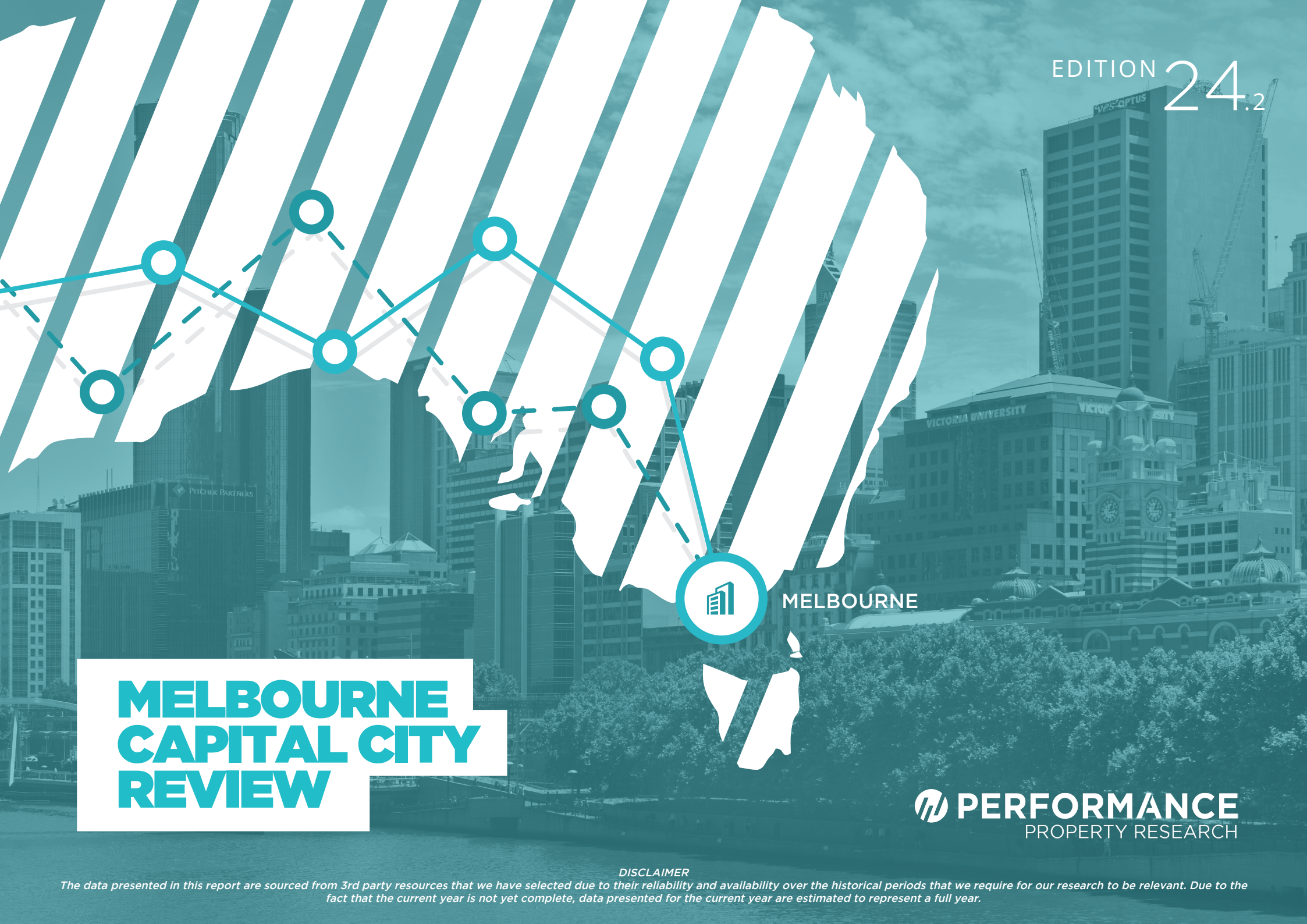


EDITION 24.2



MELBOURNE

MELBOURNE CAPITAL CITY REVIEW

 **PERFORMANCE**
PROPERTY RESEARCH

DISCLAIMER

The data presented in this report are sourced from 3rd party resources that we have selected due to their reliability and availability over the historical periods that we require for our research to be relevant. Due to the fact that the current year is not yet complete, data presented for the current year are estimated to represent a full year.

MELBOURNE AT A GLANCE

CURRENT MEDIAN HOUSE
\$900,000

CURRENT MEDIAN UNIT
\$622,000

In the current stage of cycle

The Melbourne house market has a **Stagnation Rating** while the unit market has a **Buy Momentum Rating**. If buying houses, it would be best suited to a **Foundation Strategy**. If buying units, it would be best suited to a **Trading Strategy**.

We classify the Melbourne house market currently as a **Low to Medium Risk Investment**, and the Melbourne unit market as **High Risk Investment** based on the stage of cycle.

Legend Trading Strategy = **6 to 9 years**
Foundation Strategy = **10+ years**



Average Days
on Market

Houses : **30**
Units : **34**



POPULATION



Current: **5,103,528**
Current Growth Rate: **3.44%**
Avg 10 Yr Growth Rate: **1.77%**

UNEMPLOYMENT RATE

4.5%

LONG TERM COMPOUNDED
GROWTH PA (1980) IS **7.33%** FOR
HOUSES & **6.76%** FOR UNITS.

Houses the last 3 years have seen 0.37%
PA growth, units -0.69%.

7.33%

HOUSE
YIELD **4.3%**

UNIT
YIELD **4.7%**



EXECUTIVE SUMMARY

SHORT-TERM MARKET INDICATORS

Slightly Positive

■	Affordability Index HOUSE V. Price Movement.....	08
■	VIC Monthly Housing Finance.....	09
■	Stock on Market V. Avg Days on Market.....	10
■	Vacancy Rate V. Median Rent.....	11
■	Job Creation Index.....	12

SUPPLY & DEMAND - Positive

Does Demand Exceed Supply?

■	Change in Population.....	13
■	State Population Movement	14
■	Dwelling Sales.....	15
■	Dwelling Approvals V. Population % Change.....	16

AFFORDABILITY - Negative

Is Property Affordable?

■	Affordability Index HOUSE V. Price Movement.....	08
■	Affordability Index UNITS V. Price Movement.....	17
■	Price to Income Ratio.....	18
■	Rent to Income V Affordability.....	19
■	FHBs as % of Population.....	20

■	Positive
■	Slightly Positive
■	Neutral
■	Slightly Negative
■	Negative

CONFIDENCE - Positive

Is There Confidence In The Market?

■	Retail Turnover Growth.....	21
■	Mortgage Arrears.....	22
■	Unemployment Rate	23
■	Business Investment	24

MONEY SUPPLY - Neutral

Will There Be More or Less Money Into The Economy?

■	Gross State Product V. Median Price Movement.....	25
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INVESTMENT VALUE - Positive

Is This Market Showing Value?

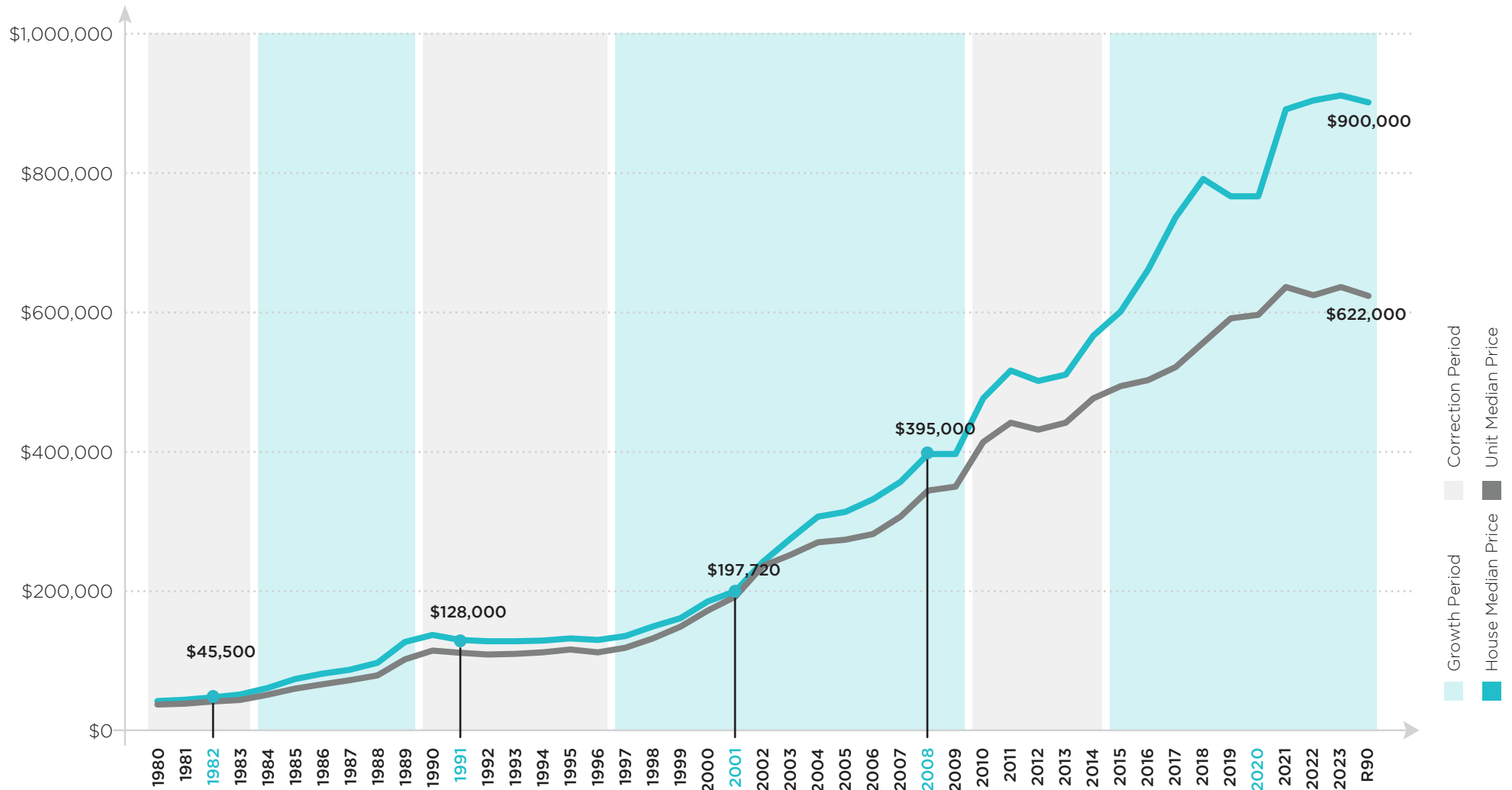
■	Current Investment Value - Per Capital City.....	26
■	Yield V. Interest Rates	27
■	Long Term Trends	28
■	House V. Unit Price Comparison	06
■	Melbourne V. Sydney HOUSE Price Movement.....	29

RISK - Slightly Negative

Is There Potentially Downside Volatility?

■	Affordability Index HOUSE V. Price Movement.....	08
■	Price to Income Ratio	22
■	Industry Value Added	30
■	Population Pyramid.....	31

MELBOURNE HOUSE PRICE MOVEMENT



1982
Severe Recession
Cash Rate 16.3%
Inflation 12.4%
Unemployment 11.3%

1991
Major Recession
Cash Rate 8.5%
Inflation 4.8%
Unemployment 11.3%

2001
Dot Com Crash
Cash Rate 4.5%
Inflation 6.1%
Unemployment 6.9%

2008
GFC
Cash Rate 5.3%
Inflation 5%
Unemployment 6.2%

2020
Covid-19
Cash Rate 0.25%
Inflation 1.8%
Unemployment 7.9%

OUR VIEW OF THE MELBOURNE HOUSE MARKET

PEAK

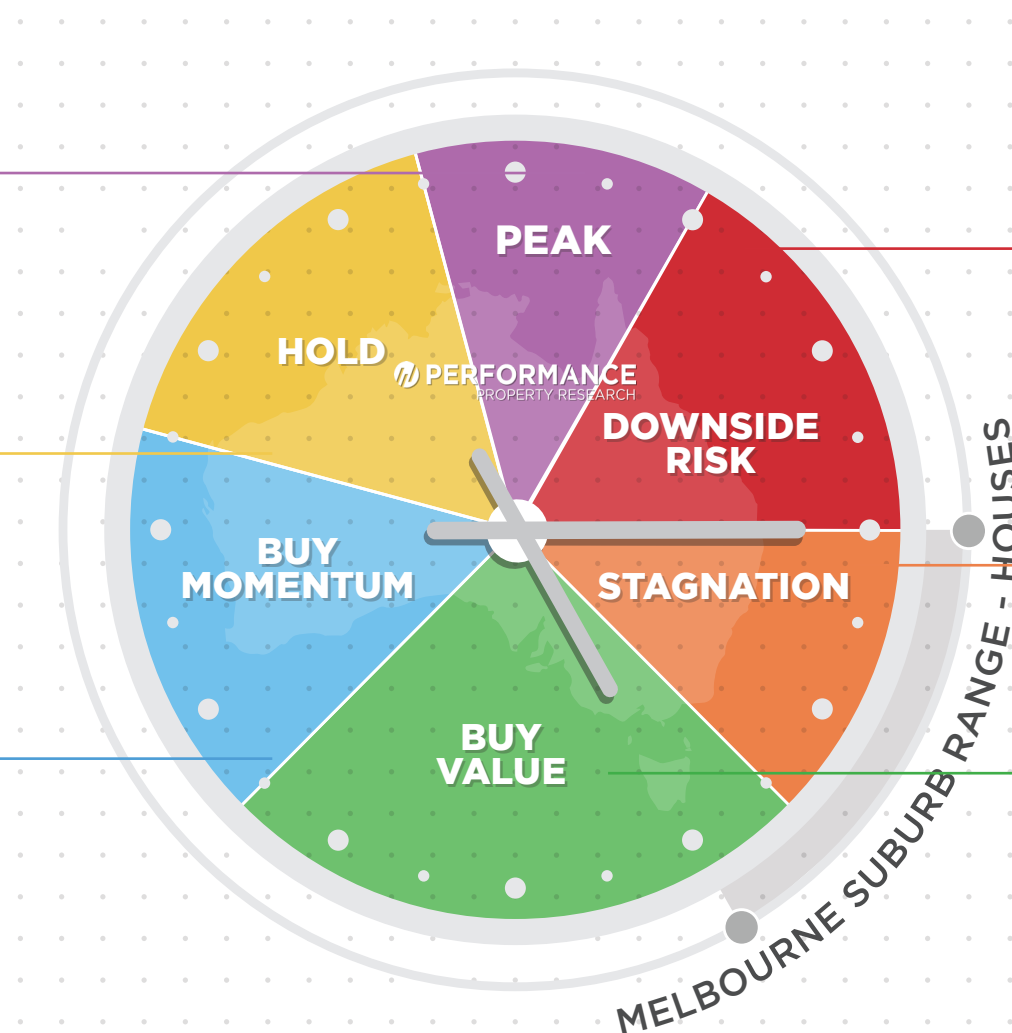
The market has peaked based on its historic performance. Consider selling in this market after consultation with your financial planner or property investment adviser.

HOLD

This market is only appropriate to enter with a long term property strategy. Growth in the short term is expected to be limited, but quality assets held long term will continue to perform.

BUY MOMENTUM

On a macro level the market is at or close to halfway through this growth cycle and demand for quality property is strong and rising. Macro fundamentals are present to support growth in the short term.



DOWNSIDE RISK

The market has moved past its peak historic performance. There is a significant risk for the market to experience a downturn in the near future.

STAGNATION

The market is moving through a correction stage. We see minimal opportunity for growth in the short to medium term.

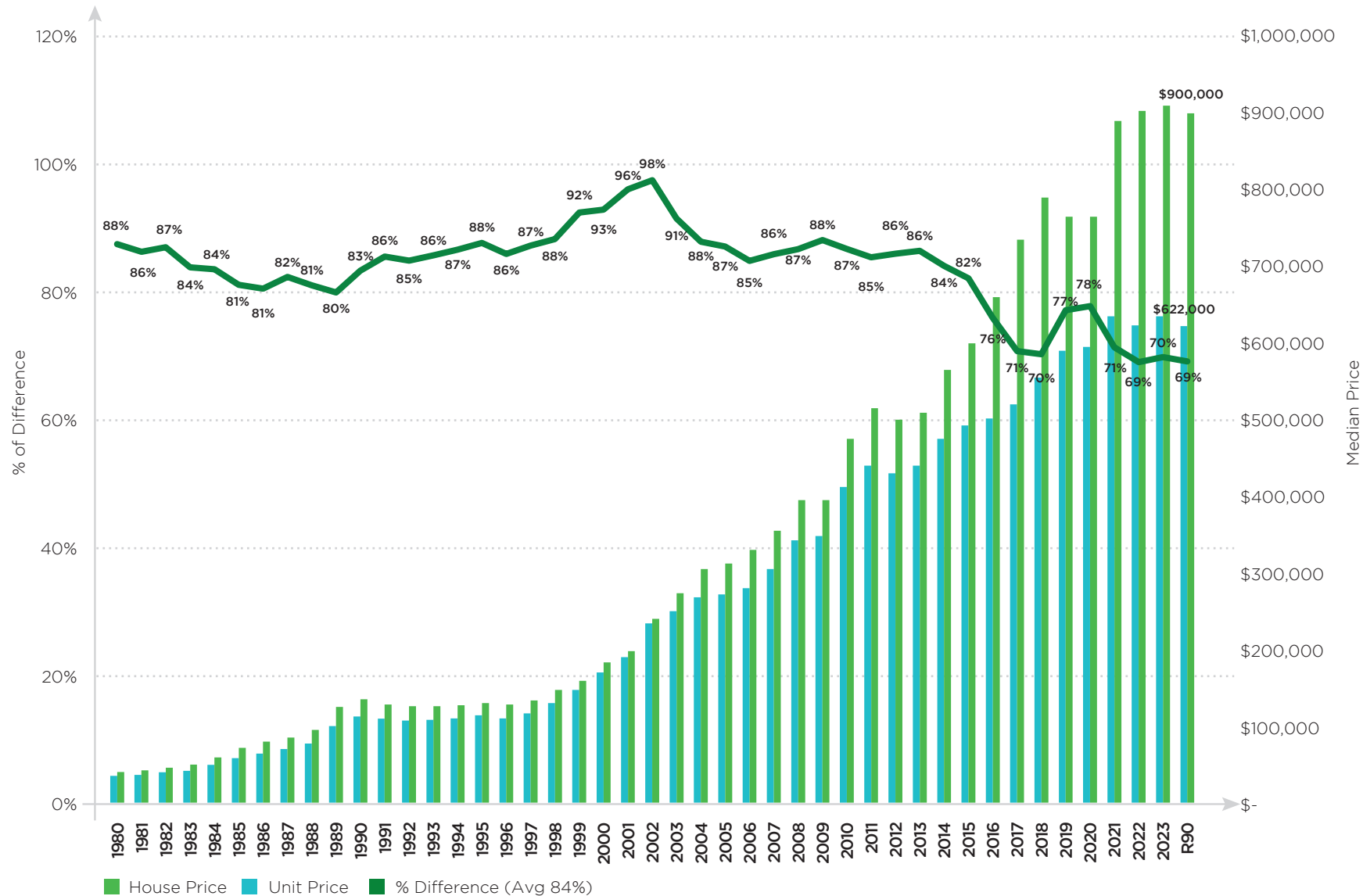
BUY VALUE

This market offers good investment value with macro fundamentals present to support growth in the short to medium term. Buy at the true market bottom to take advantage of the full growth upswing, with cyclical risk at its lowest.

For more information on the Melbourne market, including individual property and suburb information, call to speak to one of our professional property advisors on (03) 8539 0300.

MELBOURNE HOUSE V. UNIT PRICE COMPARISON

This graph shows the comparison between house and unit price movements and the percentage difference for each year.



POSITIVE

OUR VIEW OF THE MELBOURNE UNIT MARKET

PEAK

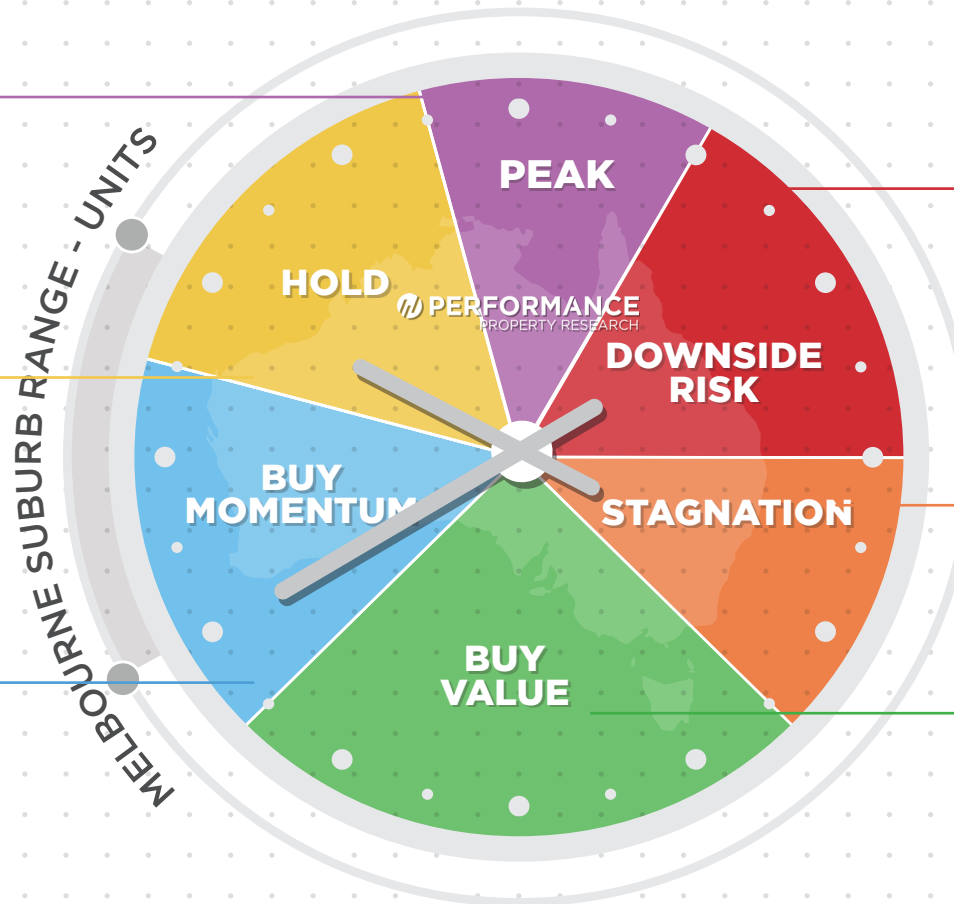
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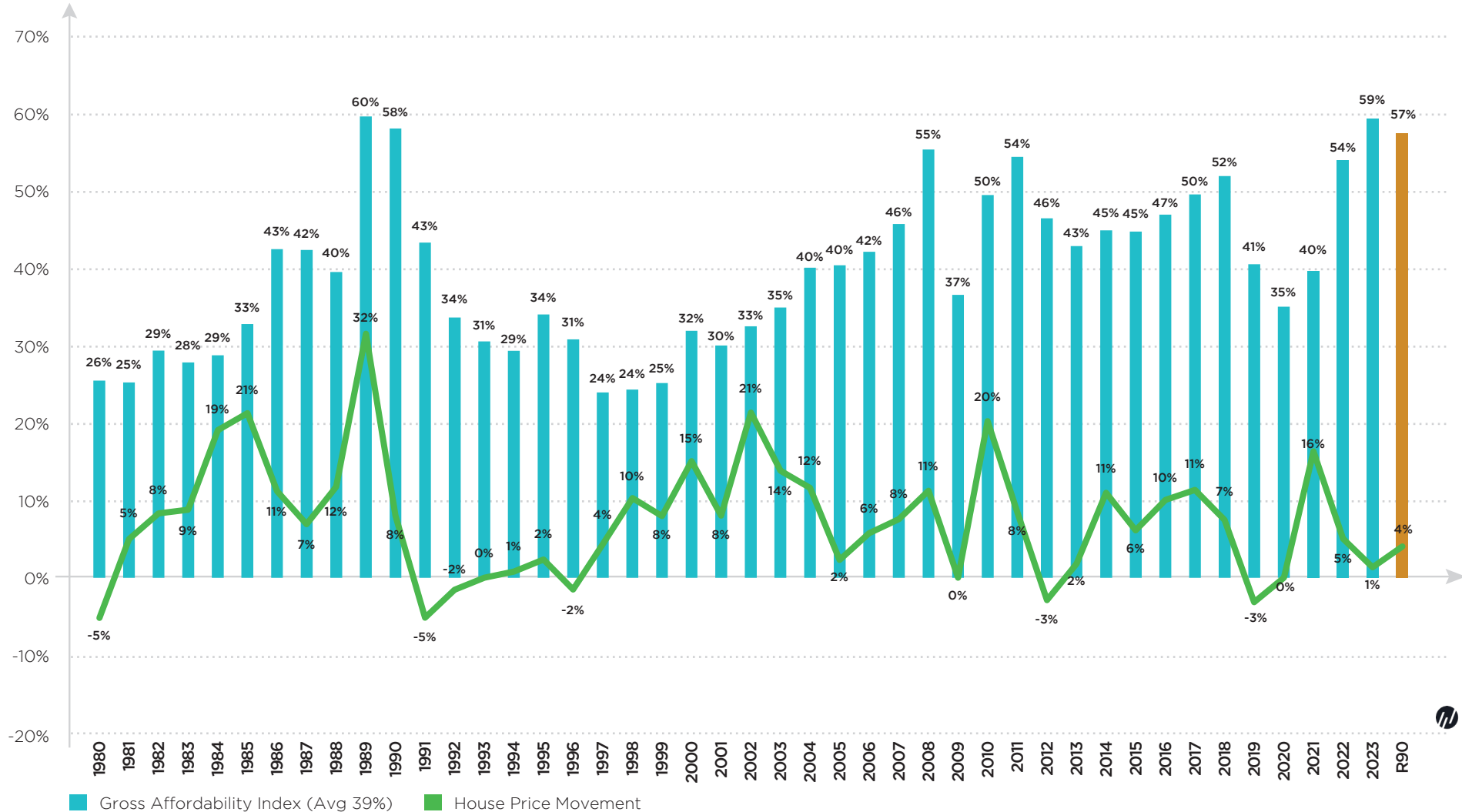
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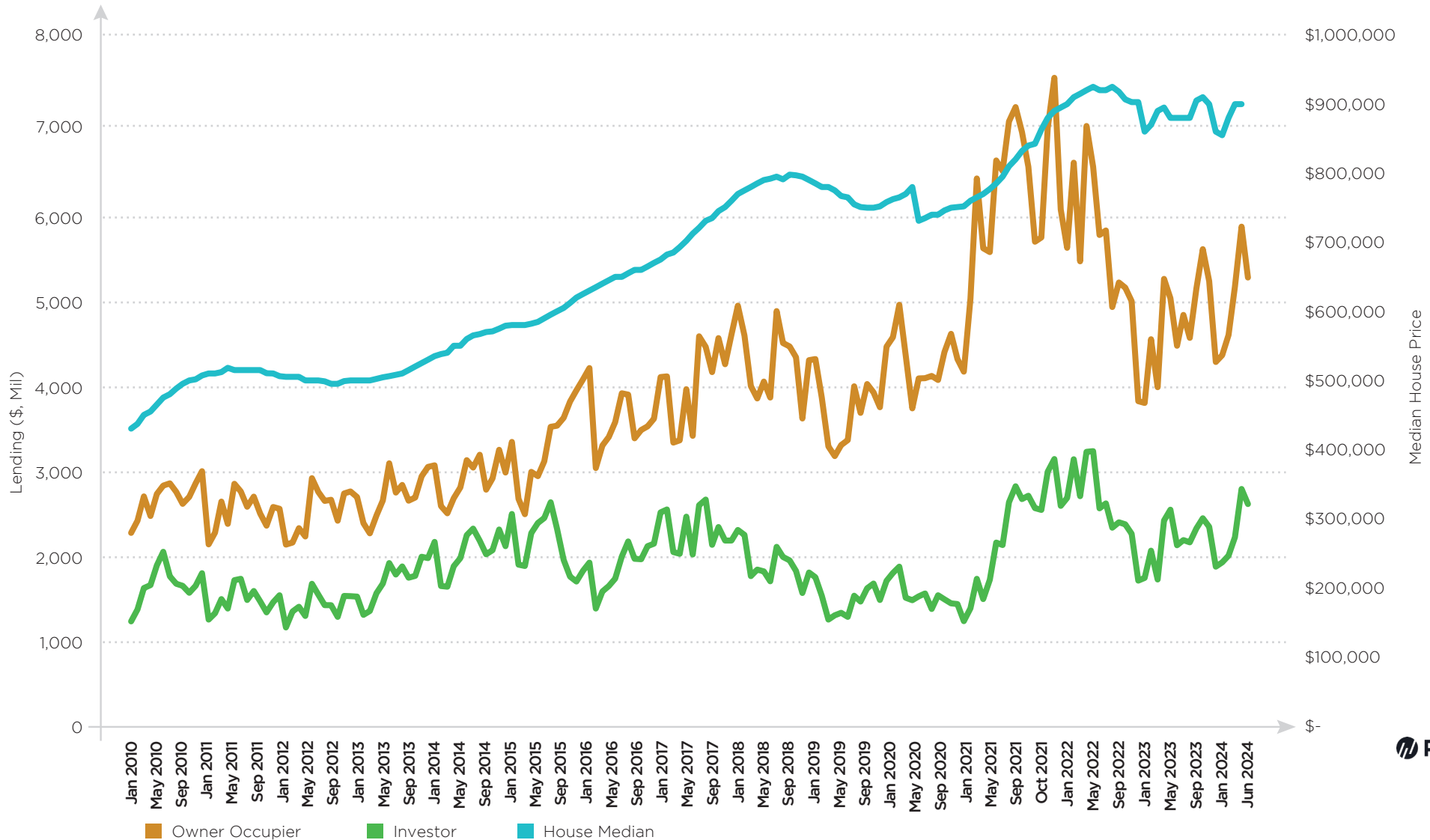
AFFORDABILITY INDEX V. PRICE MOVEMENT - HOUSE

This graph displays the impact interest rates have on house price movements. Performance Property's Gross Affordability Index (AI) is a measure of the average mortgage repayments versus the average income. The AI is calculated using the median price, average wage (before tax), assumes a 20% deposit, the current variable interest rate and Principle & Interest repayments over a 30 year loan term. For the current year, the rolling 90 days (R90) is shown to convey latest market status.



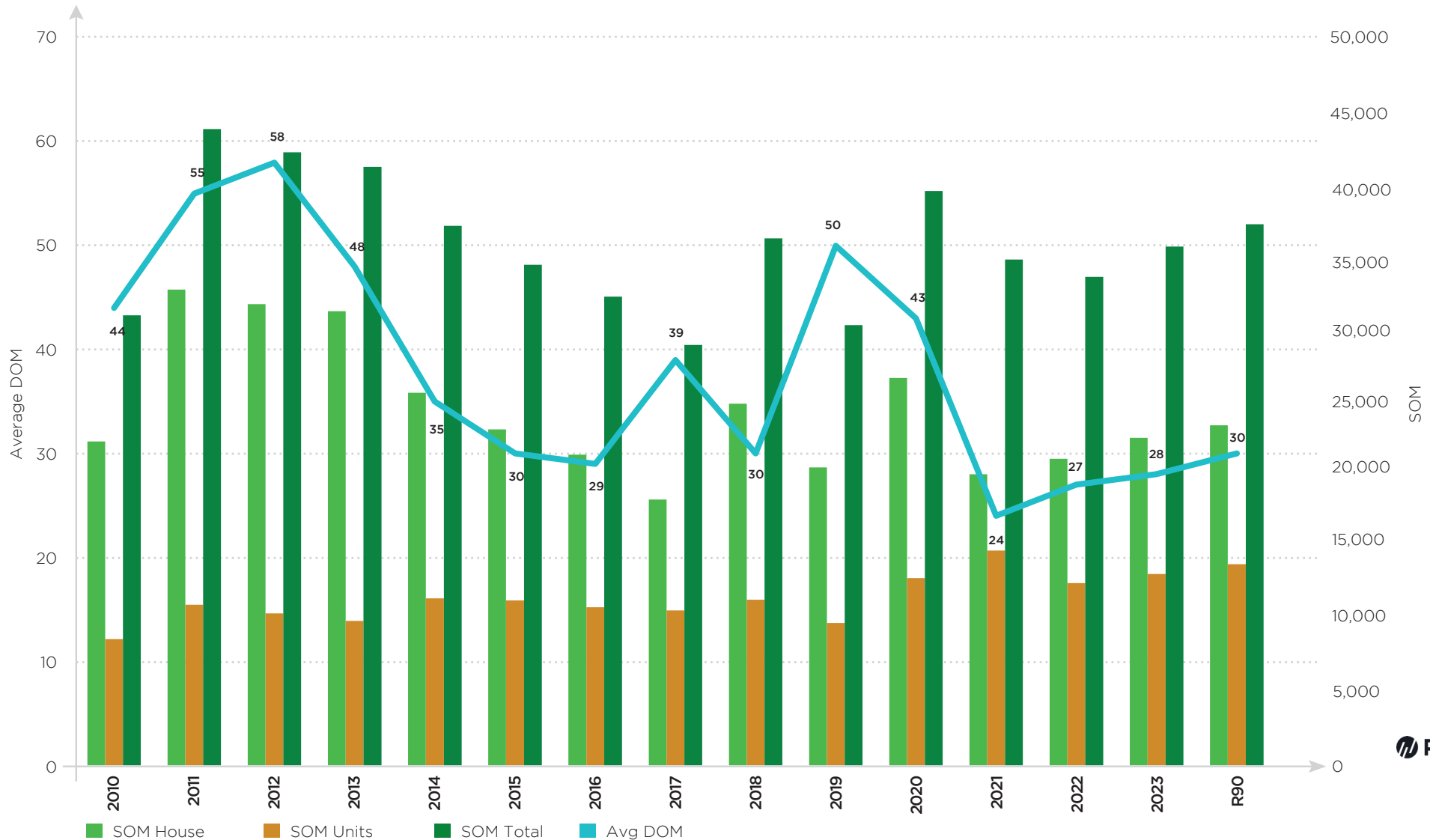
VIC MONTHLY HH LENDING TO OC V. MEDIAN HOUSE PRICE

This graph displays the value of housing finance for the state each month for owner occupiers and investors versus the median house price.



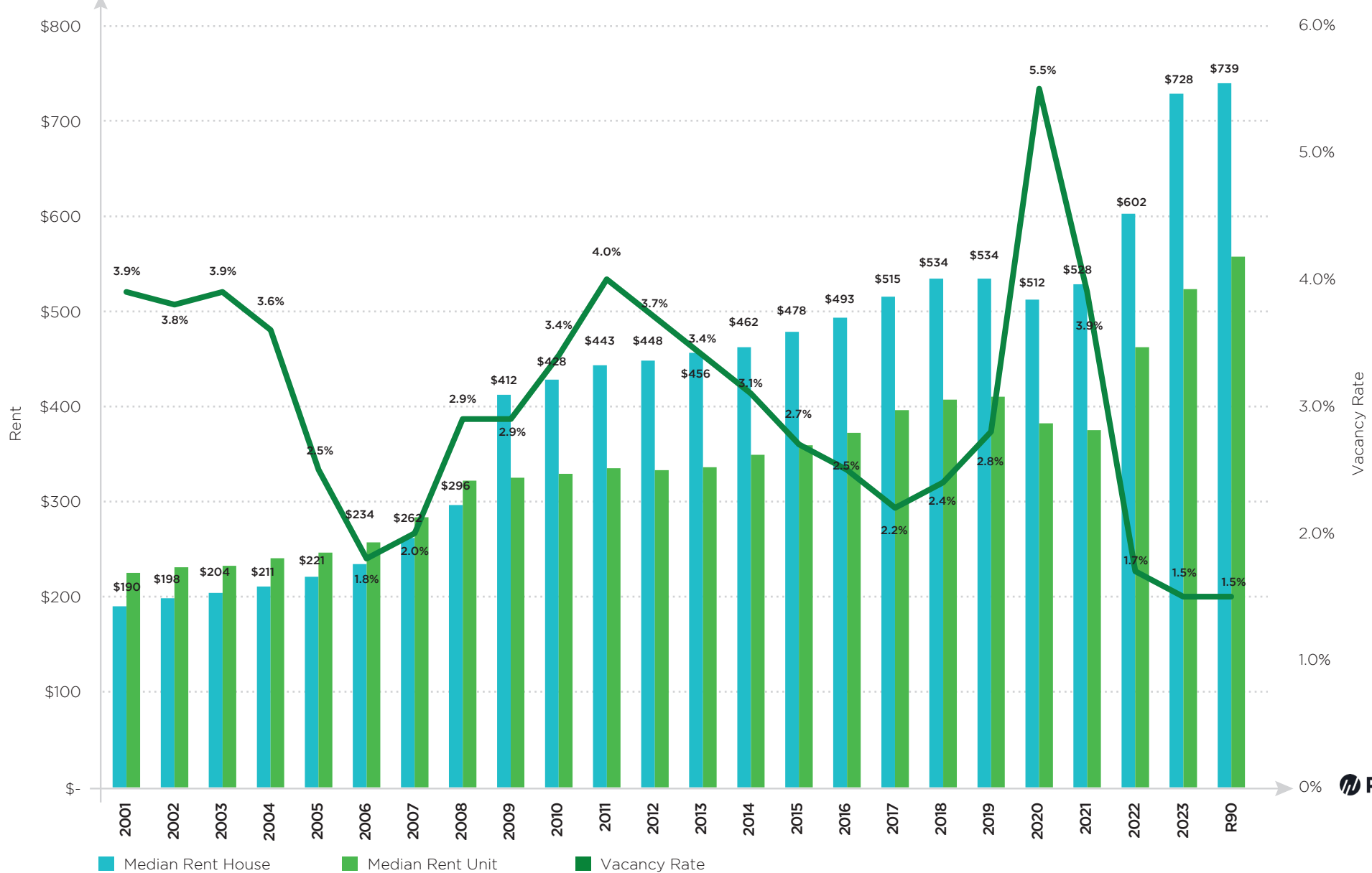
STOCK ON MARKET V. AVG DAYS ON MARKET

This graph displays the average days on market and stock on market in one month of each year.



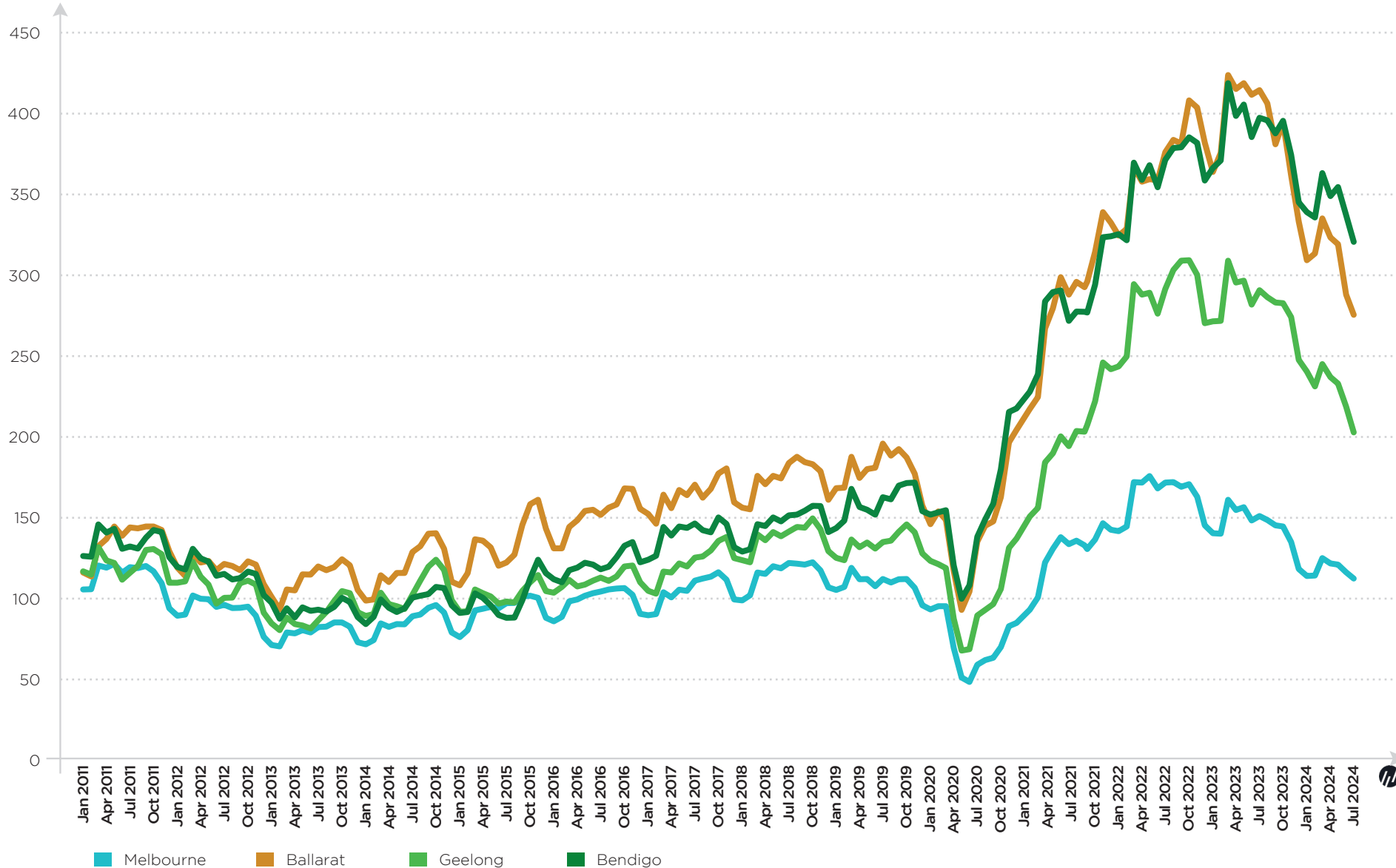
VACANCY RATE V. RENT

This graph displays the relationship between rental growth for both houses and units and the vacancy rate.



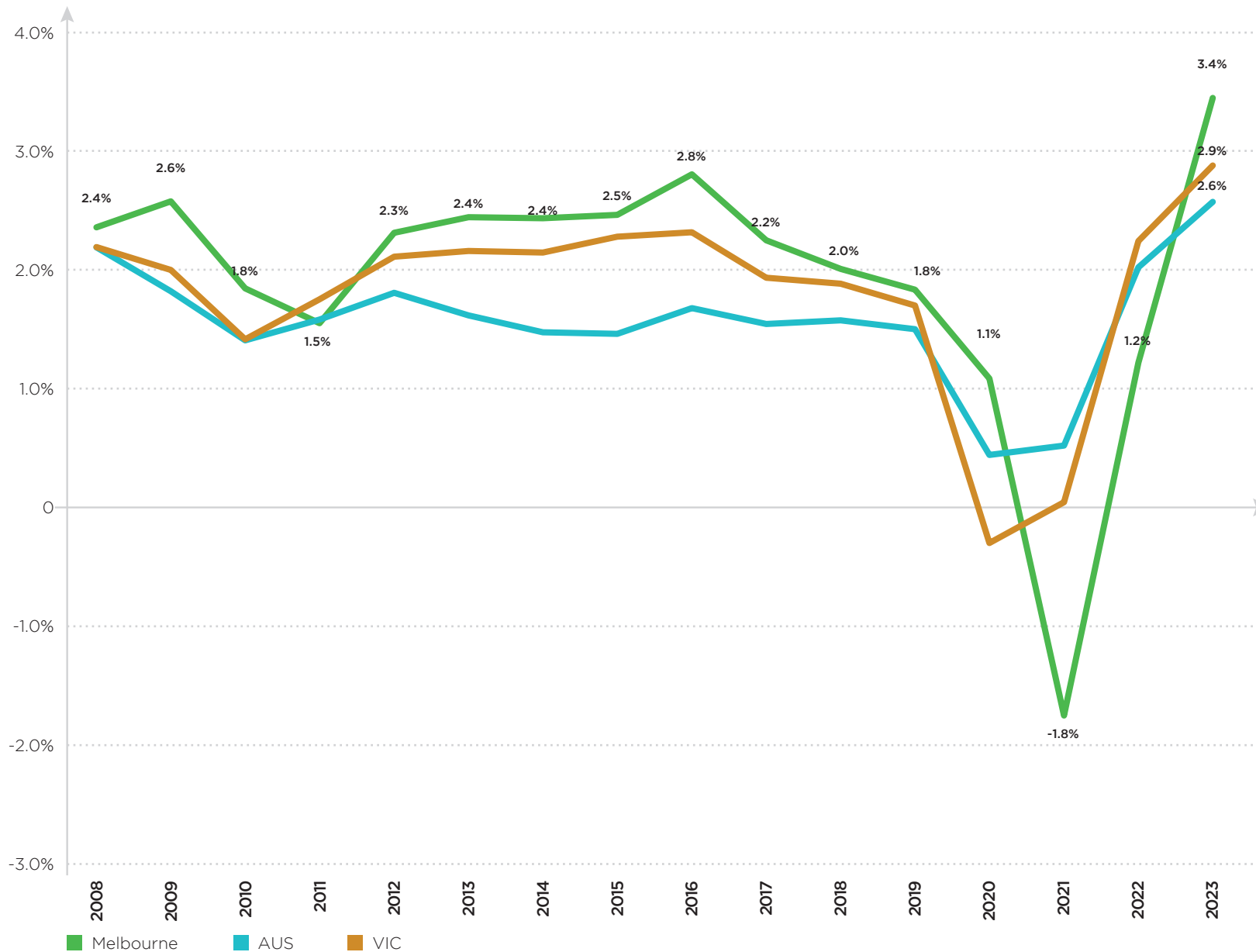
JOB CREATION INDEX - MELBOURNE

This graph shows the internet vacancy index for online job advertisements on three major job boards.



CHANGE IN POPULATION

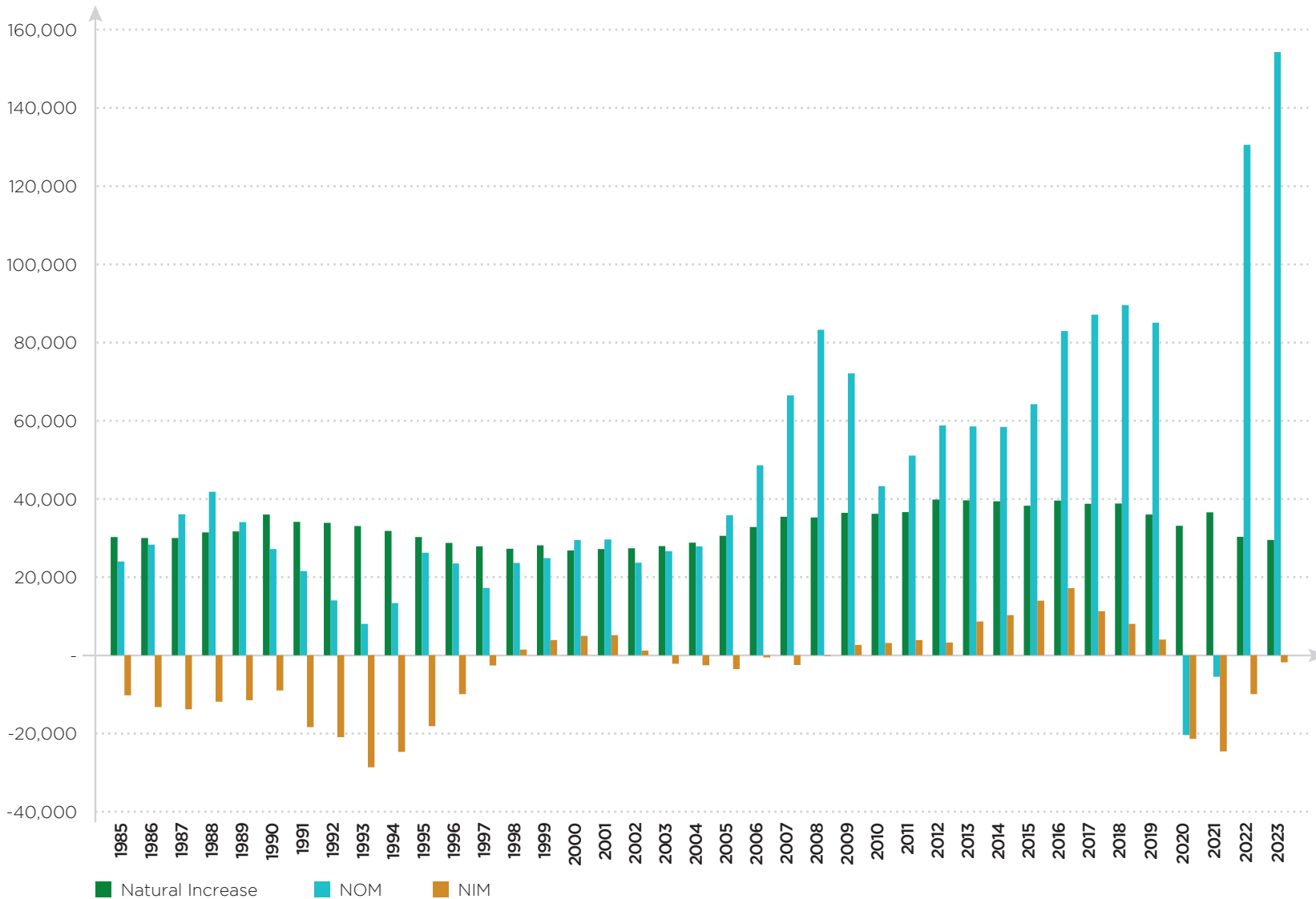
This graph shows the percentage change in the population growth rate for the city, state and Australia.



SLIGHTLY
POSITIVE

VIC POPULATION MOVEMENT TYPE

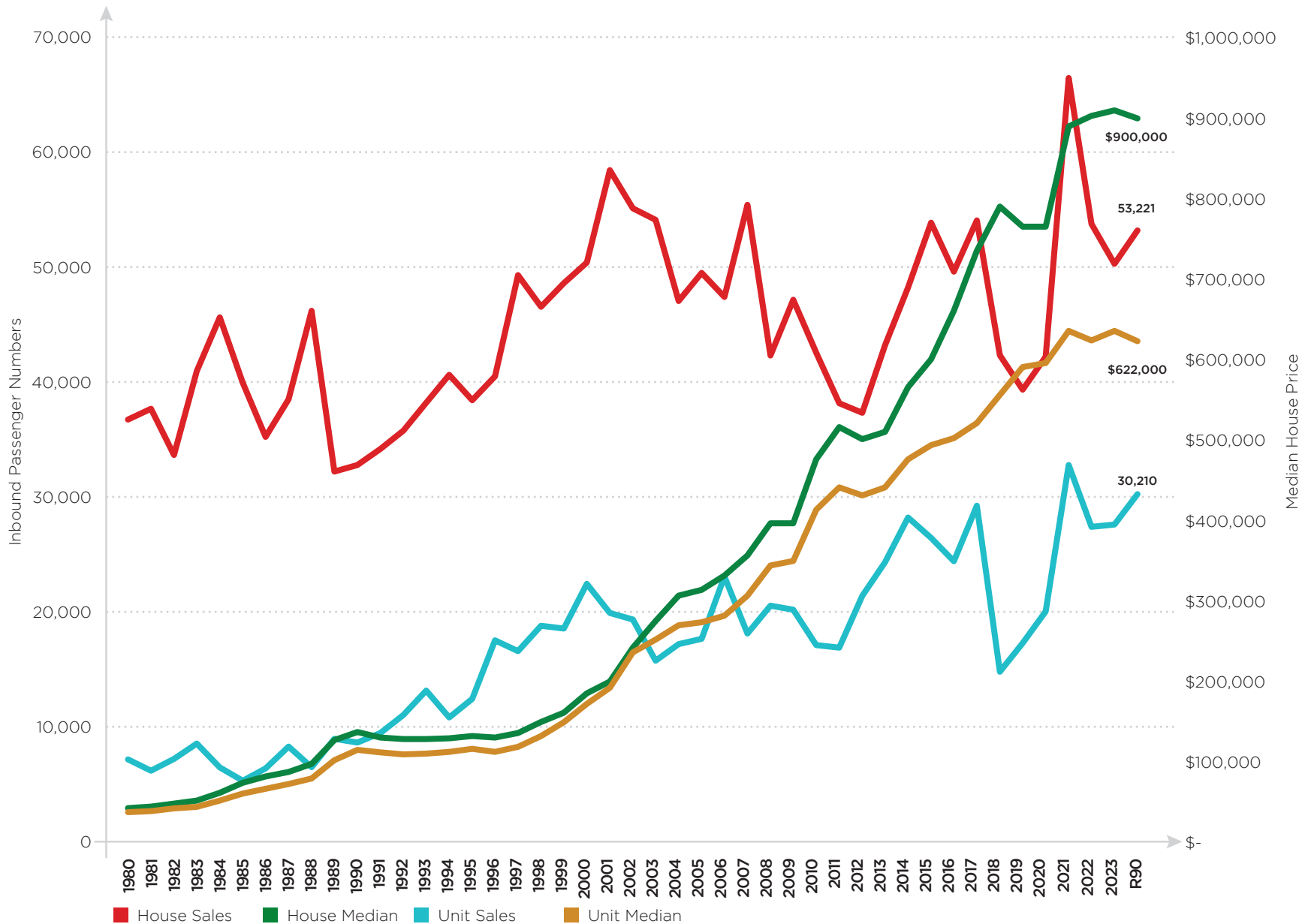
This graph demonstrates the breakdown of Natural Increase, Net Overseas Migration (NOM) and Net Interstate Migration (NIM) for the state.



POSITIVE

DWELLING SALES

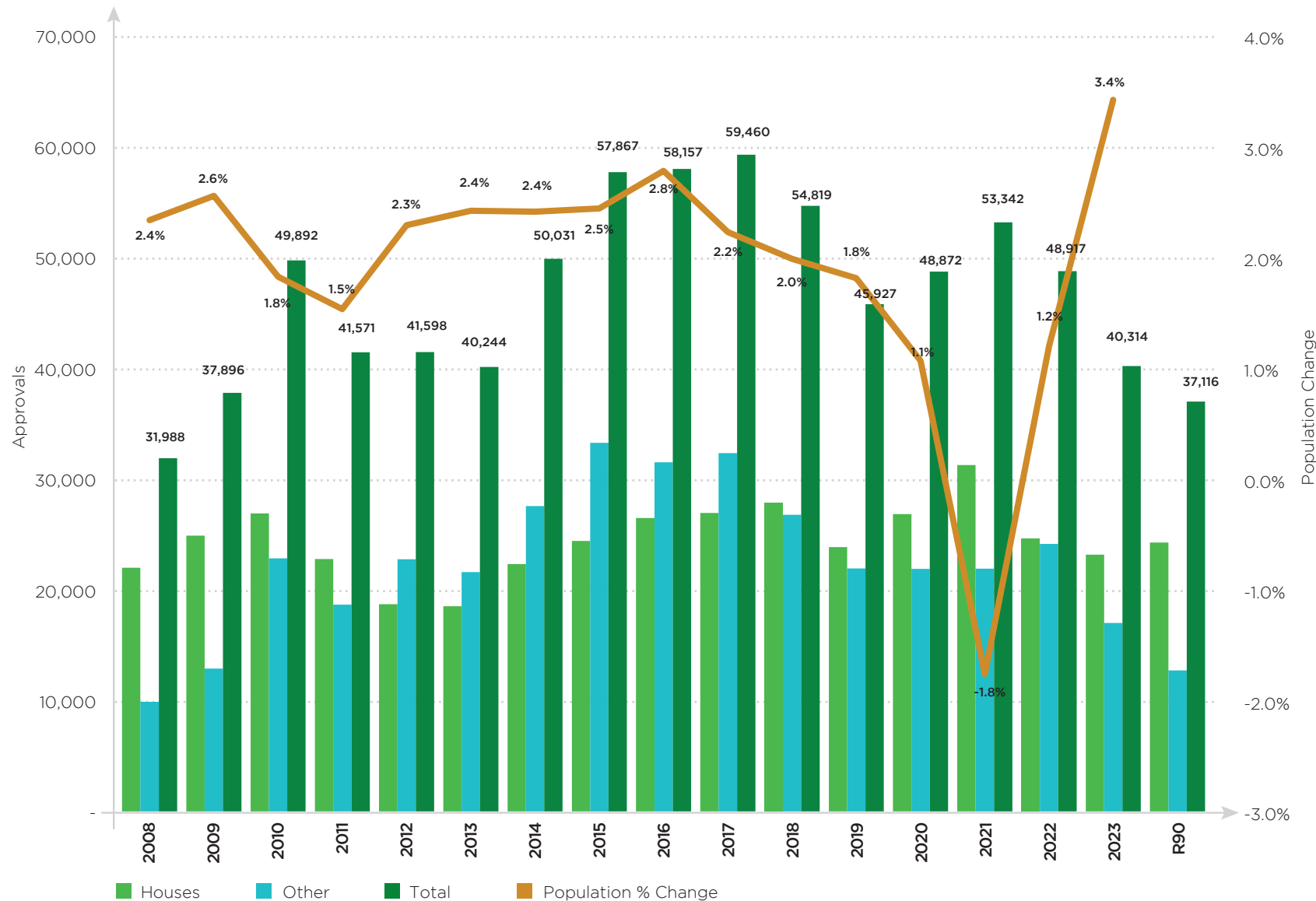
This graph displays the number of unit and house sales.



SLIGHTLY
POSITIVE

DWELLING APPROVALS V. POPULATION

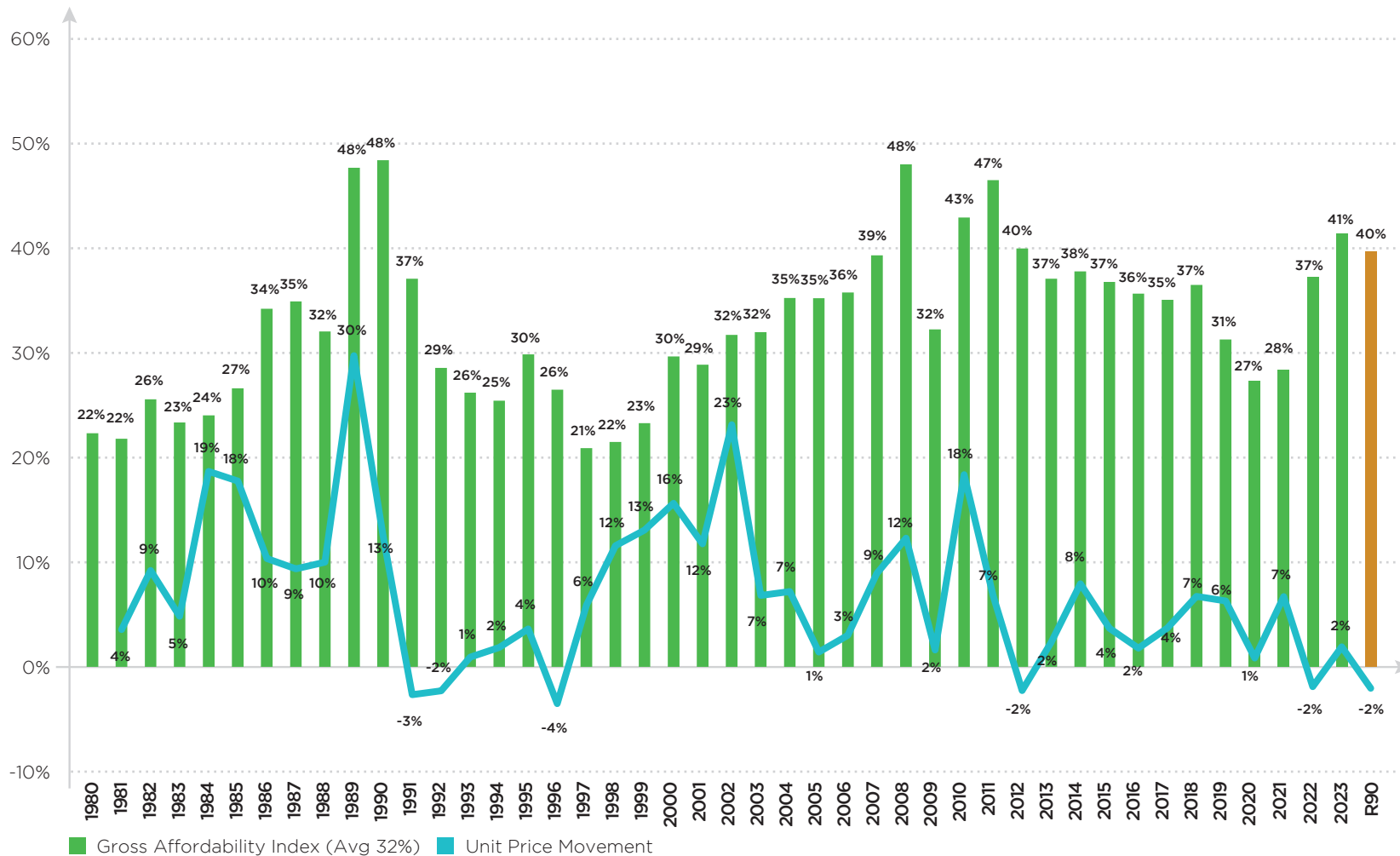
This graph shows the relationship between population growth and dwelling approvals in the Greater City region.



POSITIVE

AFFORDABILITY INDEX V. PRICE MOVEMENT - UNIT

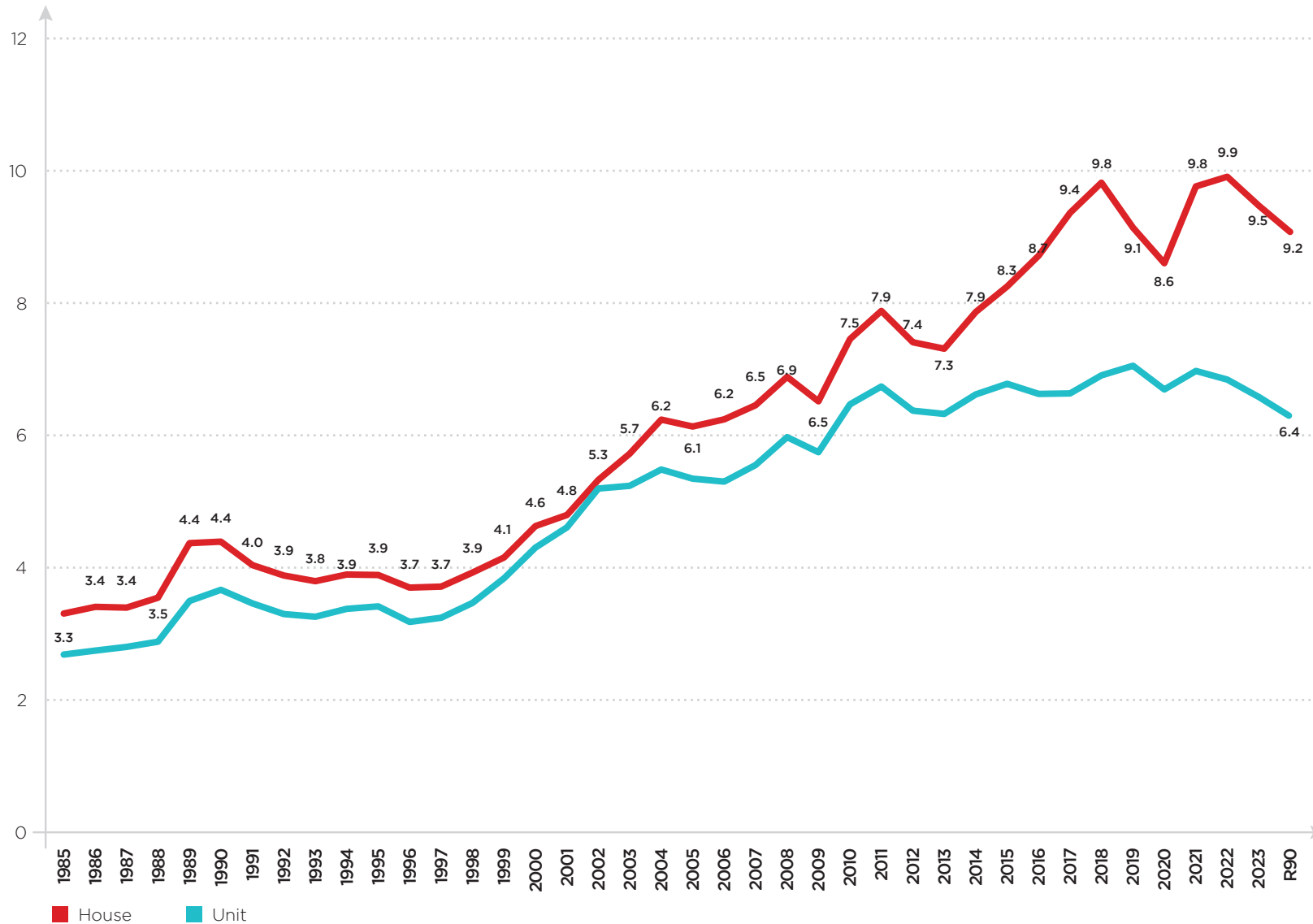
This graph displays the impact interest rates have on unit price movements. Performance Property's Gross Affordability Index (AI) is a measure of the average mortgage repayments versus the average income. The AI is calculated using the median price, average wage (before tax), assumes a 20% deposit, the current variable interest rate and Principle & Interest repayments over a 30 year loan term. The current year is still incomplete thus, it is represented by the R90 axis instead which stands for "recent 90 days". This is specifically shown to give emphasis to the latest market status.



SLIGHTLY
NEGATIVE

PRICE TO INCOME RATIO

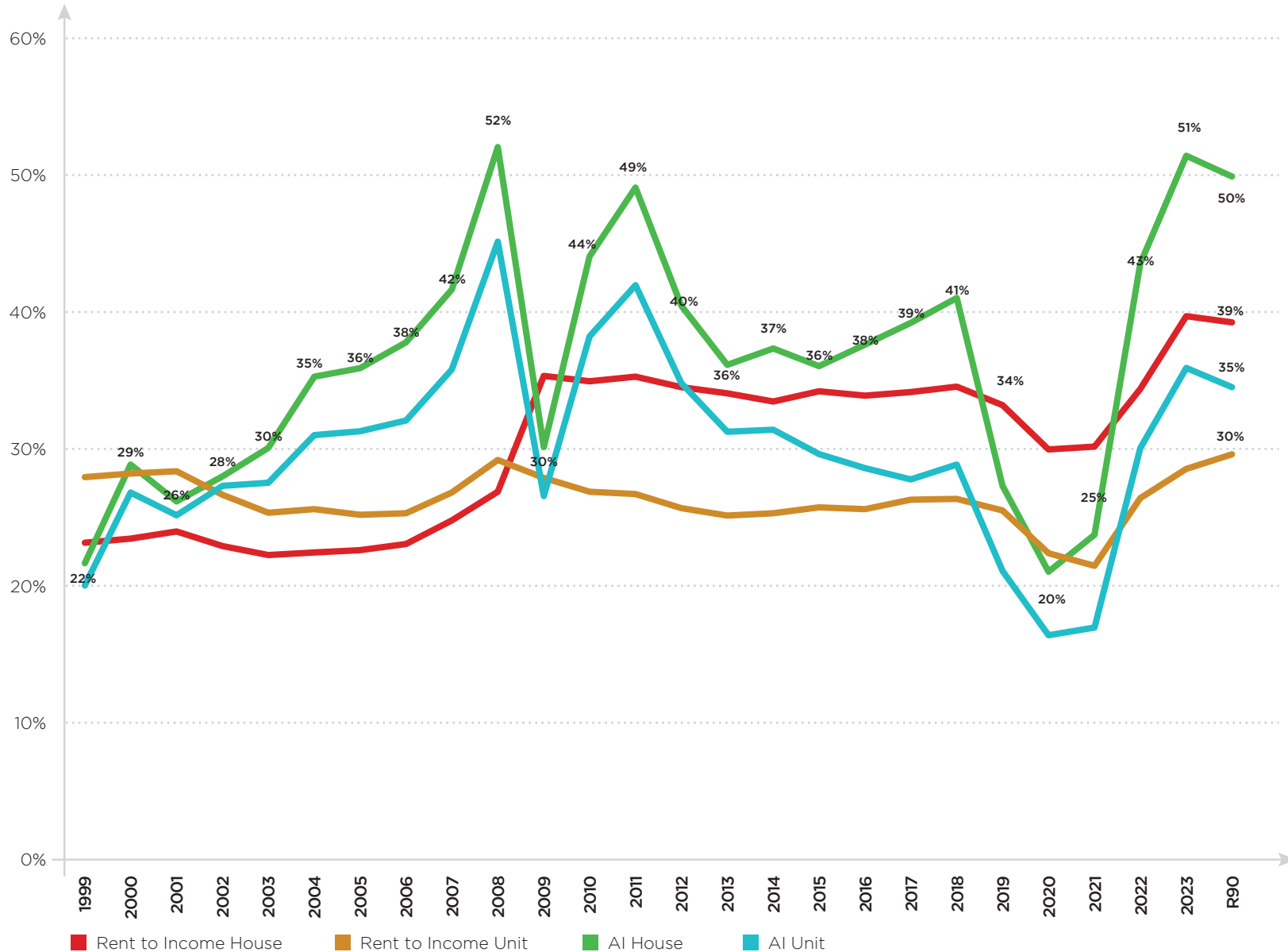
This graph displays the price to income ratio which is the relationship between the median house price and the average annual income. This also represents the average time taken to save a 20% deposit when assuming 20% of the average wage is saved. For the current year, the rolling 90 days (R90) is specifically shown to give emphasis on current median house price movement.



NEGATIVE

INCOME TO RENT

This graph displays the percentage of the average wage that pays the median house rent versus the PPA Affordability Index for houses, calculated using an Interest only loan.



NEGATIVE

FHBS AS A % OF POPULATION

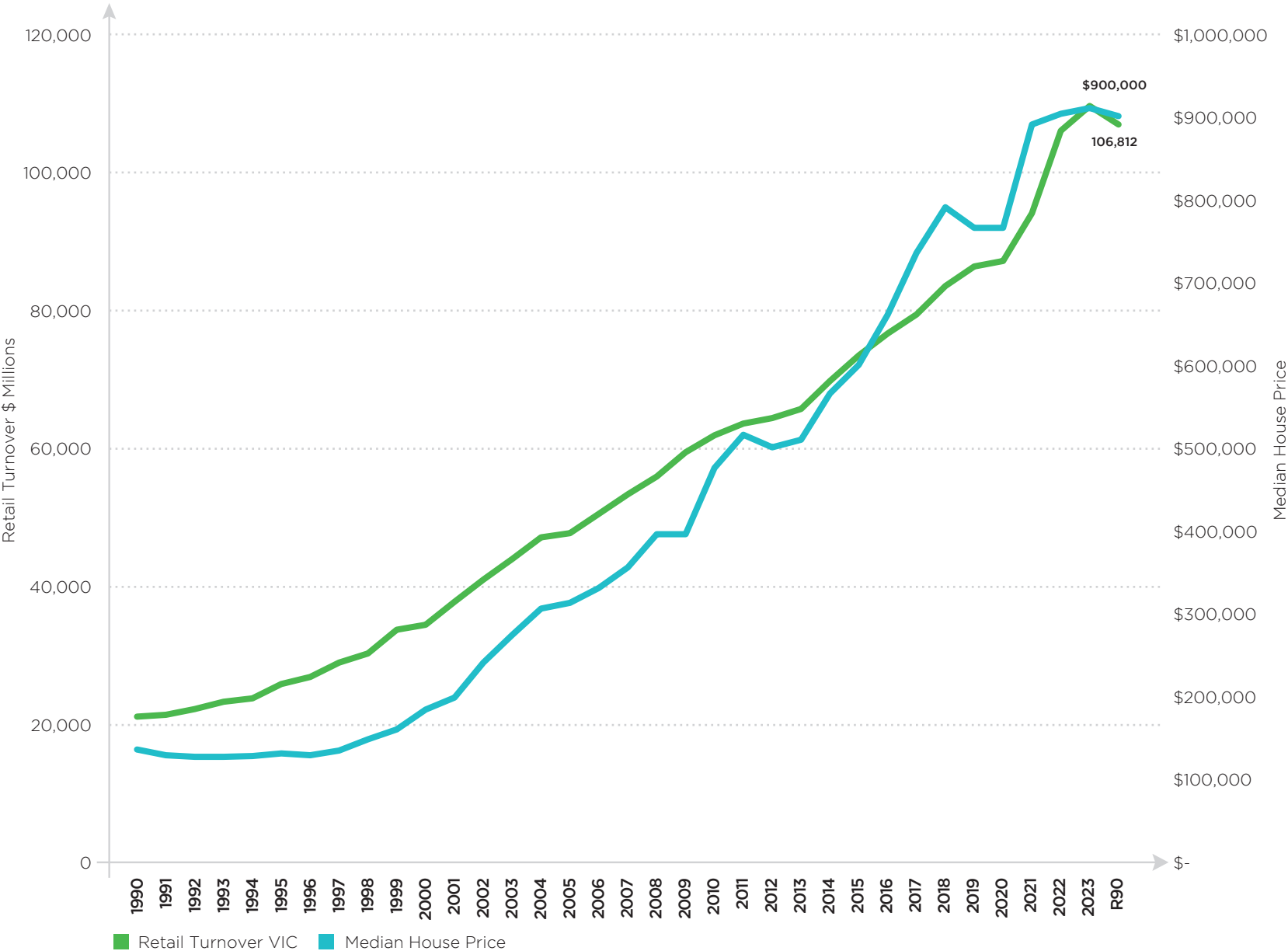
This graph shows the percentage of first home buyers (FHB) relative to the state population.



SLIGHTLY
NEGATIVE

RETAIL TURNOVER GROWTH

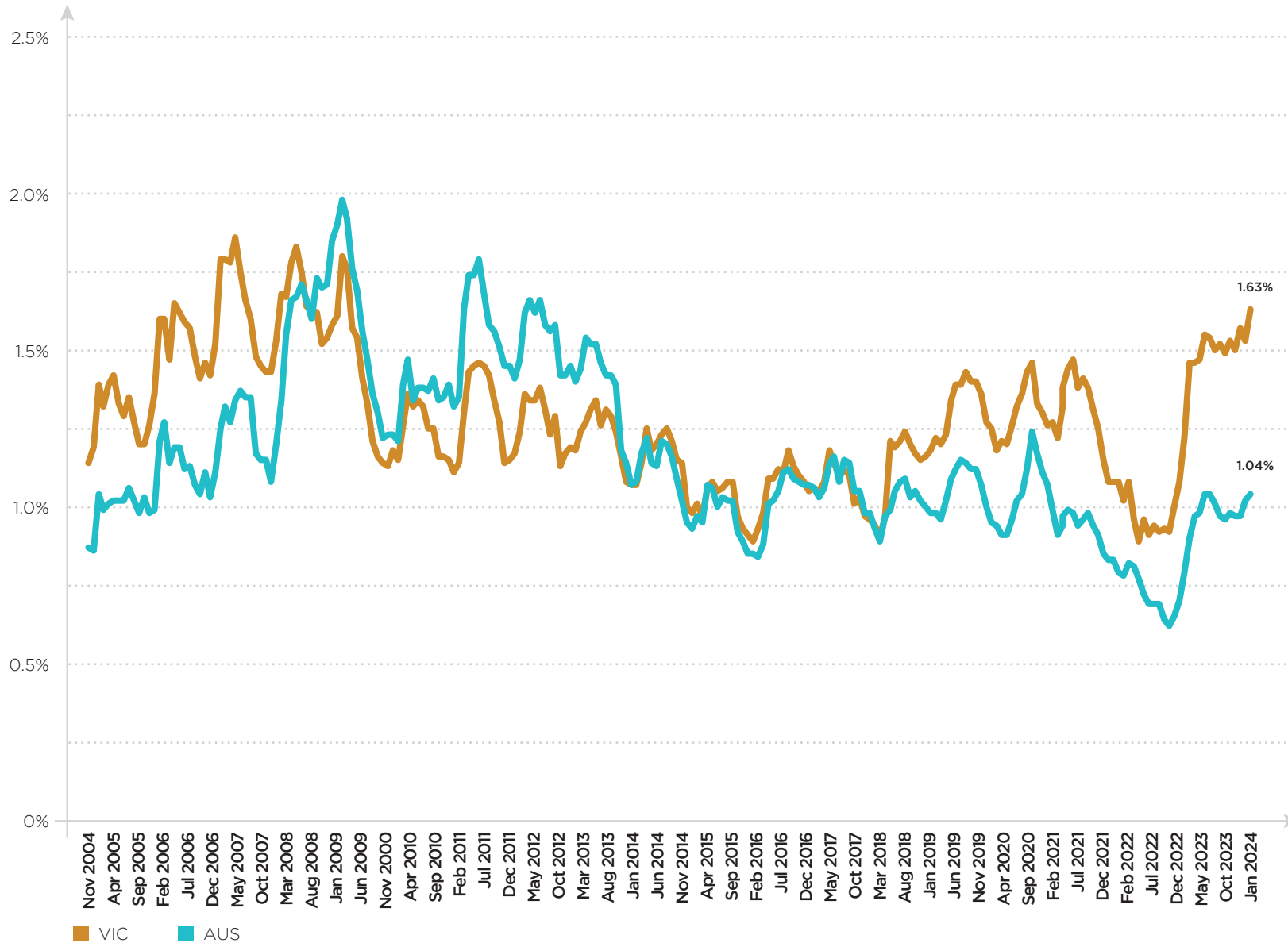
This graph displays levels of retail turnover for the state charted against the median house price.



SLIGHTLY
POSITIVE

VIC MORTGAGE ARREARS

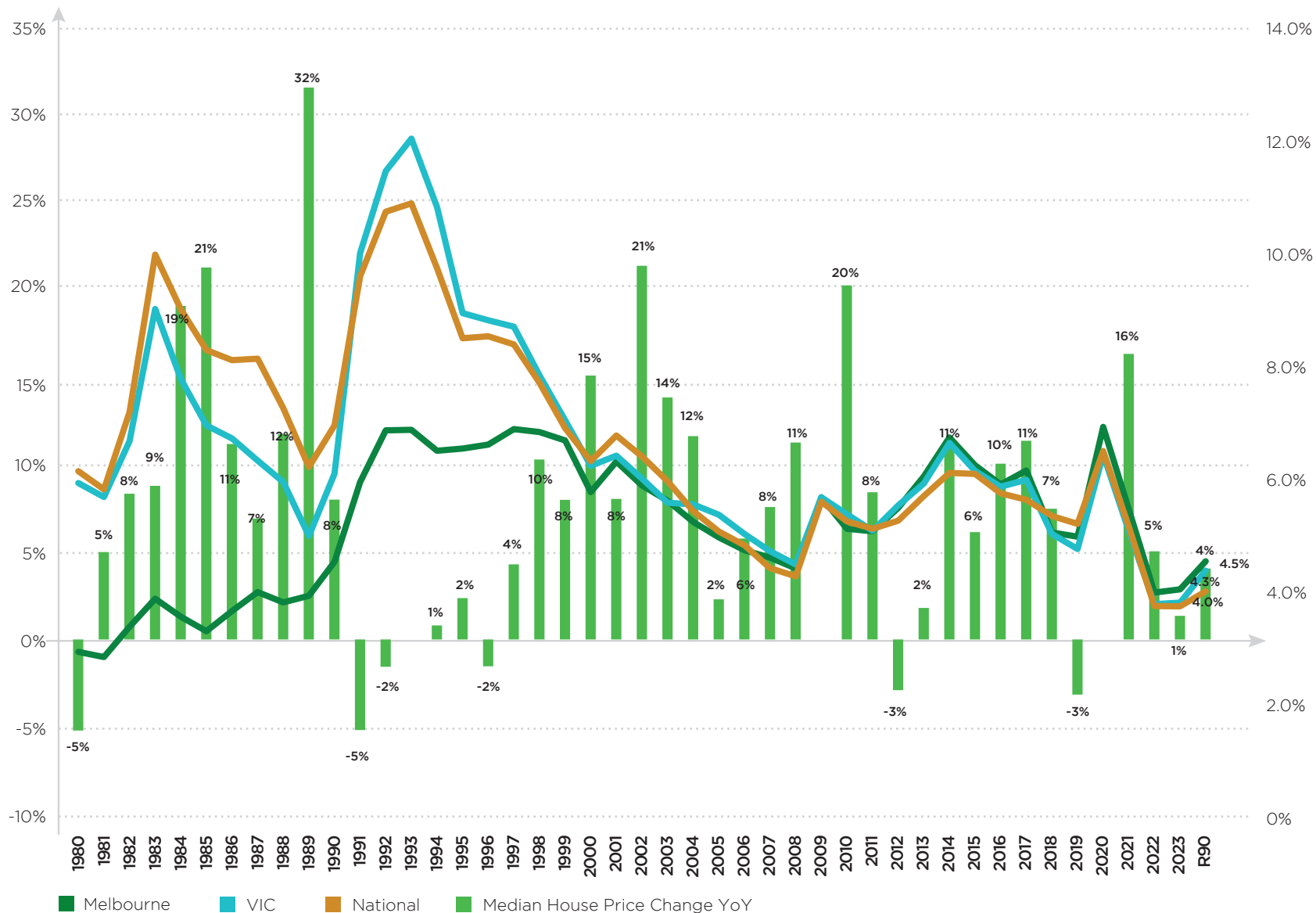
This graph displays the percentage of mortgages that are 30+ days in arrears in the state and Nationally. Supplied by Standard and Poor's Global Ratings.



NEGATIVE

UNEMPLOYMENT RATE

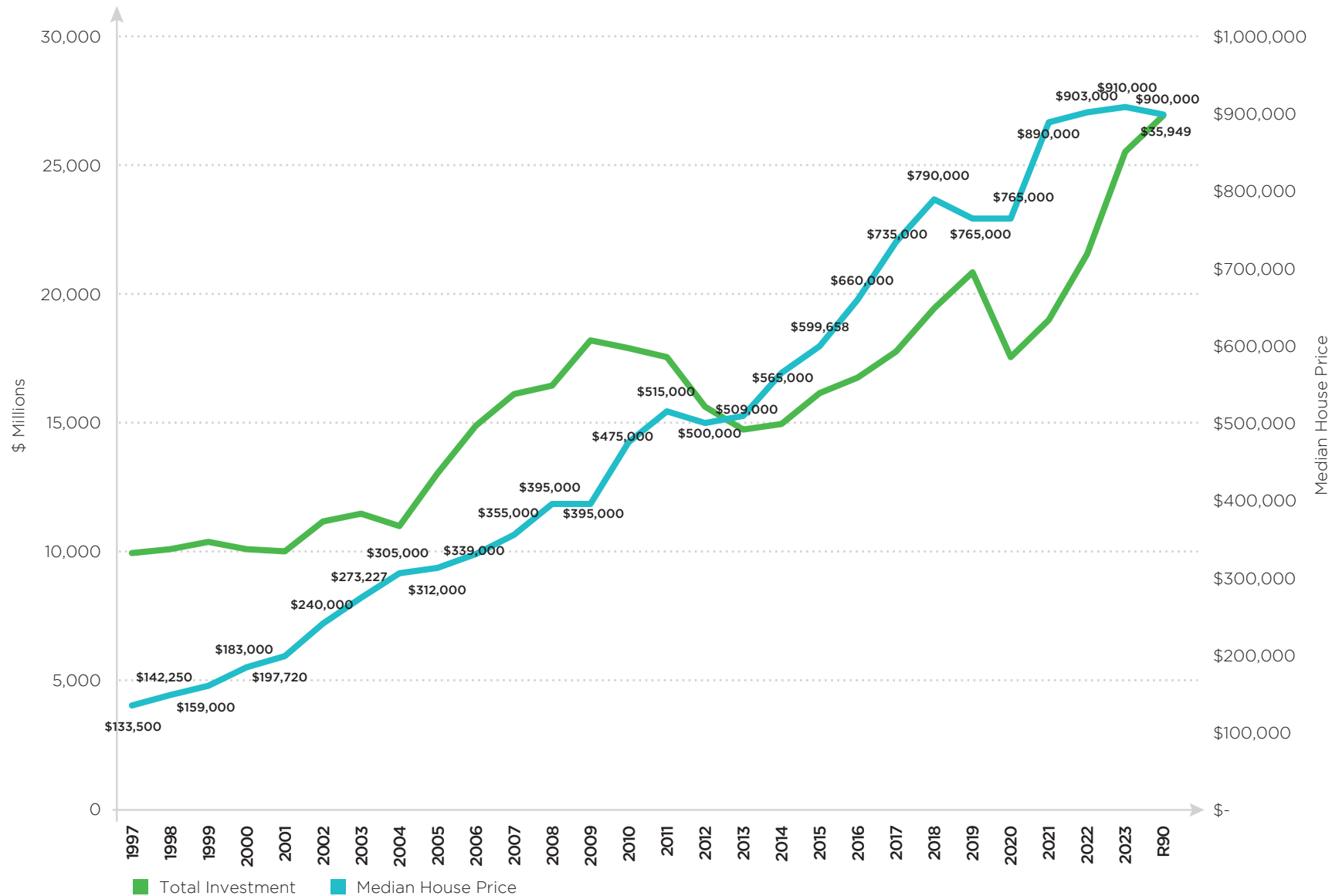
This graph displays the unemployment rate for metro, state and national as a yearly average and the current, most recent rate. The current year is still incomplete thus, it is represented by the R90 axis instead which stands for "recent 90 days". This is specifically shown to give emphasis to the latest house price movement.



POSITIVE

VIC PRIVATE BUSINESS INVESTMENT

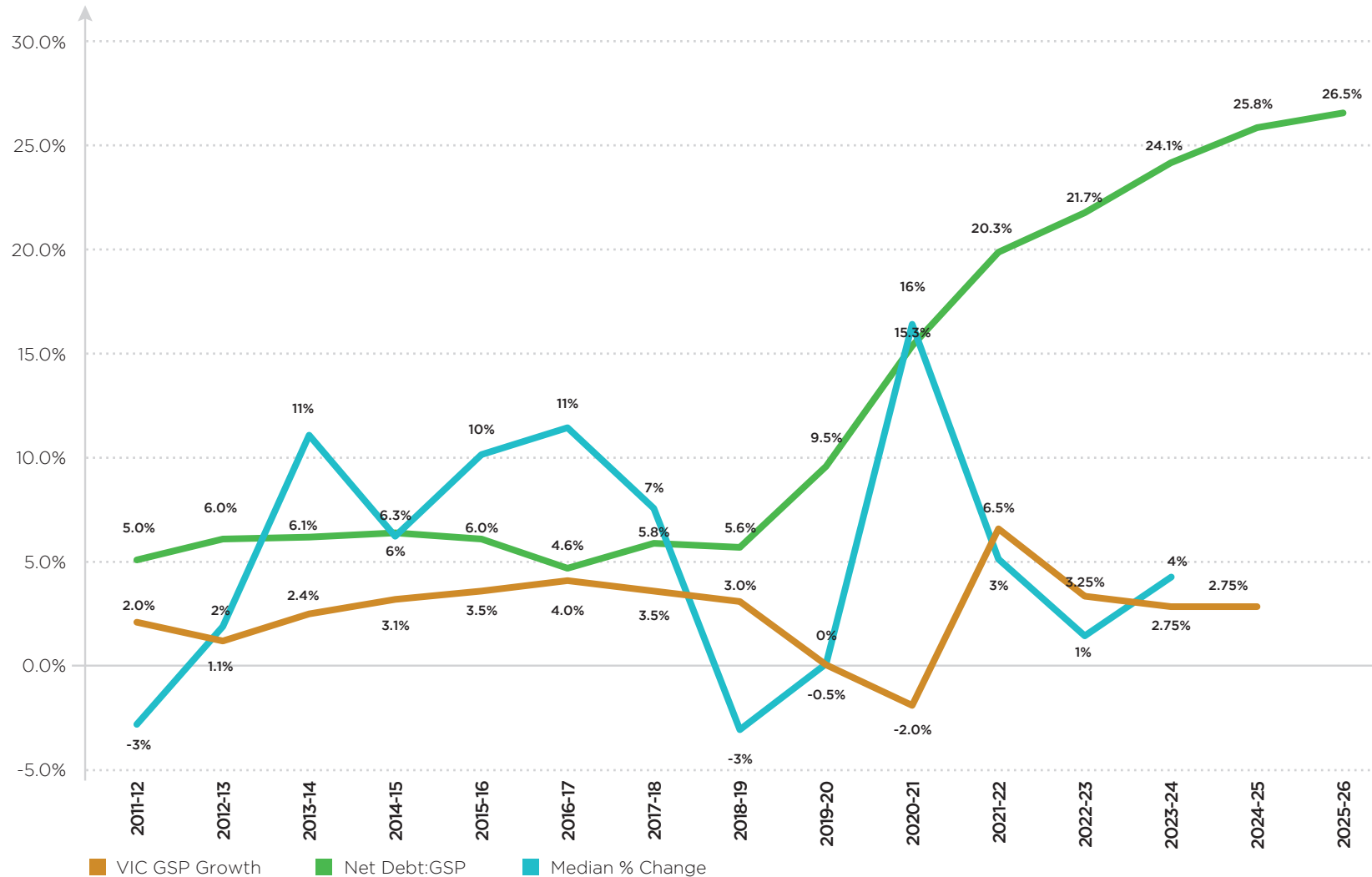
This graph displays private business investment into the state charted against the median house price.



POSITIVE

GSP GROWTH/NET GOVT DEBT V. MEDIAN HOUSE PRICE CHANGE

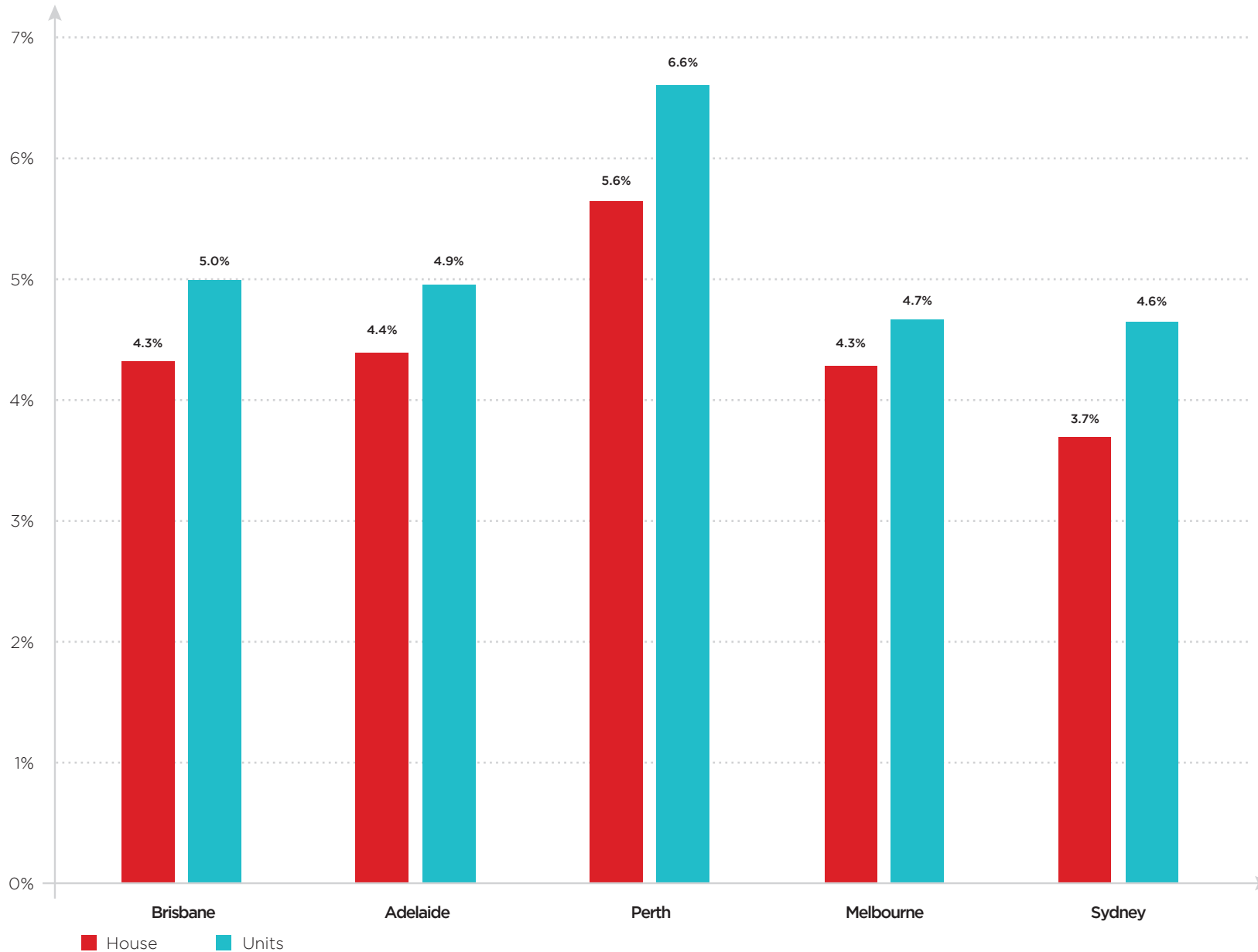
This graph displays the actual and forecasted Gross State Product (GSP) growth and Net Debt as a percentage of GSP, from the latest Victorian Budget and the change in the median house price.



NEUTRAL

CURRENT INVESTMENT VALUE

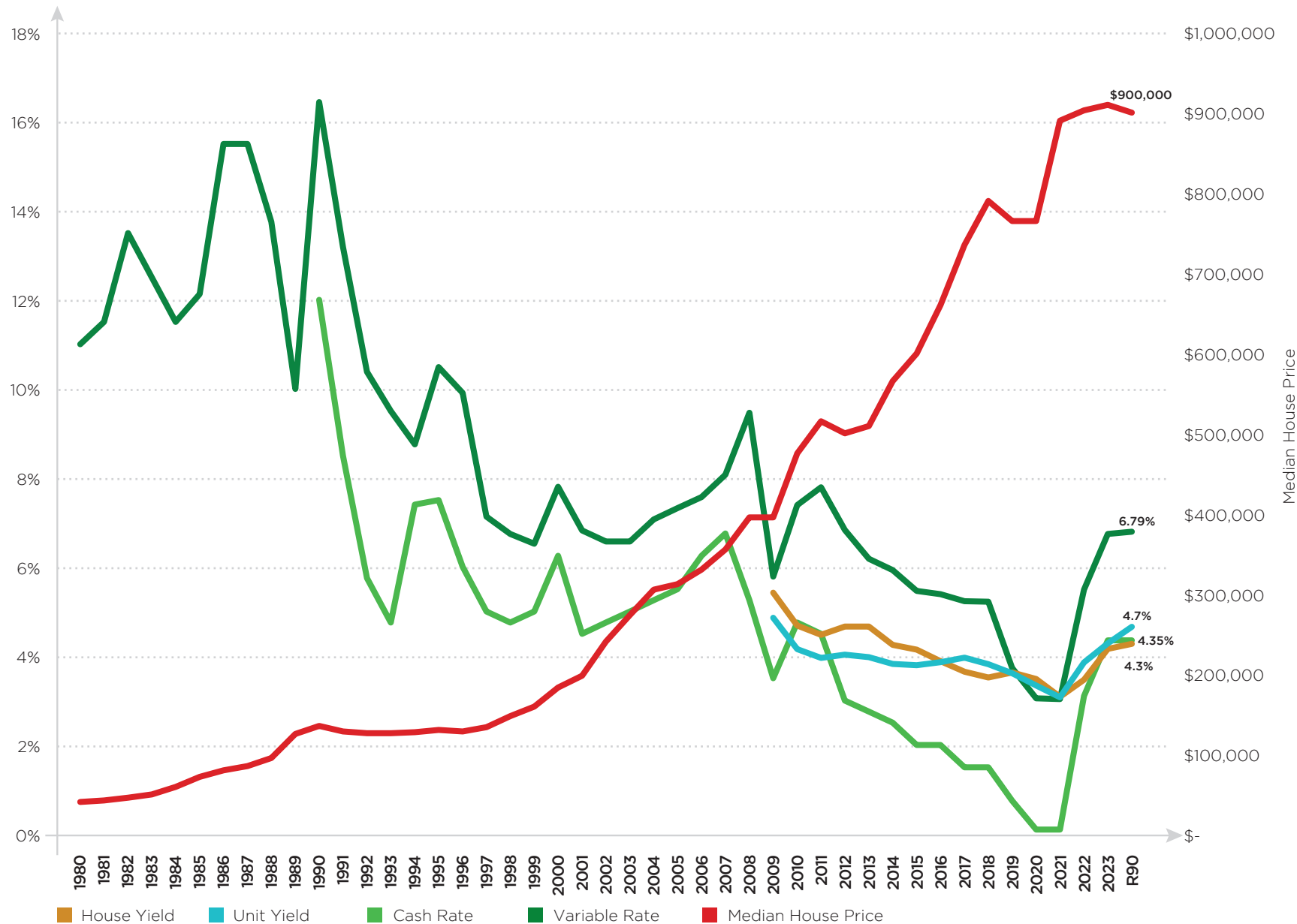
This graph compares the gross yield for houses and units in each of the five major capital cities.



SLIGHTLY
NEGATIVE

YIELD V. INTEREST RATES

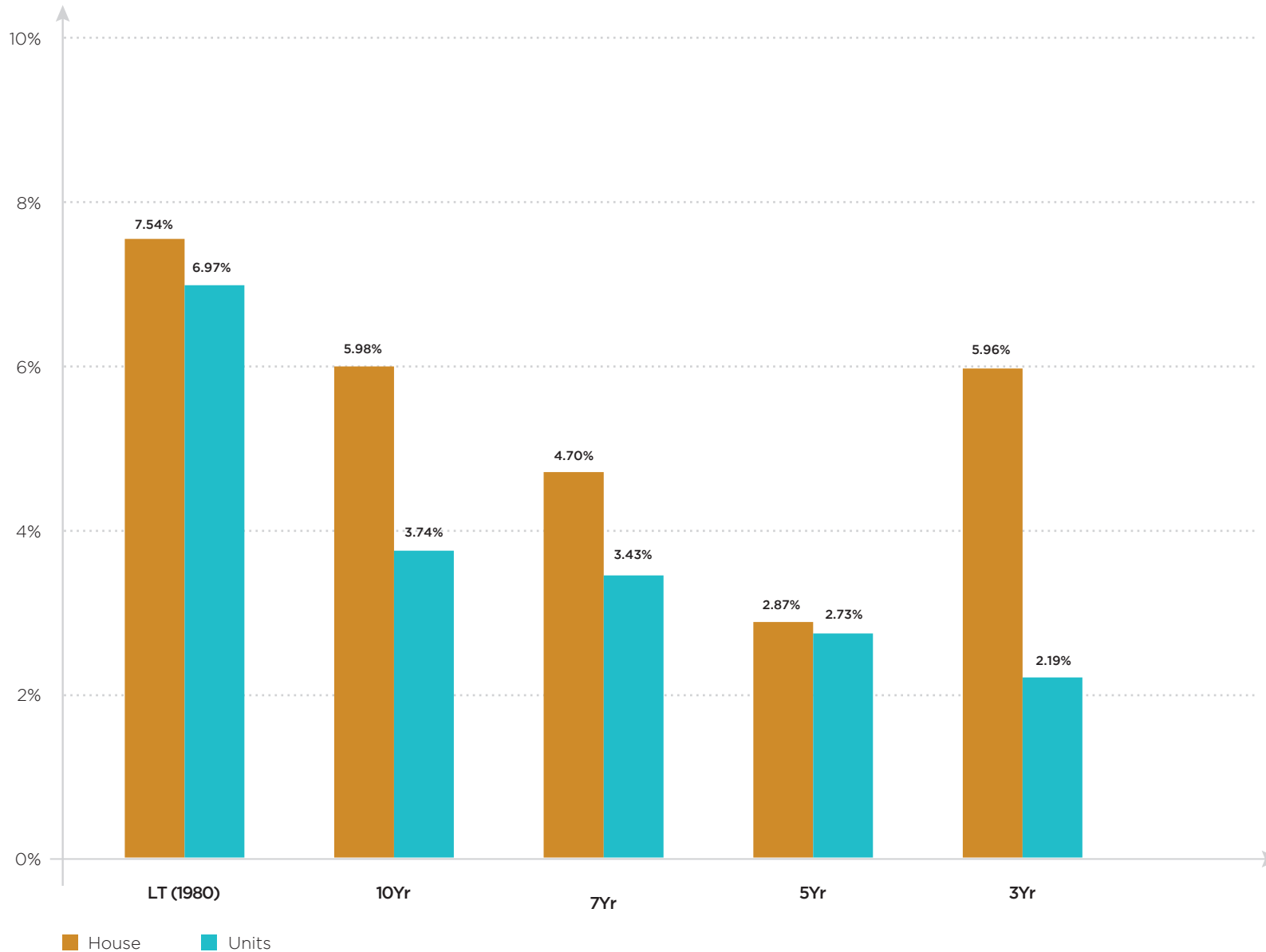
This graph displays house and unit yields against the variable and cash rates.



NEGATIVE

LONG & SHORT TERM TRENDS

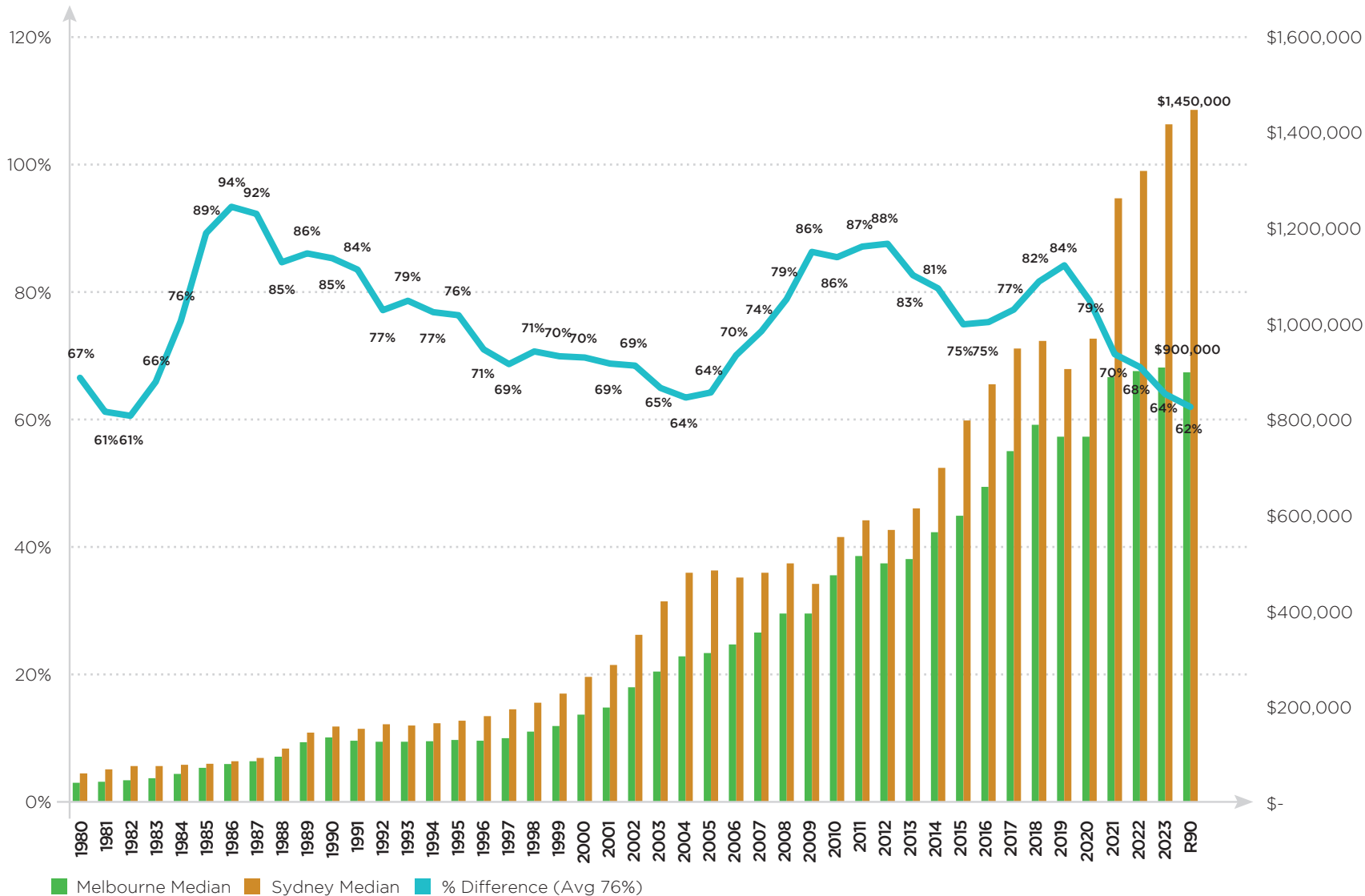
This graph displays the annual compounded growth rates for houses and units over the long term, and the last 10 years, 7 years, 5 years and 3 years.



POSITIVE

MELBOURNE V. SYDNEY PRICE MOVEMENT

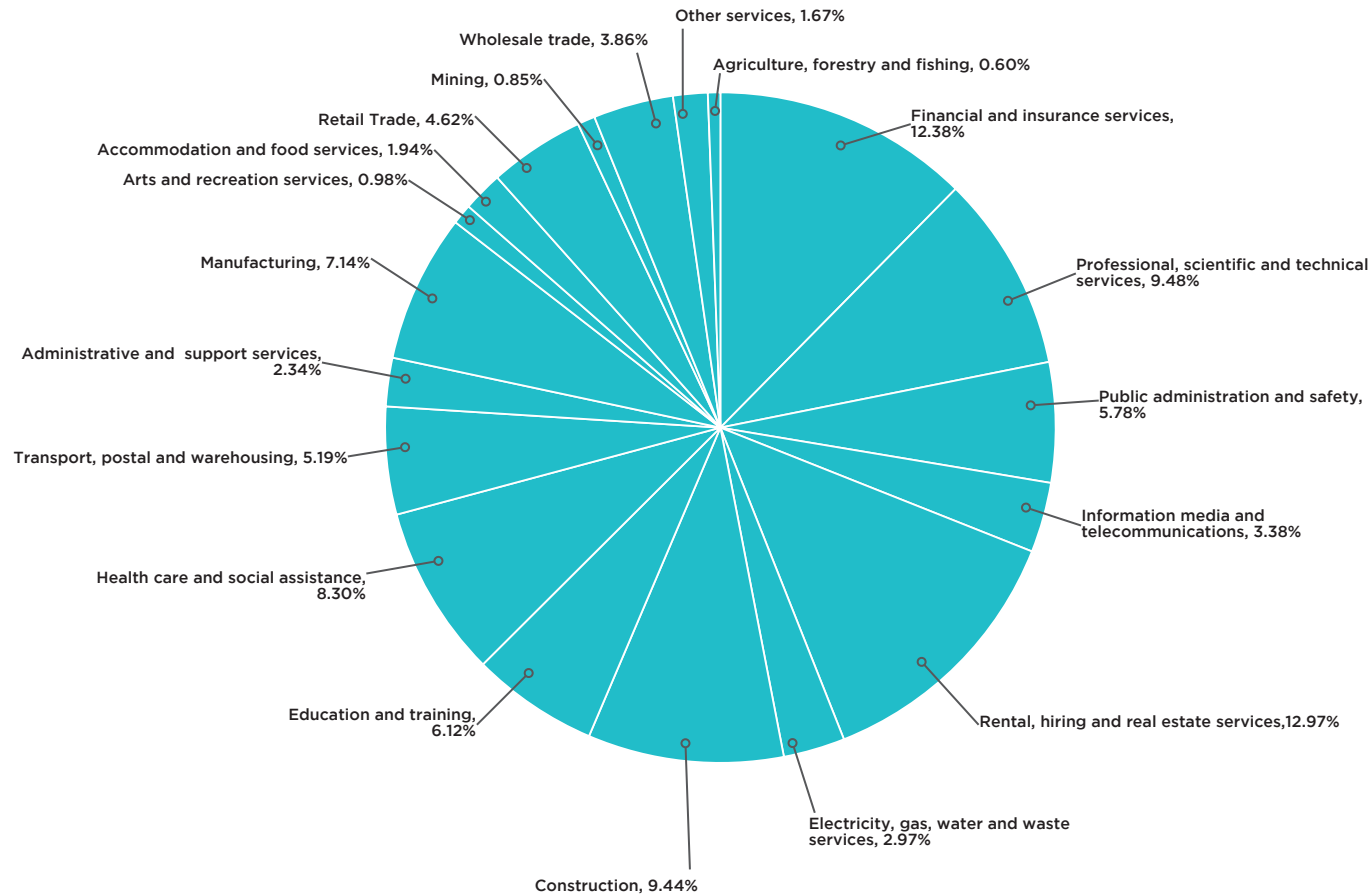
This graph shows a relationship between the Melbourne median and the Sydney median and the percentage difference between them for each year.



POSITIVE

INDUSTRY VALUE ADDED

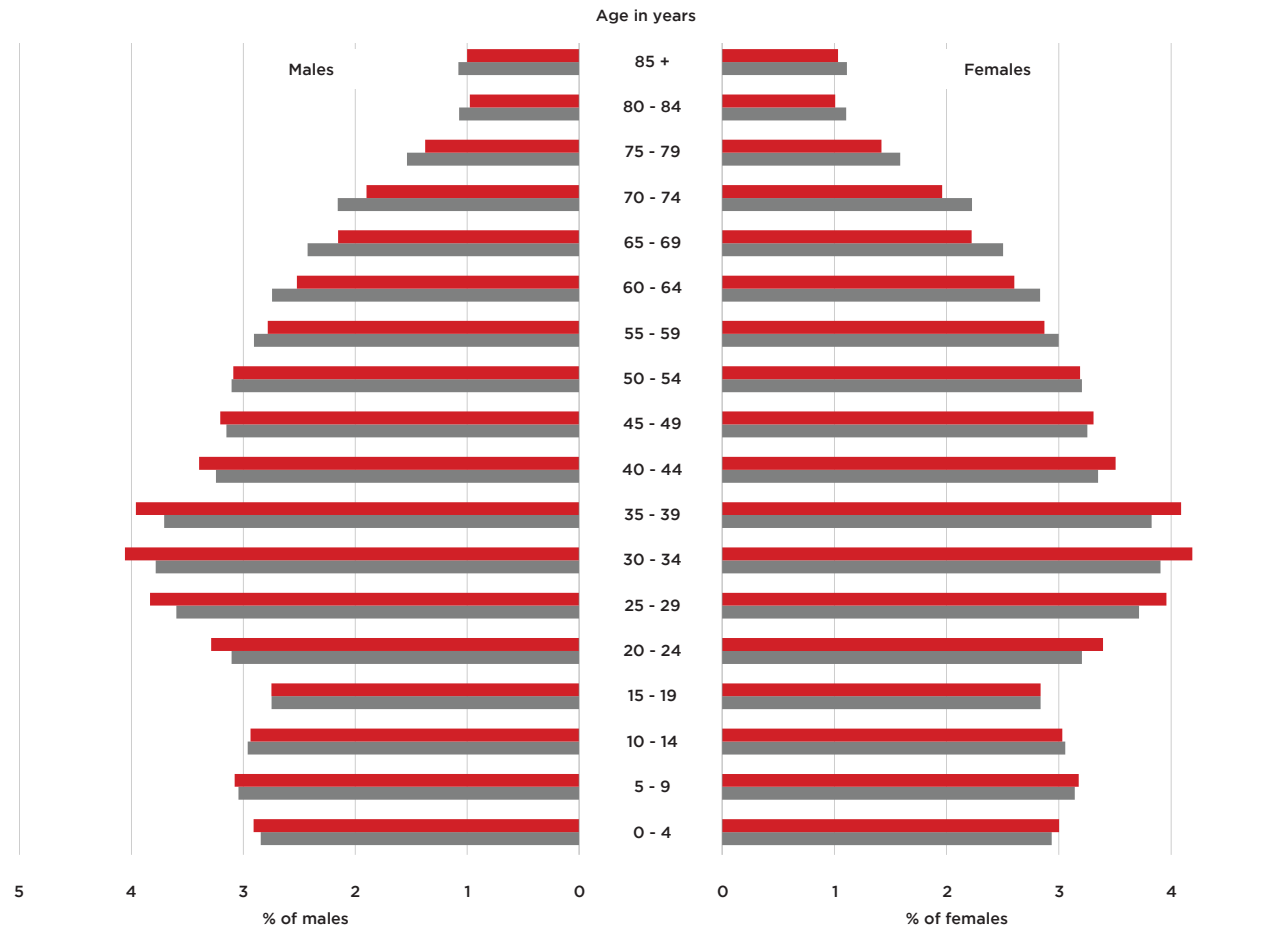
INDUSTRY BREAKDOWN



SLIGHTLY
POSITIVE

POPULATION PYRAMID

The population pyramid demonstrates the breakdown of the different ages and sex percentages of the population. The dominant consumer base of a population is the 35 to 49 age brackets and ideally we like to see the preceding age brackets larger as they age to replace the existing group.



Source: Australian Bureau of Statistics, Census of Population and Housing, 2021 (Usual residence data).

■ Greater Melbourne ■ Victoria

POSITIVE

INVESTMENT PHILOSOPHY

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RESEARCH

Macro Micro Property

ACQUIRE

Find Assess Negotiate

MANAGE

Property Management

REVIEW

Annual Portfolio Review

ADVISE

Hold Improve Dispose

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- Property Acquisition
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- Sales Advisory / Vendor Advocacy

DATA SOURCES:

- Australian Bureau of Statistics
- BIS Shrapnel
- Residex
- SQM Research
- CoreLogic RP Data
- Foreign Investment Review Board
- Australian Trade & Investment Commission

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