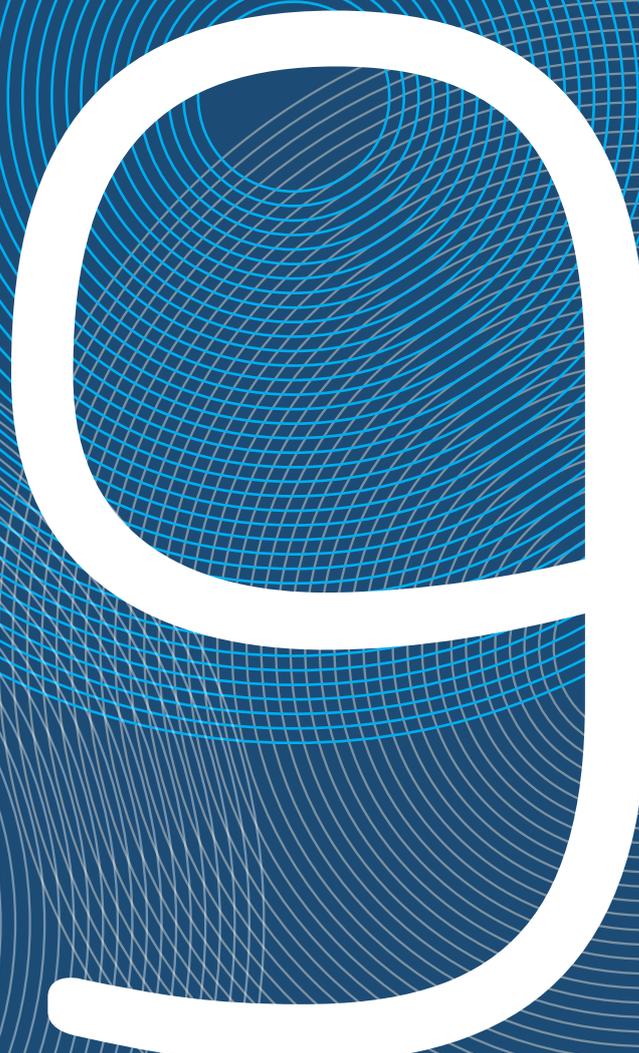


MONTHLY RESEARCH BULLETIN

SEPTEMBER 2016



ABOUT REIV

The Real Estate Institute of Victoria has been the peak professional association for the Victorian real estate industry since 1936.

Over 2,000 real estate agencies in Victoria are members of the REIV. These Members are located in city, rural and regional areas.

Members specialise in all facets of real estate, including: residential sales, commercial and industrial sales, auctions, business broking, buyers agency, property management, owners' corporations management and valuations.



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Market Overview

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Overview

Following its September 2016 meeting, the RBA left the cash rate unchanged at 1.5 per cent. In making its decision, the RBA noted that commodity prices overall have increased since the beginning of the year. Australia's terms of trade are forecast to remain close to current levels over the next couple of years.

The Westpac Melbourne Institute Index of Consumer Sentiment increased 2.0 per cent in September to 101.4 from 101.0 in August. Consumer Sentiment has been very stable over the past six months, averaging 100.3.

There have been about 22,800 auctions held in Victoria in the first eight months of 2016 with 74 per cent selling. The number of auctions from January to August 2016 is 9.0 per cent lower than the same period in 2015, where the clearance rate was 77 per cent. The middle Melbourne region recorded the highest number of properties sold by auction so far this year, with around 6,770 sales, and a clearance rate of 75 per cent.

Victoria's vacancy rate stands at 2.6 per cent in August 2016. The weekly median rent for houses in metropolitan Melbourne rose slightly to \$401 in August supported by rises in inner Melbourne. Rents in

middle and outer Melbourne remained stable over the same period at \$400 and \$370 per week respectively. In regional Victoria, the weekly median rent for houses rose to at \$300 per week in August. The weekly median rent for units was \$396 per week in metropolitan Melbourne while the median rent for units in regional Victoria rose to \$250 per week.

The REIV House Price Index (HPI) for Melbourne fell 0.6 per cent over the month to 184.9, and the index is currently 4.7 per cent higher than its value a year ago. The HPI for regional Victoria is 2.9 per cent higher than its value a year ago, now at 139.4.

There were an estimated 7,100 house and unit sales transacted in Victoria in August 2016, and about 75,400 sales in 2016 thus far. REIV estimates 124,800 total house and unit sales in Victoria in the 12 months leading to August 2016. Based on these estimates, the share of auctions sold as a percentage of overall sales was 22.3 per cent in January to August 2016.

-0.6% **77%** **2.9K** **34** **2.6%** **-2.2%**

HPI Growth

The REIV House Price Index for Melbourne fell 0.6 per cent to 184.9 in August and has increased by 4.7 per cent from August 2015.

The HPI for regional Victoria is 2.9 per cent higher than its value a year ago, now at 139.4.

Clearance Rate

The clearance rate rose to 77 per cent this month.

The rolling 12 month clearance rate is 72 per cent.

Auctions Held

Auctions picked up again in August although auctions are about 9.3 per cent lower in the first eight months of 2016 compared to the same period last year.

Days on Market

Properties in Melbourne spent an average 34 days on market in August, a decrease of one day from July 2016 and one day more than in August 2015.

For regional Victoria, the median days on market rose three days 67 days on market in August 2016.

Vacancy Rate

The proportion of vacant properties in metro Melbourne remained at 2.6 per cent, while also remaining stable at 2.8 per cent in regional Victoria.

Sentiment

Consumer Sentiment in Victoria fell 2.2 per cent to 101.7 in September though sentiment is 11.6 per cent higher than in September 2015.

Nationally, consumer sentiment has risen, up by 2.0 per cent in September to 101.4.

Economy

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Following its September 2016 meeting, the RBA decided to leave the cash rate unchanged at 1.5 per cent. Commodity prices overall have increased since the beginning of the year although this follows substantial declines over the past few years. Australia's terms of trade are forecast to remain close to current levels over the next couple of years.

In Australia, recent data suggest that overall growth is continuing, despite a decline in business investment, helped by growth in other areas of domestic demand and exports.

Consumer spending in Victoria grew at a solid pace of 3.3 per cent in the year to the March quarter, which was above the 10-year average of 2.6 per cent. Low interest rates, strength in the housing market and an improving labour market are all providing support to consumer spending. Melbourne's housing market remains strong in contrast to a slowing national market.

Job growth in Victoria has been solid in recent months, improving in step with a pickup in economic activity. In the year to July, Victoria's labour market added 93,000 jobs.

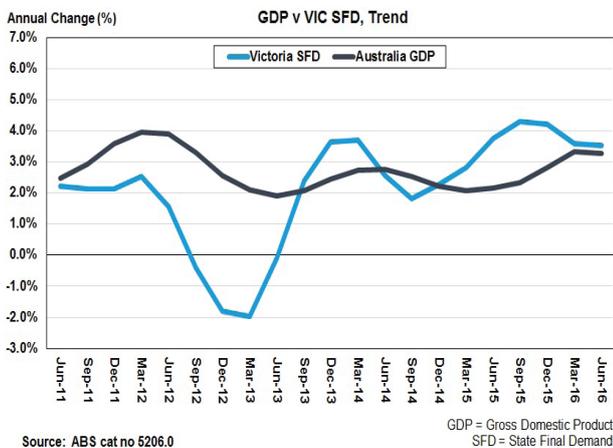
Owner occupier demand for housing has remained solid, supported by low interest rates. Lending to owner occupiers in Victoria rose 12.4% in the year to June, the fastest pace of growth among the States and territories. While investors continue to be an important force in the Melbourne housing market, growth in this sector has moderated.

The Westpac Melbourne Institute Index of Consumer Sentiment increased 2.0 per cent in September to 101.4 from 101.0 in August. Consumer Sentiment has been very stable over the past six months, averaging 100.3.

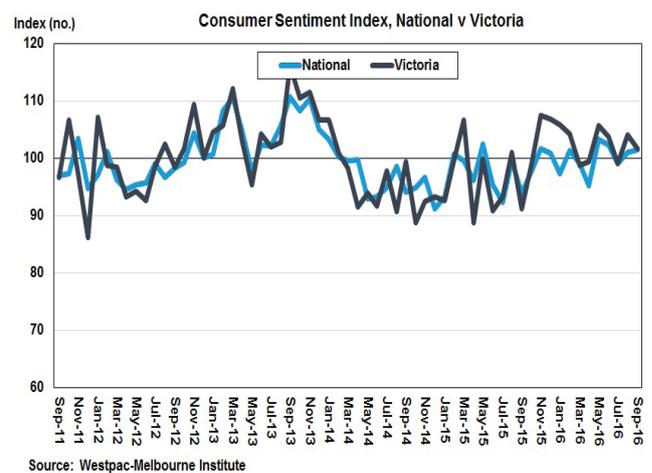
In Victoria, consumer sentiment fell by 2.2 per cent to 101.7 in September though sentiment is 11.6 per cent higher than in September 2015. The drop this month was mainly due to a fall of 10.5 per cent in the Economic Conditions [over the] next 12 months index.

The Time to Buy a Dwelling Index experienced a solid rise in September, up 5.1 per cent to 109.6.

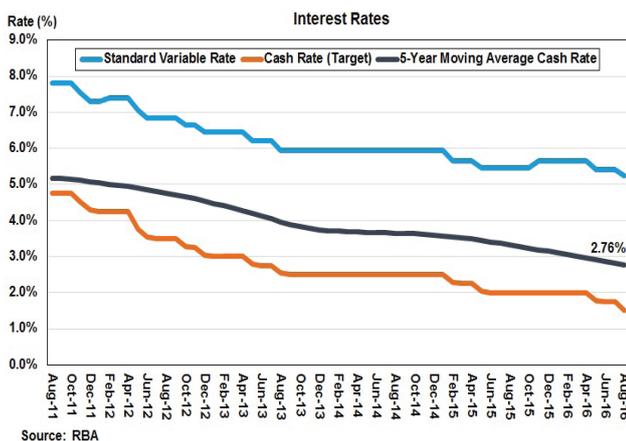
GDP and Victorian State Final Demand



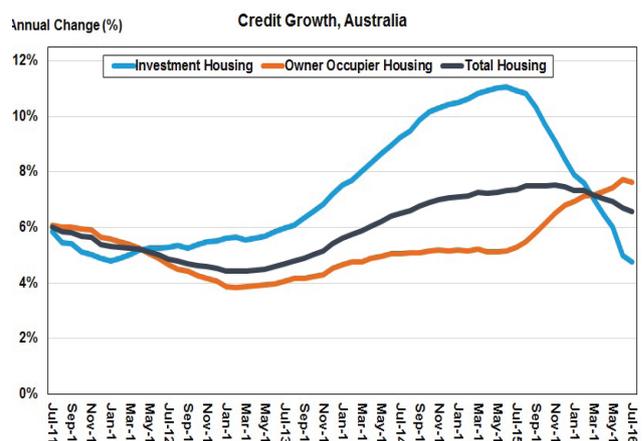
Consumer Sentiment, National and Victorian



Interest Rates



Credit Growth, Australia



Prices

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The REIV House Price Index (HPI) for Melbourne fell 0.6 per cent over the month to 184.9, and the index is currently 4.7 per cent higher than its value a year ago. The HPI for regional Victoria is 2.9 per cent higher than its value a year ago, now at 139.4.

Annual HPI growth is highest in inner Melbourne, with an increase of 10.1 per cent since August 2015 compared to 8.8 per cent for outer Melbourne and 5.4 per cent for middle Melbourne. Inner Melbourne likewise experienced the largest monthly growth at 1.1 per cent.

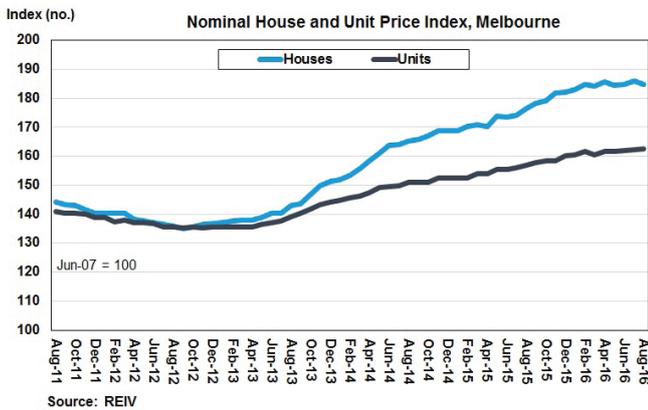
The REIV Unit Price Index (UPI) rose by 0.8 per cent in August for outer Melbourne, while falling by 0.3 per cent in both inner and middle Melbourne. Year on year, UPI has increased by 3.5 per cent in Melbourne and is now at 162.5. Annually, UPI growth in outer Melbourne is the strongest with an increase of 5.8 per cent since August 2015, followed by middle Melbourne at 3.2 per cent and inner Melbourne at 2.0 per cent.

The HPI for regional Victoria rose by 0.3 per cent to 139.4 over the month while UPI for regional Victoria rose by 0.5 per cent to 129.2. Over the year, HPI growth in regional Victoria has been strongest in Geelong, where it has increased by 4.4 per cent since August 2015.

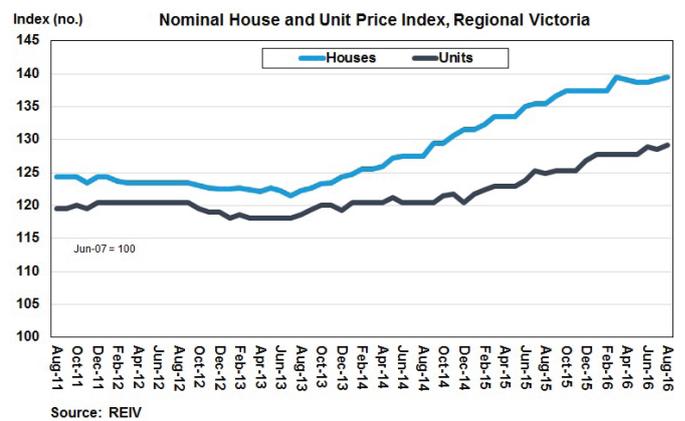
Annual UPI growth is strongest in Bendigo, where it has increased 3.9 per cent since August 2015.

It should be noted that the HPI and UPI are a different measure from the quarterly median prices. It provides an additional measure of market activity that can be monitored on a monthly basis using sales.

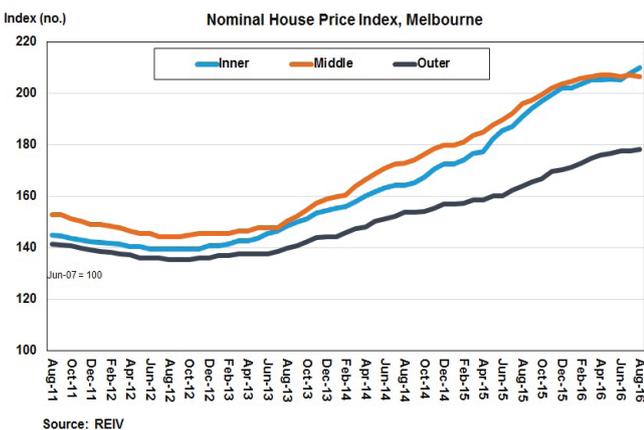
REIV House and Unit Price Index, Melbourne



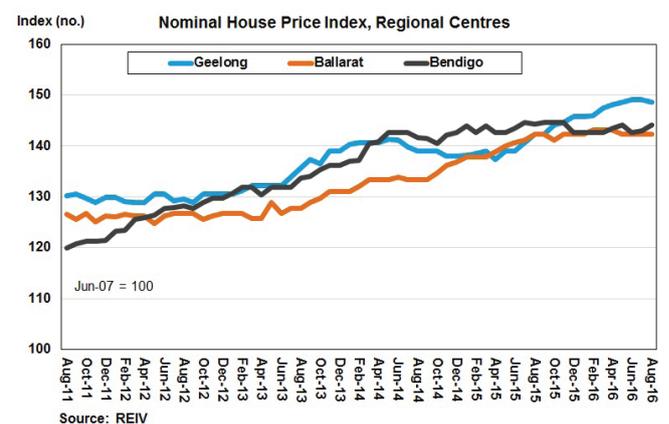
REIV House and Unit Price Index, Regional Victoria



REIV House Price Index, Melbourne



REIV House Price Index, Regional Centres



Auction Market

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There have been about 22,800 auctions held in Victoria in the first eight months of 2016 with 74 per cent selling. The number of auctions from January to August 2016 is 9.0 per cent lower than the same period in 2015, where the clearance rate was 77 per cent. The middle Melbourne region recorded the highest number of properties sold by auction so far this year, with around 6,770 sales, and a clearance rate of 75 per cent.

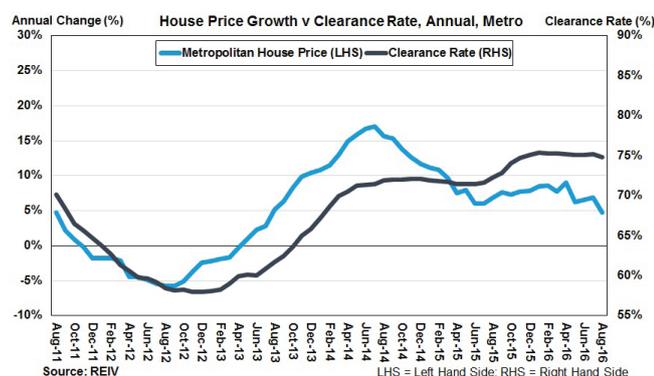
In August 2016, there were around 2,900 auctions held, with 77 per cent selling, compared to about 4,400 auctions in August 2015. The local government areas of Boroondara (205 auctions), Glen Eira (183 auctions), Darebin (158 auctions) and Moreland (153 auctions) had the highest number of auctions in August 2016, with Moreland reporting a clearance rate of 84 per cent.

At the suburb level, Reservoir had the most auctions for the month, with 55 auctions held in August 2016 followed by Craigieburn (41), Bentleigh East (38) and Kew (36). Reservoir (36 sales), Craigieburn (36 sales) and Bentleigh East (30 sales) had the highest number of properties sold by auction in August.

Hampton, Mitcham and Kensington had the highest clearance rates in August, with clearance rates of over 90 per cent.

It should be noted that the REIV continues to receive results several weeks after the date of auction which may lead to revisions in auction data.

House Price Growth v Clearance Rate, Rolling Annual, Melbourne

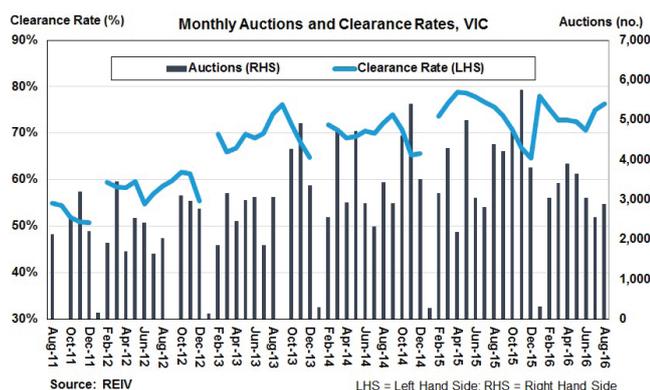


Highest Clearance Rates, August 2016

SUBURB	SOLD	CLEARANCE RATE
HAMPTON	16	94%
MITCHAM	15	94%
KENSINGTON	20	91%
BENTLEIGH	19	90%
BLACKBURN	18	90%
RINGWOOD	18	90%
BRIGHTON	25	89%
PRESTON	24	89%
CAULFIELD NORTH	16	89%
GLENROY	16	89%

NOTE: Includes sales between 01 -31 August 2016 for suburbs with 15 or more auction sales

Auctions v Clearance Rate, Victoria



Highest Number of Auction Sales, August 2016

SUBURB	SOLD	CLEARANCE RATE
RESERVOIR	36	65%
CRAIGIEBURN	36	88%
BENTLEIGH EAST	30	79%
HAWTHORN	26	84%
BRIGHTON	25	89%
RICHMOND	25	76%
PRESTON	24	89%
CAMBERWELL	24	83%
KEW	24	67%
MALVERN EAST	23	82%

NOTE: Includes sales between 01 - 31 August 2016 for suburbs with 15 or more auction sales

Rental Market

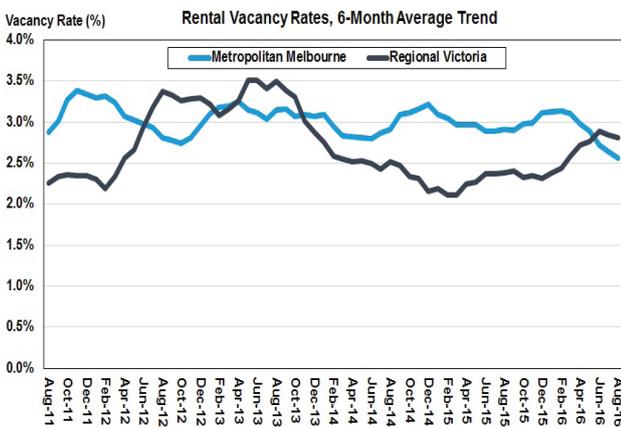
All members who participate in REIV's vacancy rate survey receive the data before it is published. If you are interested in being added to this survey, email research@reiv.com.au

Victoria's vacancy rate stands at 2.6 per cent in August 2016. The weekly median rent for houses in metropolitan Melbourne rose slightly to \$401 in August on the back of rises in inner Melbourne. Rents in middle and outer Melbourne remained stable over the same period at \$400 and \$370 per week respectively. In regional Victoria, the weekly median rent for houses rose to at \$300 per week in August. The weekly median rent for units was \$396 per week in metropolitan Melbourne while the median rent for units in regional Victoria rose to \$250 per week.

Vacant space across metropolitan Melbourne remained at 2.6 per cent in August. Within Melbourne's sub-regions, vacancy rates in the inner suburbs remained at 2.3 per cent while vacant space in the city's middle dropped to 3.0 per cent in August and vacant space in the outer suburbs dropped to 2.4 per cent.

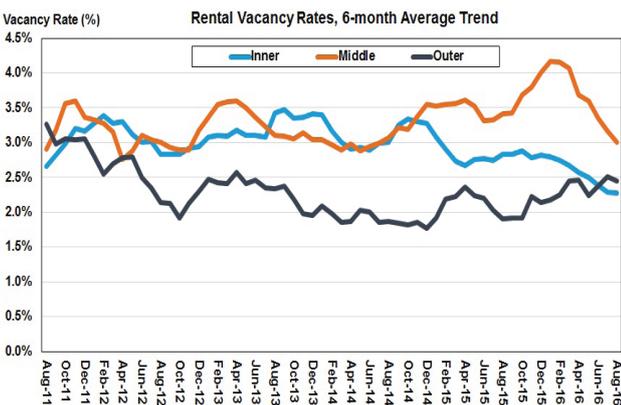
The vacancy rate in regional Victoria remained at 2.8 per cent in August. The vacancy rates in the Geelong region rose 10 basis points to 3.3 per cent while vacancy rates in the Bendigo region fell 10 basis points to 2.3 per cent and the Ballarat region fell 30 basis points to 2.9 per cent. Rents for houses in Geelong fell 2.9 per cent to \$330 per week in August while rents for Ballarat rose 2.6 per cent to \$295 per week and rents for Bendigo rose by 4.3 per cent to \$300 per week.

Vacancy Rates, Melbourne & Regional Victoria



Source: REIV

Vacancy Rates, Metropolitan Melbourne



Source: REIV

Vacancy Rates, 6-month average trend

VACANCY RATES	AUGUST 2016	JULY 2016
Inner Total	2.3	2.3
Inner (0-4Km)	3.0	3.1
Inner (4-10Km)	2.0	2.0
Middle (10-20Km)	3.0	3.2
Outer Total	2.4	2.5
Outer (20+Km Exc. Mornington Pen.)	2.5	2.5
Outer (Mornington Pen.)	2.5	3.2
Melbourne Total	2.6	2.6
Geelong	3.3	3.2
Bendigo	2.3	2.4
Ballarat	2.9	3.2
Regional Victoria Region	2.8	2.8
Victoria Total	2.6	2.7

MEDIAN HOUSE RENTS	AUGUST 2016	JULY 2016
Inner	\$581	\$570
Middle	\$400	\$400
Outer	\$370	\$370
Metro Melbourne	\$401	\$400
Geelong	\$330	\$340
Ballarat	\$295	\$288
Bendigo	\$300	\$288
Regional Victoria	\$300	\$295

MEDIAN UNIT RENTS	AUGUST 2016	JULY 2016
Inner	\$410	\$420
Middle	\$385	\$388
Outer	\$340	\$340
Metro Melbourne	\$396	\$396
Geelong	\$298	\$290
Ballarat	\$250	\$245
Bendigo	\$235	\$218
Regional Victoria	\$250	\$240

Transactions

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There were an estimated 7,100 house and unit sales transacted in Victoria in August 2016, and about 75,400 sales in 2016 thus far. REIV estimates 124,800 total house and unit sales in Victoria in the 12 months leading to August 2016. Based on these estimates, the share of auctions sold as a percentage of overall sales was 22.3 per cent in January to August 2016.

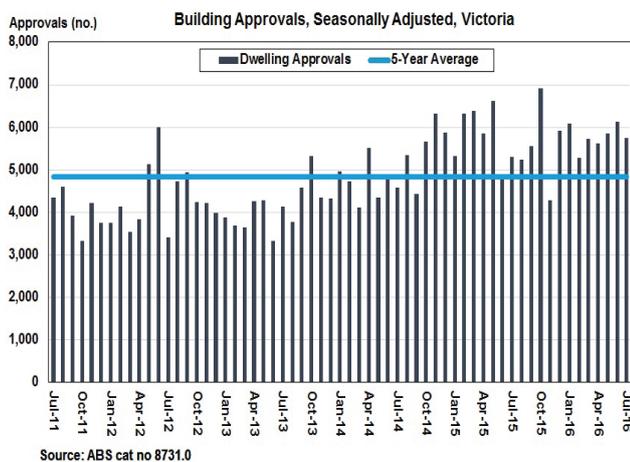
In the 12 months ending July 2016, there were approximately 112,200¹ housing finance commitments (excluding refinancing) in Victoria. This is a growth of 9.8 per cent from last year. The share of first home buyers has decreased to 15.2 per cent for the year to July 2016, down from 16.1 per cent in June.

Properties in Melbourne spent on average 34 days on market in August, a decrease of one day from July and one day more than in August 2015. For regional Victoria, the median days on market rose three days to 67 days on market in August 2016.

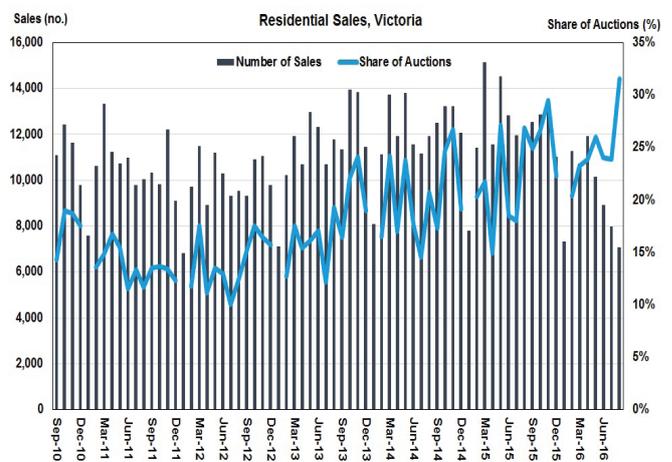
Inner Melbourne properties spent 36 days on market in August 2016, a decrease of nine days from July while middle Melbourne properties fell by two days to 36 days on market and those in outer Melbourne rose one day to 30 days on market in August.

The total number of building approvals fell by 6.0 per cent in July in seasonally adjusted terms, with approximately 5,760 dwelling units approved and 68,400 dwelling units approved in the past 12 months in Victoria.

Building Approvals, Victoria



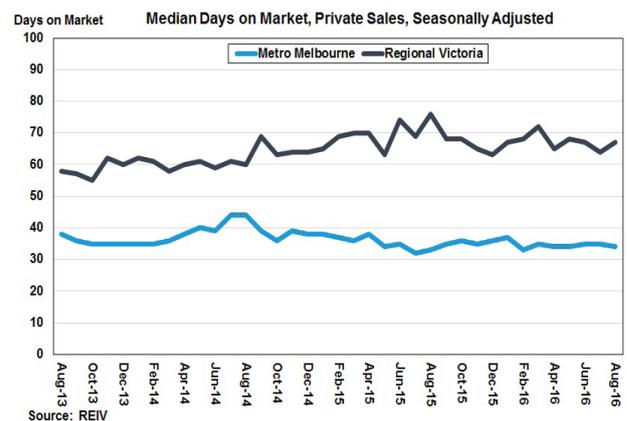
Estimated Sale Volume, Victoria



Housing Finance Commitments, Victoria



Median Days on Market, Private Sales



1 Note: Editions of the Bulletin prior to April 2016 contained an error in the calculation of housing finance commitments which has now been corrected.

Commercial Market

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Capital values in the commercial office space increased over June by 1.9 per cent to \$4,522/sqm from \$4,435/sqm in July. Net face rents decreased 5.4 per cent during this period, recording \$257/sqm value in August. Net rental yields dropped slightly over August to 5.7 per cent.

Capital values for the factory/warehouse sector remained stable over August at \$1,380/sqm, while net face rents increased to \$86/sqm. Net rental yields remained stable in August at 6.2 per cent.

Capital values for the retail sector decreased over the month by 3.4 per cent to \$4,444/sqm in August from \$4,600/sqm in July, while net face rent remained stable at \$266/sqm. Net rental yields increased by 0.2 percentage points to 6.0 per cent in August.

Note: Data is based on 12 months ending the relevant month.

Commercial Office

	LOWER QUARTILE	MEDIAN AUG-16	UPPER QUARTILE	LOWER QUARTILE	MEDIAN JUL-16	UPPER QUARTILE	MONTH CHANGE
Capital values (\$/sqm)	\$3,162	\$4,522	\$6,000	\$2,929	\$4,435	\$6,066	1.9%
Net face rents (\$/sqm)	\$183	\$257	\$354	\$199	\$272	\$360	-5.4%
Net Rental Yield (% pa)	4.3%	5.7%	7.1%	4.4%	6.1%	7.1%	-0.4ppts

Industrial

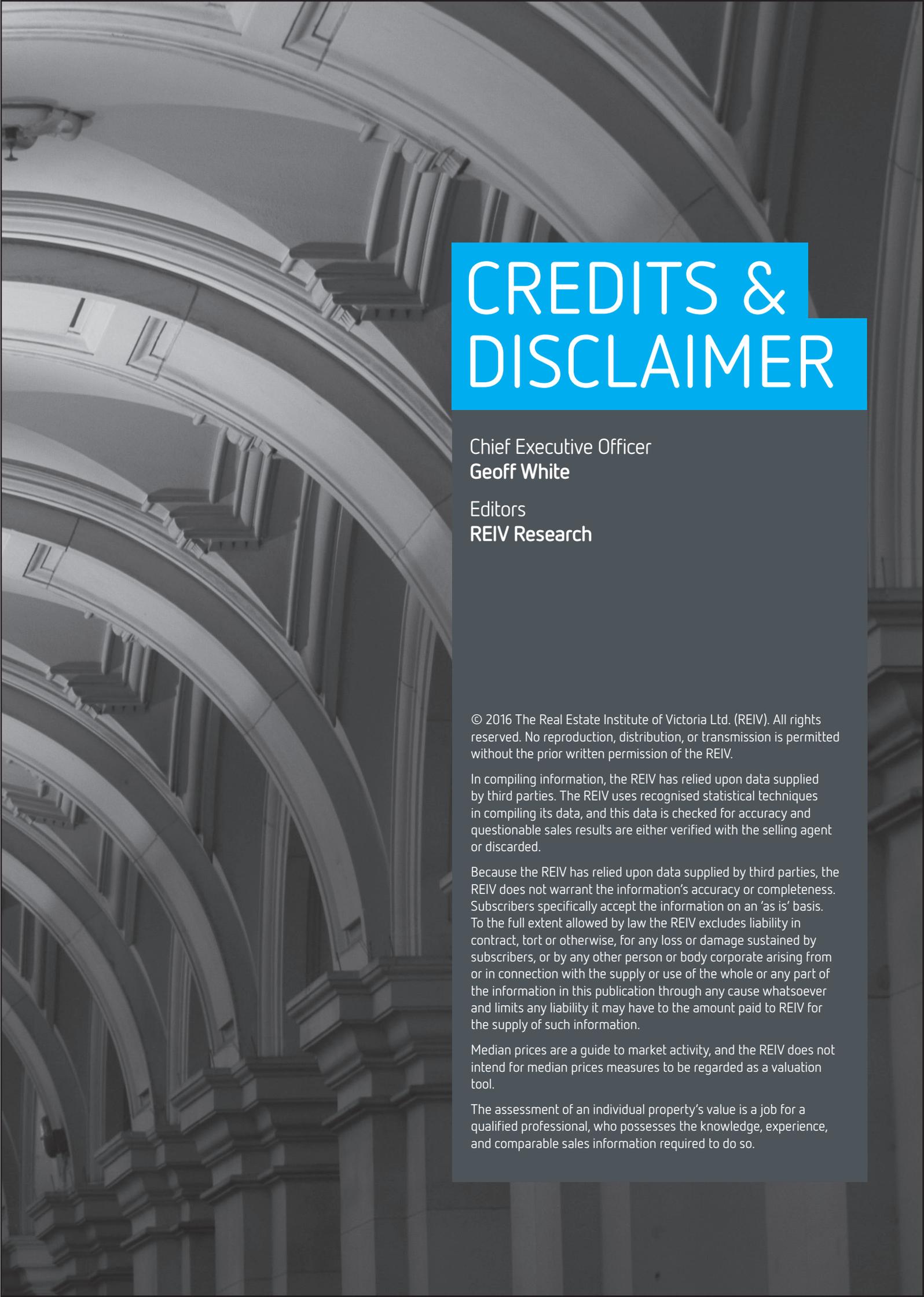
	LOWER QUARTILE	MEDIAN AUG-16	UPPER QUARTILE	LOWER QUARTILE	MEDIAN JUL-16	UPPER QUARTILE	MONTH CHANGE
Capital values (\$/sqm)	\$1,118	\$1,380	\$1,815	\$1,138	\$1,380	\$1,831	0.0%
Net face rents (\$/sqm)	\$78	\$86	\$119	\$76	\$85	\$100	1.2%
Net Rental Yield (% pa)	5.5%	6.2%	7.1%	5.1%	6.2%	7.0%	0.0ppts

General Retail

	LOWER QUARTILE	MEDIAN AUG-16	UPPER QUARTILE	LOWER QUARTILE	MEDIAN JUL-16	UPPER QUARTILE	MONTH CHANGE
Capital values (\$/sqm)	\$2,538	\$4,444	\$8,133	\$2,533	\$4,600	\$8,579	-3.4%
Net face rents (\$/sqm)	\$171	\$266	\$435	\$175	\$266	\$465	0.0%
Net Rental Yield (% pa)	3.8%	6.0%	6.2%	3.8%	5.8%	6.2%	0.2ppts

Glossary/About REIV data

What is a median price	The median price is the middle price in a series of sales. For example, if 15 sales are recorded in a suburb and arranged in order from the lowest to the highest value, the eighth sale price is the median price. In the case where there is an even number of sales in a series, the median price is the average of the middle two prices.	Which areas are included in 'metropolitan Melbourne'?	For the purpose of our analysis we define 'metropolitan Melbourne' as those suburbs contained within the following 31 municipalities: <ul style="list-style-type: none"> Banyule Bayside Boroondara Brimbank Cardinia Casey Darebin Frankston Glen Eira Greater Dandenong Hobsons Bay Hume Kingston Knox Manningham Maribyrnong Maroondah Melbourne Melton Monash Moonee Valley Moreland Mornington Peninsula Nillumbik Port Phillip Stonnington Whitehorse Whittlesea Wyndham Yarra Yarra Ranges
Why do you use median prices?	Median prices provide a useful guide to market activity. The REIV does not intend for median price measures to be regarded as a valuation tool. The assessment of a property's value is a job for a qualified professional who possesses the knowledge, experience and comparable sales information required to do so.		
What are upper and lower quartile points?	The lower quartile is the point where one quarter of the sales are of a lesser value, and the upper quartile is the point where one quarter of the sales are of a higher value.		
How do you gather your data?	The REIV gathers most of its data online from agents submitting their sales results electronically and it also has a dedicated call centre to collect property sales results at the time of contract. The sales results submitted to the REIV include residential, commercial, industrial and rural sales results from around the state.		
Is your data accurate?	All our data is checked for accuracy and questionable sales are either verified with the selling agent or excluded from analysis.		
Why are only areas with 25, 30 or 50 sales included in snapshots?	Using a median price taken from a limited sample will tend to be more volatile from one period to the next. Therefore caution must be taken about making broad conclusions on the market from such figures.		
How does the REIV classify property	<p>The REIV endeavours to use as similar classifications as possible to the ones used by real estate agents, in order to maintain the accuracy of data collected.</p> <p>Property that falls under the 'house' classification includes:</p> <ul style="list-style-type: none"> - detached houses - terraced houses - semi-detached houses - holiday houses - duplexes - house and granny flat <p>Property that falls under the 'units & apartments' classification includes:</p> <ul style="list-style-type: none"> - flats - units - apartments - townhouses - penthouses - villas - residential warehouse conversions - bed-sits 	Which regions are 'inner', 'middle' and 'outer' Melbourne?	<p>For the purposes of our analysis we define:</p> <ul style="list-style-type: none"> - 'inner' as being within 10km from the CBD; - 'middle' as being between 10km and 20km of the CBD; and - 'outer' as being more than 20km from the CBD. <p>The full suburb list of what is within the inner, middle, and outer regions is available on the REIV website at www.reiv.com.au/Property-Research/About-REIV-data</p>



CREDITS & DISCLAIMER

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Editors
REIV Research

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Median prices are a guide to market activity, and the REIV does not intend for median prices measures to be regarded as a valuation tool.

The assessment of an individual property's value is a job for a qualified professional, who possesses the knowledge, experience, and comparable sales information required to do so.

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