

MARKET OUTLOOK

MELBOURNE CBD

The City of Melbourne is anticipated to have 139,000 new residents call Melbourne their home by 2040, creating strong demand for new apartment development within the city.

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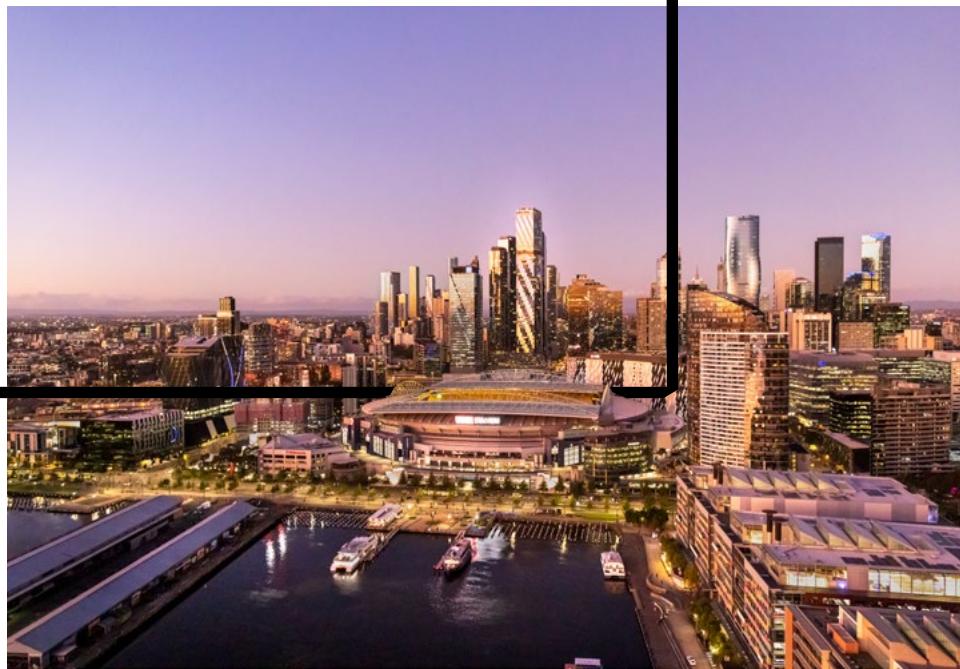
Melbourne's Vibrant
Return Post-Covid

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Apartment Market &
Masterplanned Precincts

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Apartment Market
Performance

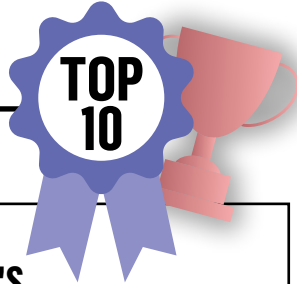


MELBOURNE'S VIBRANT RETURN POST-COVID

EIU's Global Liveability Ranking 2022

Melbourne, Australia

Source: EIU Global Livability Index 2022.



ONE OF THE WORLD'S MOST LIVEABLE CITIES

Melbourne is recognised around the globe for its world-class sports, entertainment, culture, art, and food. It is often referred to as the cultural capital of Australia and hosts many internationally renowned events.

In 2022, Melbourne was again named in the top 10 most liveable cities in the world by the Economist. It scored high on education, infrastructure, culture, and the environment. Melbourne has previously held the record for seven consecutive years as World's Most Liveable City between 2010 and 2017.

INCREASED PEDESTRIAN ACTIVITY

Activity in Melbourne has bounced back from the COVID-19 pandemic. Pedestrian activity in the CBD has increased by 70% when compared to activity in May 2021 and May 2023 respectively.

In a City of Melbourne council statement in January 2023, the mayor stated lunchtime activity reached 80% and afternoon activity 77% of pre-pandemic levels. This is a strong rebound from 2020 and 2021 where levels were less than 50% and close to zero during COVID-19 lockdowns.

VISITORS AND STUDENTS HAVE RETURNED

Victorian monthly arrivals have recovered strongly from COVID-19 lockdowns that ended in 2021 and currently sit at 80% of pre-pandemic levels.

International students make up a significant part of this return of activity. Average international student arrivals are back to pre-pandemic levels of 24,000 student arrivals per month for the first four months of 2023. Melbourne's strong education sector and high ranking universities have contributed to this strong return.

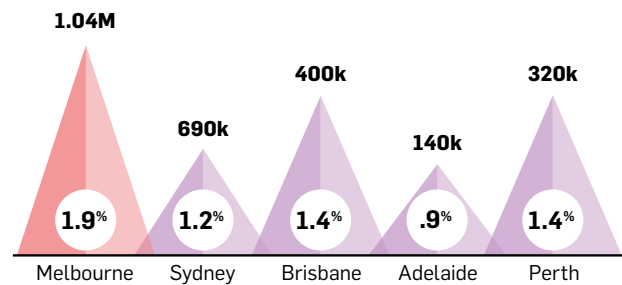
The western CBD is seeing an increase in tourism, with visitors up by 153% since September 2021. Marvel stadium, waterfront dining, entertainment and shopping are key drivers of this uptick, as the precinct continues to add new amenity.

MOST POPULOUS CITY

Melbourne is forecast to be Australia's most populous city by 2031. Over the last decade, Melbourne has been one of the fastest growing capital cities in Australia adding 750,000 people over the 10 years to 2022.

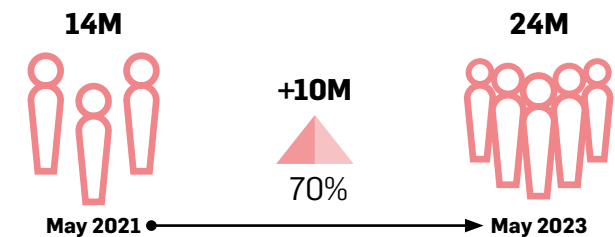
In the next decade, Melbourne is expected to overtake Sydney as the most populous city in Australia, reaching 6 million residents. With a current population of 5 million, this is equivalent to an average of 100,000 new residents a year.

POPULATION GROWTH COMPARISON 2022-2032



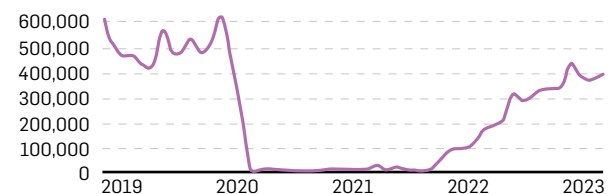
Source: Centre for Population; Urbis

PEDESTRIAN COUNT May 2021 - May 2023



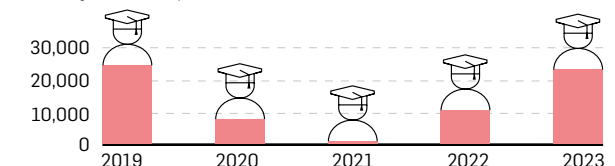
Source: City of Melbourne; Urbis

VICTORIAN TOTAL MONTHLY ARRIVALS January 2019 - April 2023



Source: ABS; Urbis

VICTORIAN MONTHLY STUDENT ARRIVALS January 2019 - April 2023



Source: ABS; Urbis

APARTMENT DEMAND AND PREMIUMS

APARTMENT MARKET

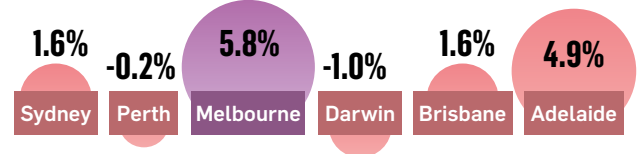
Apartment prices have continued to appreciate in Melbourne over the five years. In February 2023, the city registered a median apartment price of \$655,000, higher than Brisbane, Adelaide, and Perth. Apartment prices have exhibited healthy long-term growth over the last five years, appreciating at an average annual rate of 5.8%, above all other capital cities.

APARTMENT DEMAND OUTSTRIPS SUPPLY

The City of Melbourne is forecast to require an additional 30,000 dwellings by 2027. The apartment pipeline for Central Melbourne equates to 8,500 at present which does not match the forecast demand. With the pipeline constrained, newly built apartments within the CBD will be in high demand. This, coupled with increasing demands from overseas migration and an influx of international students may drive apartment prices higher.

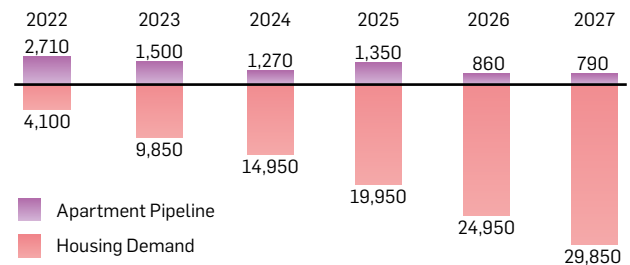
MEDIAN APARTMENT PRICE GROWTH COMPARISON

2017-2022, per annum



Source: Pricefinder, Urbis

APARTMENT PIPELINE FOR CENTRAL MELBOURNE



Source: City of Melbourne; Urbis Apartment Essentials

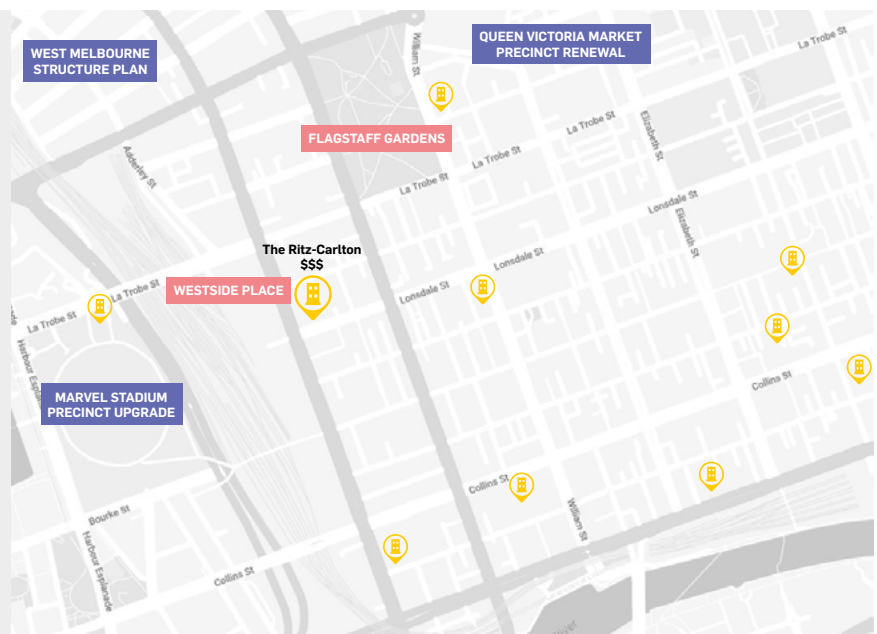
MASTERPLANNED PRICE AND RENTAL PREMIUMS

Case studies of masterplanned apartment precincts in central Melbourne indicate a price premium range of 15-29% in 2022. This is when compared to the median apartment price in the same area. These apartment precincts include strong amenity, retail and lifestyle offerings, such as parks, gardens, restaurants, office, high end hotels and medical amenity.

An Urbis study conducted on masterplanned precincts found that three years prior to the completion of each urban renewal precinct there was an average decrease in the suburb's median rent by 1.1% per annum. Following the precinct's completion, each case study saw a significant uplift in rent growth. The suburb-wide median rent increased by around 5.7% per year over the five years post completion.

BENEFITS OF LUXURY HOTEL WITHIN WESTERN CBD

The presence of the Ritz-Carlton hotel elevates the western CBD's reputation as a world-class destination for luxury and sophistication. It attracts high-end visitors and tourists from around the globe, adding to the vibrancy of the precinct. Local residents benefit from accessing the hotel's facilities, such as its fine dining establishments, exclusive spa and entertainment options. Melbourne's western CBD is a growing activity hub, with offices, major company headquarters and new infrastructure in the pipeline in the next five years.



APARTMENT MARKET PERFORMANCE

NEW APARTMENT RENT PREMIUMS

Melbourne's CBD rental market has performed strongly with the return of migration. For newly built apartments in the CBD, median weekly rent has increased to \$650 in the year to March 2023. New apartment stock is carrying an average premium of 14% across all product types when compared against existing, older stock in the area.

VACANCY & YIELD

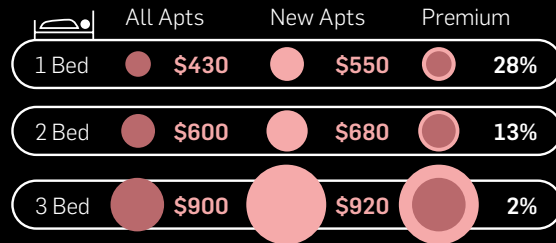
Strong migration combined with a lack of supply has seen vacancy tightened to a low of 1.3% as at February 2023 before reaching 2.2% in May 2023. Newly built apartments in Melbourne's CBD realised a strong rental yield of 4.4% across all product types in the year to February 2023. This is higher when compared Inner North and South suburbs.

SHIFT TOWARDS APARTMENTS

Interest rate increases have reduced the purchasing power of Melbourne residents. As mortgage repayments increase, demand is shifted towards apartments as an affordable alternative to the increasingly unaffordable house market

NEW APARTMENT RENT PREMIUMS

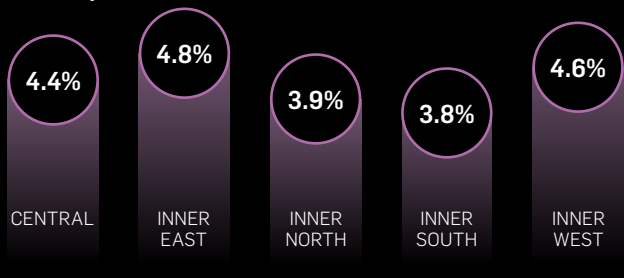
March 2023



Source: DFFH; Urbis Apartment Essentials

RENTAL YIELD COMPARISON

February 2023

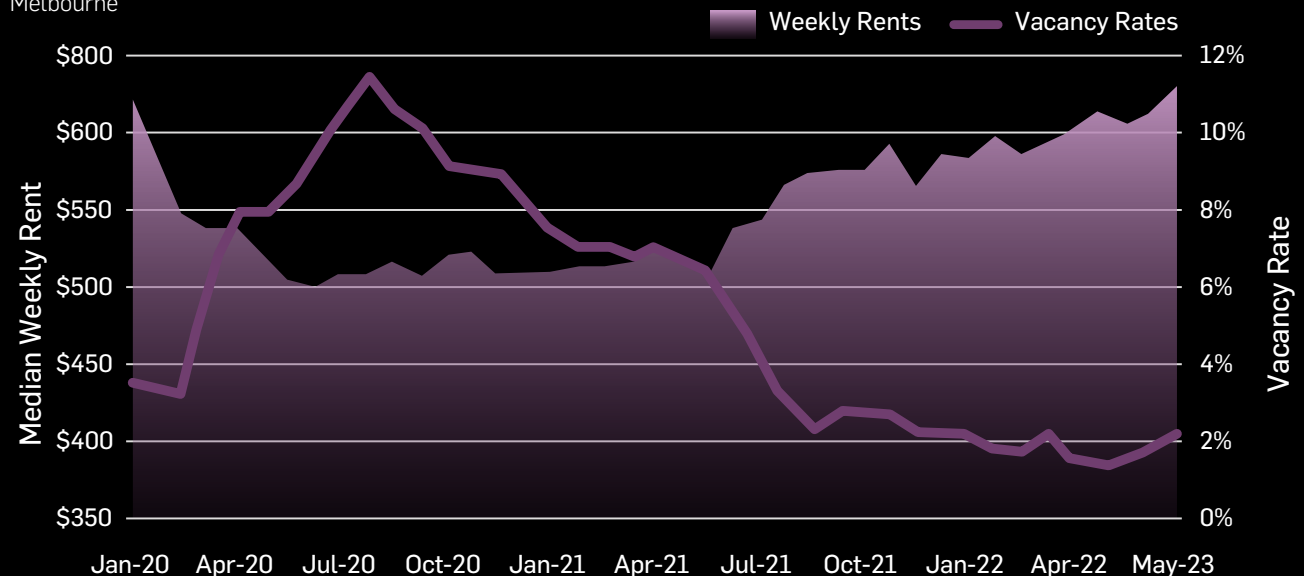


MELBOURNE

Source: Pricefinder, Urbis

VACANCY RATES VS MEDIAN WEEKLY RENTS

Melbourne



Sources: Urbis Rental Intelligence, SQM

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