

MARKET OUTLOOK

MELBOURNE CBD

The City of Melbourne is expected to welcome 145,000 new residents by 2040, driving strong demand for apartment developments within the central city.

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AUSTRALIAN ECONOMY PROSPECTS

Australia stands out globally for its resilient economy, fueled by a growing multicultural population and ongoing economic and social prosperity.

Australia's residential appeal is driven by strong population growth, political stability, and a business-friendly environment. Its diverse geography offers unique lifestyles amid beautiful landscapes. Additionally, Australia's global economic ties and top-tier educational institutions enhance its attractiveness.

A GROWING POPULATION

Fueled by immigration, Australia's population has grown faster than other advanced economies over the past decade, averaging 1.4% annually. In 2024, immigration surged, adding over 446,000 people.

HISTORICAL AND FORECAST POPULATION GF Pop. Growth Per Annum

	2014-24	2024-34
 Aust	1.4%	0.8%
 Canada	1.3%	0.7%
 UK	0.6%	0.2%
 NZL	1.5%	0.6%
 USA	0.6%	0.4%
 Japan	-0.3%	-0.6%

Source: The World Bank, Urbis

AUSTRALIAN NET OVERSEAS MIGRATION Year ending June 2024



AUSTRALIA TOP 3 MOST POPULATED CITIES Forecast to 2040



Source: QLD Govt., WA Tomorrow, VIF23

A SKILLED & EDUCATED WORKFORCE

Australia's workforce is projected to grow by 13.7% over the next decade, adding nearly 2 million jobs. Healthcare, Professional Services, Education, and Manufacturing will drive this growth, accounting for 51% of the total increase.

PROJECTED EMPLOYMENT GROWTH - AUSTRALIA 2024 to 2034

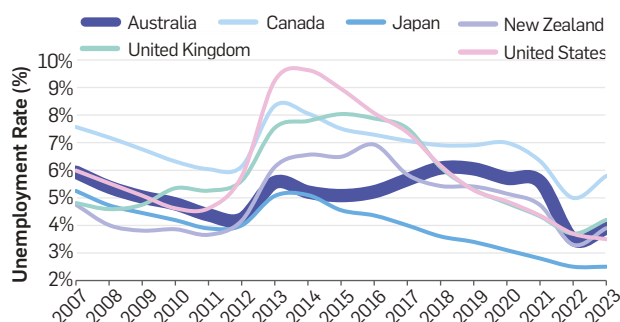


Source: Jobs and Skills Australia, Urbis

HISTORICALLY LOW UNEMPLOYMENT

Australia's unemployment rate settled at 4.0% at the end of November 2024, which is below the 10-year average of 5.3% and remains competitive with other advanced economies. The Reserve Bank of Australia (RBA) forecasts that the unemployment rate will stabilise at around 4.3% by 2025.

ANNUAL AVERAGE % UNEMPLOYED 2013-23



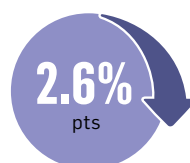
Source: The World Bank; Urbis

CONSUMER SENTIMENT RETURNING

In September 2024, the consumer price index recorded inflation at 2.8%, down from 5.4% the previous year, marking a 3.5-year low. This positive shift has sparked a resurgence in Australian consumer confidence. The ANZ-Roy Morgan Consumer Confidence index climbed to 86.4 points in December 2024, an increase of 12.0 points from the same time last year.

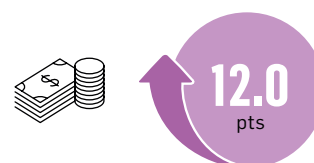
INFLATION

Down from 5.4% in Sep. 23.
(as at Sep. 24)



CONSUMER CONFIDENCE

Up from 76.4 points in Dec.2023.
(as at Dec. 24)



Source: RBA Monthly CPI Indicator, Urbis

Source: ANZ - Roy Morgan, Urbis

WHY MELBOURNE?

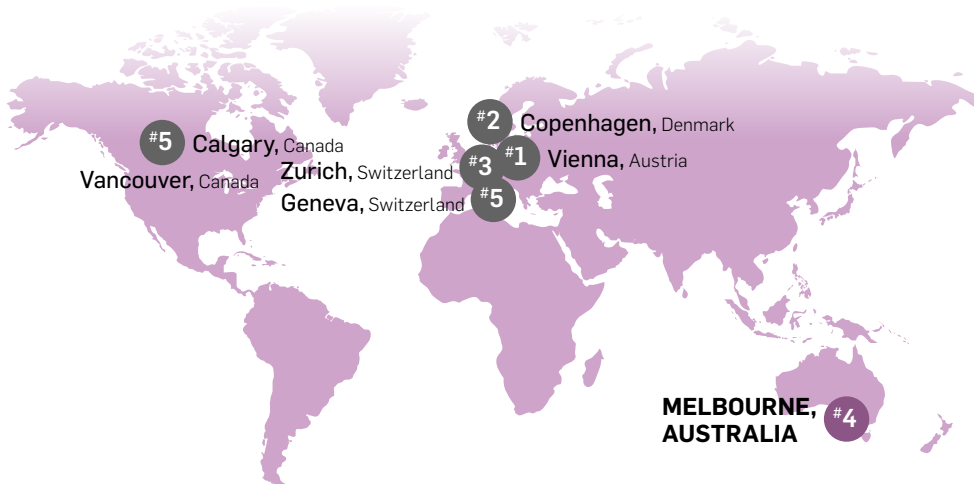
Melbourne is forecast to be Australia's largest city by 2032. Over the last decade, Melbourne has become the fastest growing capital city in Australia adding 835,000 people over the 10 years to 2023.

LIVEABILITY & EDUCATION

Melbourne is globally renowned for its world-class sports, entertainment, culture, art, and food, often earning the title of Australia's cultural capital. The city hosts a range of internationally acclaimed events and was named one of the top 5 most liveable cities in the world by the Economist in 2024. A key factor in Melbourne's success is its prestigious universities, including The University of Melbourne and Monash University, both ranked in the top 3% of the World University Rankings for 2024.

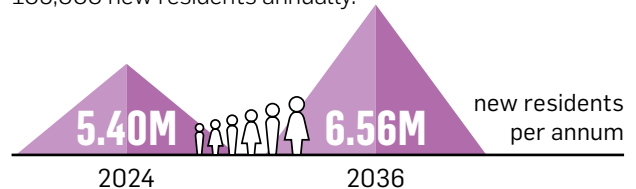
LIVEABILITY RANKINGS

Source: Global Liveability Ranking 2024



AUSTRALIA'S BIGGEST CITY

In the next decade, Melbourne is projected to surpass Sydney as Australia's most populous city, reaching over 6.5 million residents by 2036. With its current population at 5.4 million, this growth equates to an average of 105,000 new residents annually.



Source: VIF23, Urbis

EVENTS

- Formula 1 Grand Prix**
- Australian Open**
- Melbourne Cup**
- AFL Grand Final**
- Melbourne Food & Wine Festival**
- PayPal Australia Melbourne Fashion Festival**

INFRASTRUCTURE INVESTMENT AT ITS HIGHEST

A range of city-shaping renewal precincts and transport infrastructure projects will enhance and sustain Melbourne's renowned liveability.

The long-term 'Victorian Infrastructure Plan' includes \$107 billion in investments for Melbourne and surrounding regions.



QUEEN VICTORIA MARKET RENEWAL 2029

A \$268m restoration and revitalisation project that will create new open spaces, more restaurants, bars, cafes, events, and activities; creating a more vibrant destination



MELBOURNE WALK 2025

The first project in over 50 years to be delivered in the Bourke Street Mall is nearing completion. This mixed-use development will provide more than 37,000 sq.m of commercial space, including 6,000 sq.m of retail space across 45 tenancies.



SUBURBAN RAIL LOOP 2035 - SRL East

The Suburban Rail Loop is planned to connect suburbs, reduce travel times, and support housing near public transport and amenities. Linking major train lines from Frankston to Werribee via Melbourne Airport, SRL will enhance the network and provide transport hubs at Clayton, Broadmeadows, and Sunshine.



MELBOURNE GREENLINE 2025 - Stage 1

The \$224m project will deliver a 4km seamless, connected journey with better public spaces for events, public art and recreation along the north bank of the Yarra River in the Melbourne CBD.

FUTURE DRIVERS OF CAPITAL GROWTH

Melbourne CBD is proving to be a prime investment hub, where housing demand exceeds apartment supply. Along with the anticipated easing of interest rates, this sets the stage for potential capital growth.

CBD GRID REACHING CAPACITY

Opportunities for redevelopment within the Melbourne CBD grid are becoming increasingly scarce. There are few ageing assets that can be readily transformed into new developments and this constraint on new supply should lead to growth in capital values; as demand continues to outpace supply.

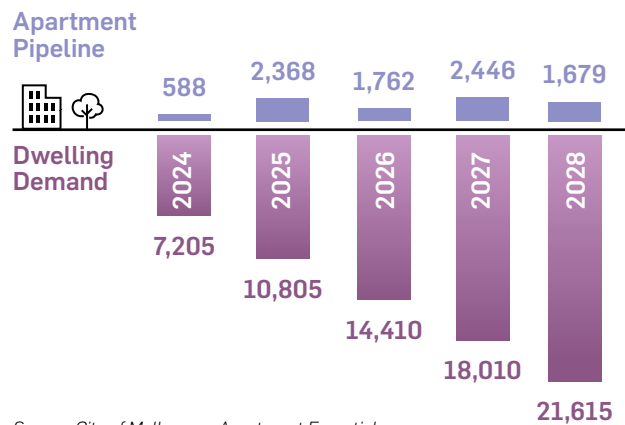
Development sites are becoming increasingly scarce as the CBD grid reaches capacity.



APARTMENT DEMAND OUTSTRIPS SUPPLY

Over the next few years, the City of Melbourne anticipates needing an additional 21,600 dwellings to support its population by 2028. Currently, there are about 8,900 apartments in the pipeline for Central Melbourne, excluding developments with fewer than 20 units. This indicates a 60% shortfall in dwellings over the next four years. Given this limited supply, newly built apartments in the CBD are likely to attract higher demand. Coupled with strong overseas migration, this increased demand may drive apartment prices higher.

APARTMENT PIPELINE FOR CENTRAL MELBOURNE 2024 - 2028



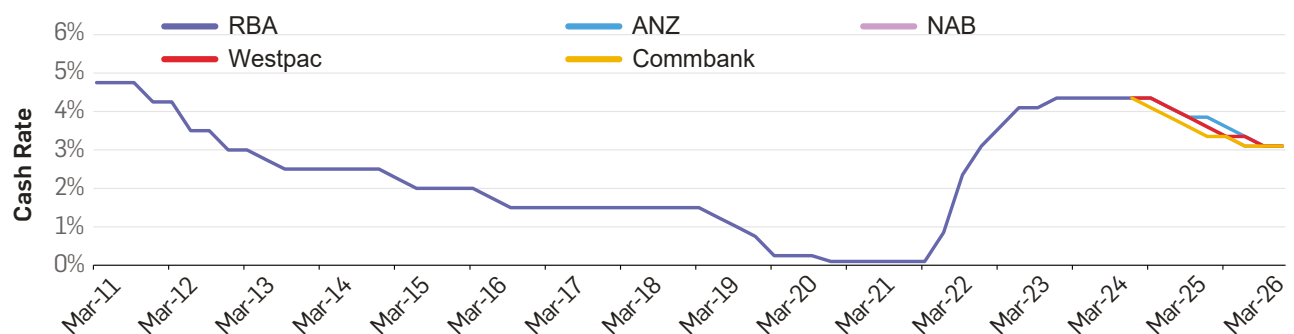
Source: City of Melbourne, Apartment Essentials

INTEREST RATE CUTS TO RESTIMULATE THE MARKET

Major banks, including ANZ, NAB, Westpac, and Commbank, are forecasting a gradual decrease in the cash rate over the next few years. By March 2025, ANZ and NAB predict the rate will remain at 4.35%, while Commbank expects it to be at 4.10%. By December 2025, Commbank anticipates the rate to drop to 3.35%, NAB to 3.60%, and both ANZ and Westpac to 3.85%.

Lower interest rates are expected to stimulate demand in the real estate market. In the year ending August 2024, there were 23,200 apartment sales in Melbourne, 13% lower than in the year prior. As the RBA cuts the cash rate, we can anticipate an increase in demand due to cheaper financing costs, which is likely to drive price growth.

RBA CASH RATE FORECAST 2011 - 2026



Source: RBA, NAB, CBA, ANZ, Westpac, Urbis

APARTMENT MARKET PERFORMANCE

Central Melbourne's strong rental market has achieved an indicative gross rental yield of 4.8%, supported by a tight vacancy rate of 3.3%.

SHIFT TOWARDS APARTMENTS

Rising interest rates have diminished the purchasing power of Melbourne residents. Consequently, apartments have been becoming a more popular and affordable alternative to the increasingly expensive detached housing market. In 2024, apartments in the City of Melbourne were priced 56% lower than the median house price.

CBD APARTMENT RENT PREMIUMS

With the rebound of overseas migration, Melbourne CBD's rental market has shown strong performance. For newly built apartments in the CBD, median weekly rent rose to \$750 in the year to November 2024, up from \$690 the previous year. This strong demand, coupled with limited land supply for new apartment developments, has led to CBD apartment stock commanding an average premium of 5%+ over the broader Inner Melbourne market, with higher premiums for smaller typologies such as 1-bed and 2-bed units.

HIGH CONSTRUCTIONS COSTS

The Q3 2024 national Cordell Construction Cost Index (CCCI), which tracks the cost to build a typical new dwelling, saw a 0.5% rise over the June quarter, marking the strongest quarterly increase since December 2022 (1.9%). This rise in construction costs further underscores the value of existing properties in the CBD.

Victorian construction cost increase
2019-20 to 2023-24



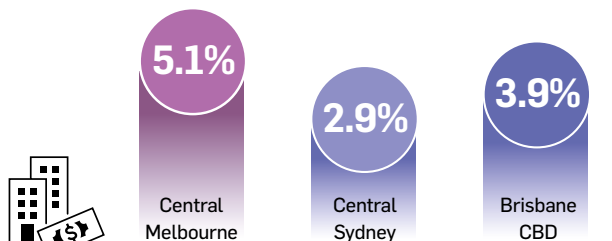
Source: ABS

LOW VACANCY, HIGH YIELDS

Strong population growth coupled with reduced new apartment supply has kept vacancy rates relatively low throughout 2024, reaching a low of 1.6% in March and averaging 2.4% over the year. Newly built apartments in Central Melbourne achieved an indicative rental yield of 5.1% across all product types in the year to December 2024, well ahead of Central Sydney and the Brisbane CBD.

RENTAL YIELD COMPARISON

Year to Dec 2024



Source: Pricefinder, Urbis

CBD APARTMENT RENT PREMIUMS

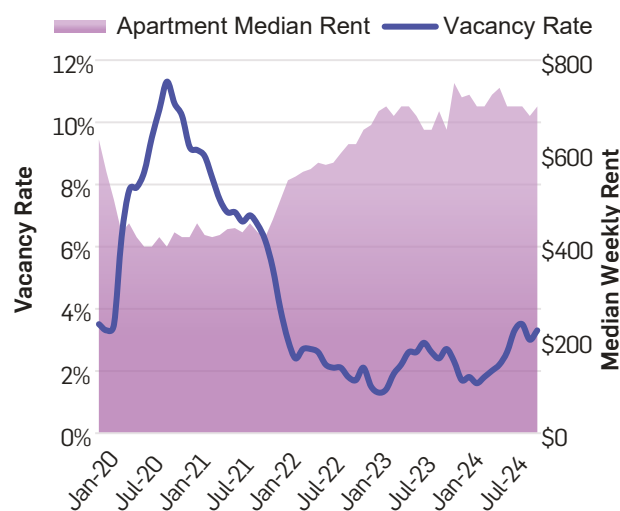
Year to Nov 2024

	CBD	Inner Melbourne	Premium
1 bed	\$630	\$590	7%
2 bed	\$830	\$750	11%
3 bed	\$1,230	\$1,230	0%
4 bed	\$3,700	\$3,650	1%

Source: Apartment Essentials

VACANCY RATE AND MEDIAN APARTMENT RENT

Melbourne CBD



Source: SQM Research, Urbis, Apartment Essentials

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