outer rings have swung towards a premium, indicative of high demand.
- Inner ring average vendor discount has started to tighten since the peak of COVID-19, showing signs of recovery.

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## MELBOURNE HOUSE AVERAGE DAYS TO SELL



### Q2 2021 Overview

- Inner: 37 days
- Middle: 38 days
- Outer: 37 days

### Why Average Days to Sell?

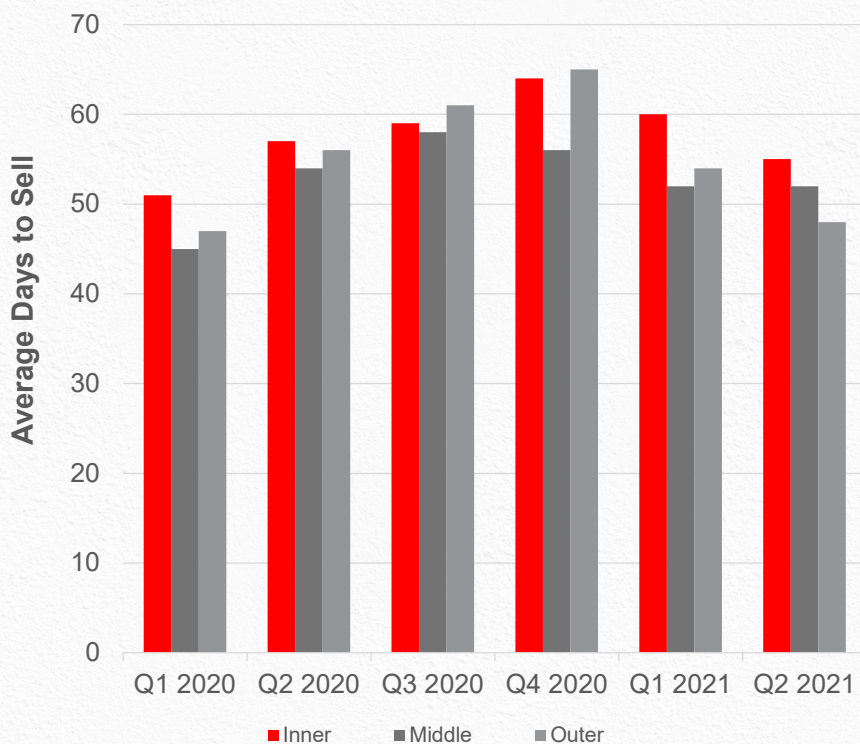
- The change in average days to sell a property is indicative of buyer demand.

### Key Comments

- In the last 12 months, the average days to sell a house declined across all rings.
- Average days to sell in the middle and outer rings for Q2 2021 are the lowest in the past 18 months.
- Overall this shows a market recovery, as the average day to see houses is now back to pre-COVID-19 levels.

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## MELBOURNE UNIT AVERAGE DAYS TO SELL



### Q2 2021 Overview

- Inner: 55 days
- Middle: 52 days
- Outer: 48 days

### Why Average Days to Sell?

- A lower average number of days to sell a property reveals an increase in demand, as buyers are willing to purchase property more quickly.

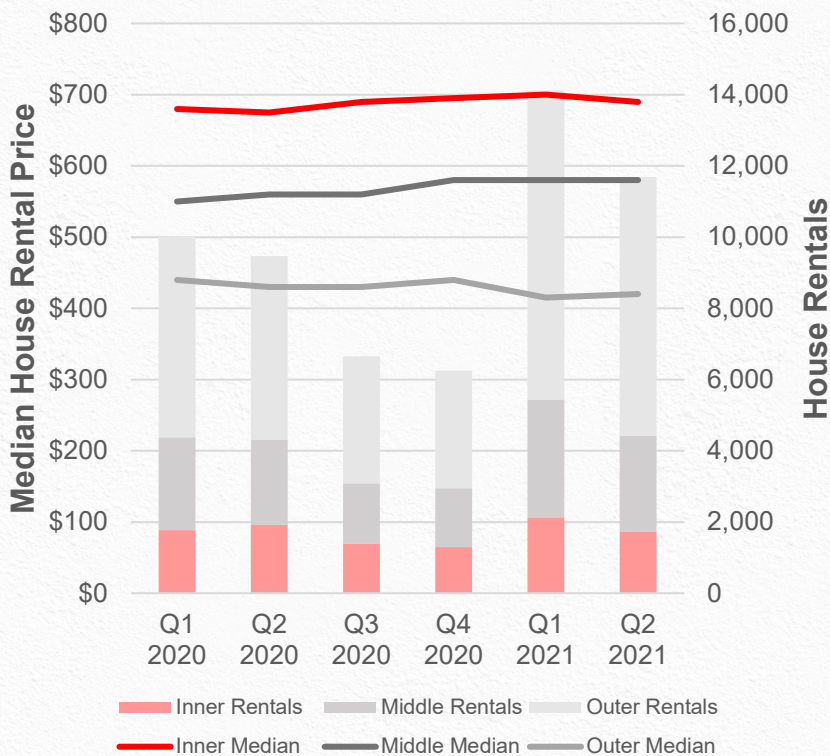
### Key Comments

- Average days to sell a unit in all rings have declined, showing signs of recovery from COVID-19 conditions.
- The outer ring saw the lowest days to sell, as demand is increasing in those areas.
- There is little difference in average days to sell between inner and middle rings.

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## MELBOURNE HOUSE RENTALS



### Q2 2021 Median Rental Price

- Inner: \$690 per week
- Middle: \$580 per week
- Outer: \$420 per week

### Annual Price Growth\*

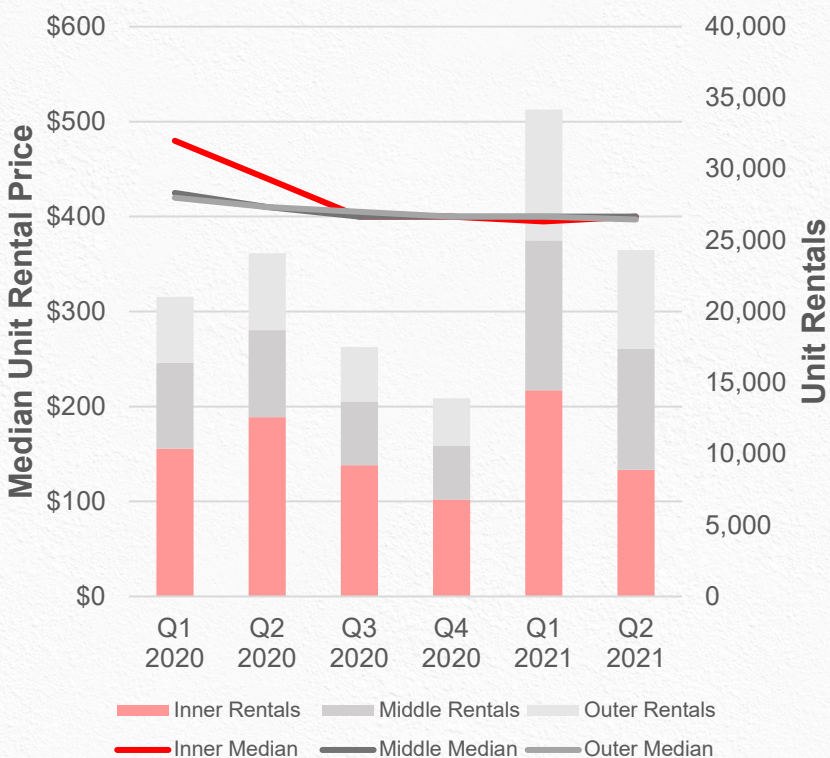
- Inner: +2.2% (+\$15 per week)
- Middle: +3.6% (+\$20 per week)
- Outer: -2.3% (-\$10 per week)

### Key Comments

- Median house rental prices showed growth annually, however, it has slightly softened in the outer ring.
- Middle ring house median rental price growth outperformed that of inner ring, as working from home becomes a norm.

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## MELBOURNE UNIT RENTALS



### Q2 2021 Median Rental Price

- Inner: \$400 per week
- Middle: \$400 per week
- Outer: \$397 per week

### Annual Price Growth\*

- Inner: -9.1% (-\$40 per week)
- Middle: -2.4% (-\$10 per week)
- Outer: -3.2% (-\$13 per week)

### Key Comments

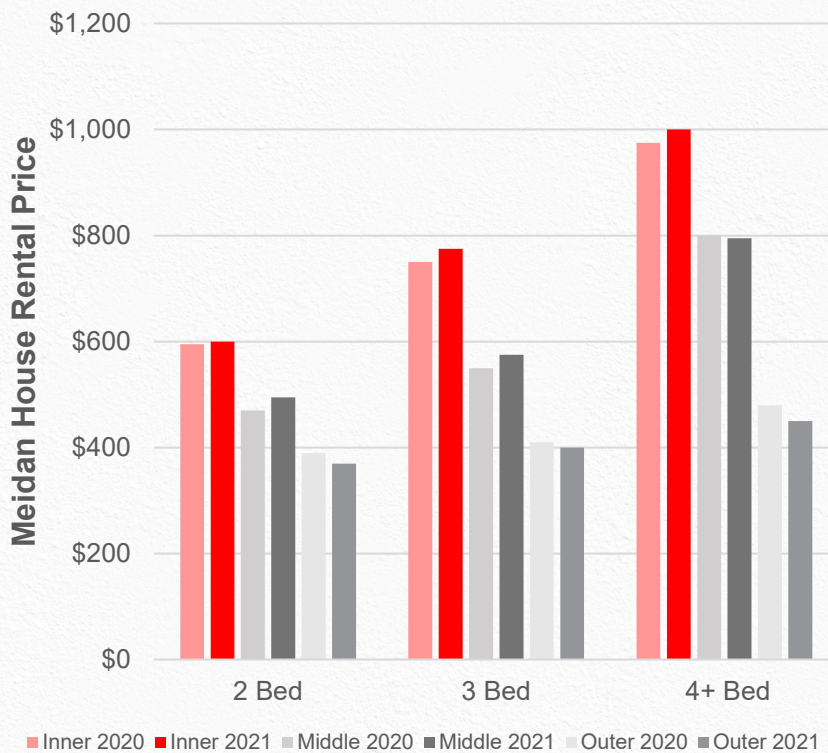
- Inner ring unit median rental prices have been most affected, due to COVID-19 lockdown impacts and border closures.
- For the first time in 18 months, median unit rent prices in all three rings are similar to each other.

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\* Annual price growth is based on comparison between Q2 2020 and Q2 2021 figures.



## MELBOURNE HOUSE RENTAL PERFORMANCE 2020-21



### 2021 Median Rental Prices

#### 2 Bedroom

- Inner: \$600 per week
- Middle: \$495 per week
- Outer: \$370 per week

#### 3 Bedroom

- Inner: \$775 per week
- Middle: \$575 per week
- Outer: \$400 per week

#### 4+ Bedroom

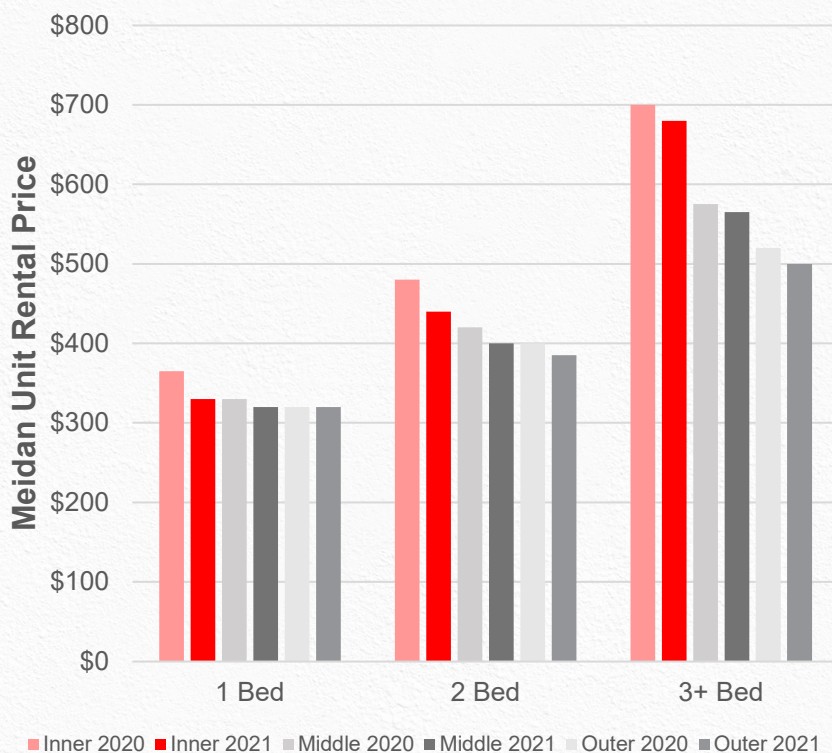
- Inner: \$1,000 per week
- Middle: \$795 per week
- Outer: \$450 per week

### Key Comments

- 2 bedroom houses in the middle ring had the highest growth, of 5.3%. The same in the outer ring is the most affordable.
- 4+ bedroom houses fetched the highest rent, outpacing all other configurations.

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## MELBOURNE UNIT RENTAL PERFORMANCE 2020-21



### 2021 Median Rental Prices

#### 1 Bedroom

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

#### 2 Bedroom

- Inner: \$440 per week
- Middle: \$400 per week
- Outer: \$385 per week

#### 3+ Bedroom

- Inner: \$680 per week
- Middle: \$565 per week
- Outer: \$500 per week

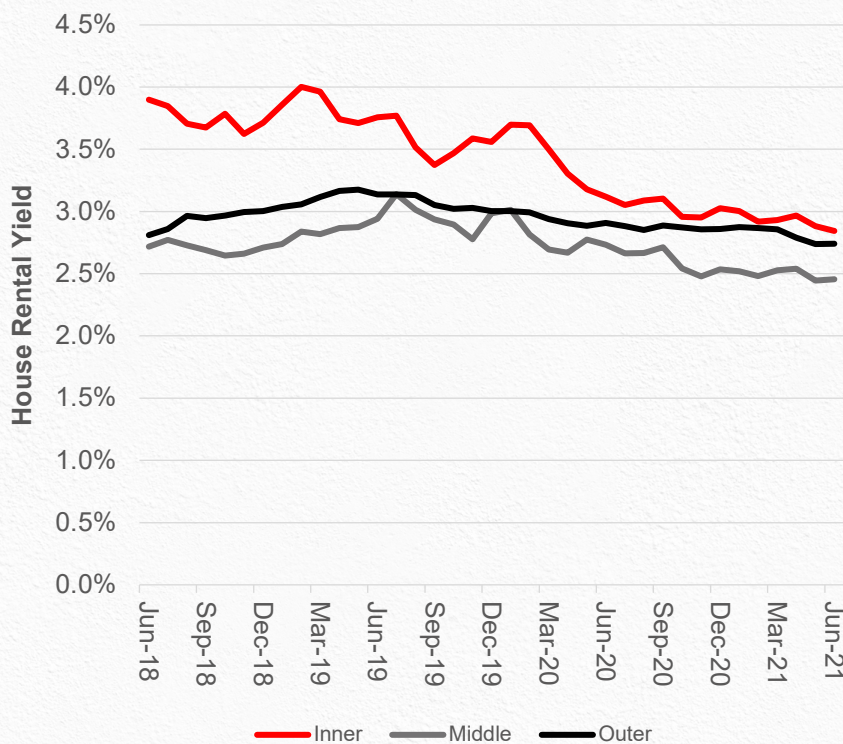
### Key Comments

- Inner ring 1-bedroom unit median rental prices were the most affected, with a softening of -9.6% annually.
- 3+ bedroom units in the inner ring fetched the highest rent, whilst the same in the outer ring is the most affordable.

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## MELBOURNE HOUSE AVERAGE RENTAL YIELD



### Jun-21 Overview

- Inner: 2.8%
- Middle: 2.5%
- Outer: 2.7%

### Annual Change

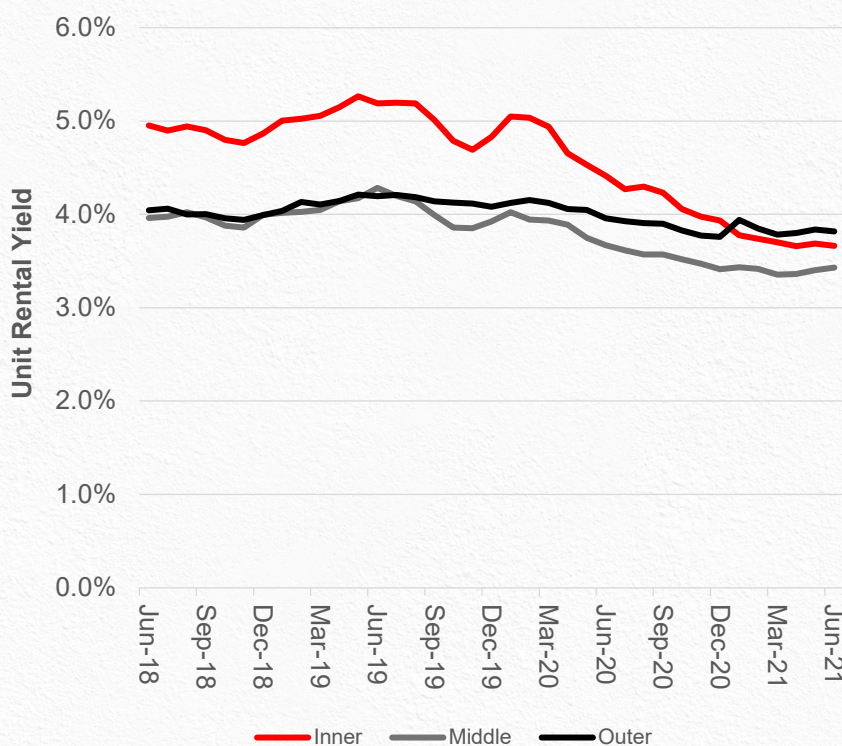
- Inner: -0.2%
- Middle: -0.3%
- Outer: -0.2%

### Key Comments

- House rental yields remained relatively stable in the past 6 months, with the outer ring being the most resilient.
- Inner ring houses have the highest rental returns, just slightly above the outer ring, due to median house sale price growing at a faster pace than median house rent.

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## MELBOURNE UNIT AVERAGE RENTAL YIELD



### Jun-21 Overview

- Inner: 3.7%
- Middle: 3.4%
- Outer: 3.8%

### Annual Change

- Inner: -0.8%
- Middle: -0.2%
- Outer: -0.1%

### Key Comments

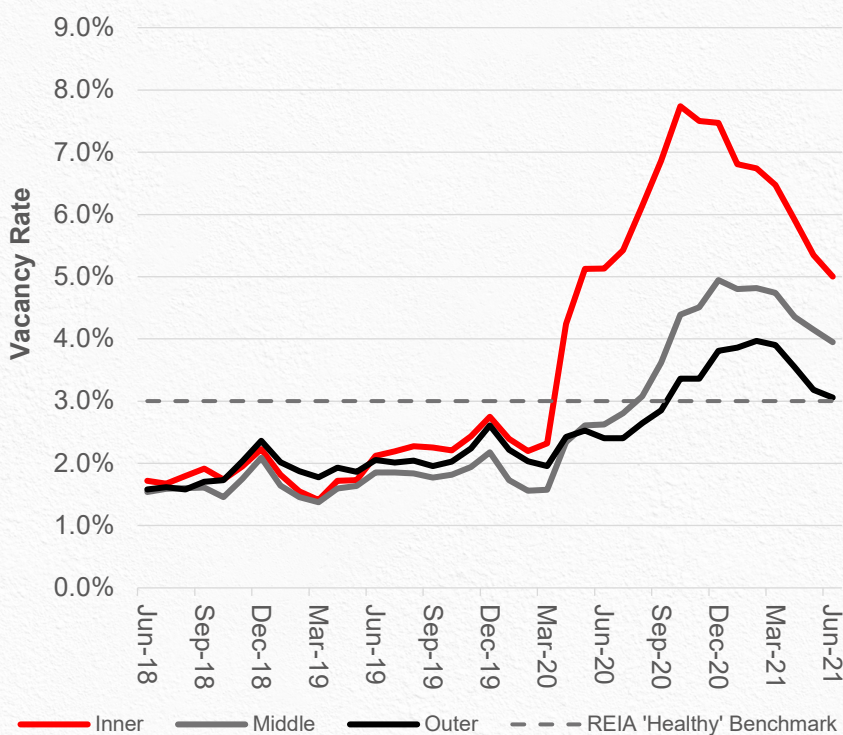
- Unit rental yields have continued to decline due to COVID-19 restrictions, with the inner ring being most affected.
- Melbourne's outer ring has been the least affected, proving the steadiest ongoing rental returns to investors.

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## MELBOURNE VACANCY RATES



### Jun-21 Overview

- Inner: 5.0%
- Middle: 3.9%
- Outer: 3.1%

### Annual Change

- Inner: -0.1%
- Middle: +1.3%
- Outer: +0.7%

### Key Comments

- Inner ring vacancy rates have recovered from its peak in October 2020 (7.7%), trending downwards to healthier levels.
- The outer ring continues to record the lowest vacancy rate, providing investors with higher confidence in the area.

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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 Pricefinder, 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

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