1GROUP INSIGHTS

# MELBOURNE

The worlds most livable city is prime for investment during the down turn

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**1 GROUP** ™ PROPERTY ADVISORY

#### **DEAR READERS**

Welcome to our highly anticipated Melbourne Property Market Report, providing you with an in-depth analysis of the current trends and opportunities in one of Australia's most vibrant property markets. Whether you're a seasoned investor, a prospective buyer, or simply curious about the state of Melbourne's real estate landscape, this report is your gateway to valuable insights and knowledge.

Within these pages, we delve into the intricate details of the Melbourne property market, painting a comprehensive picture of its recent performance and the factors shaping its trajectory. Our team of experts has meticulously gathered and analysed the latest data, ensuring that the information presented here is accurate, up-to-date, and tailored to meet the needs of astute investors like you.

With this report in your hands, you will have a comprehensive understanding of Melbourne's property market landscape, allowing you to navigate the current challenges and capitalize on the emerging opportunities. Our aim is to equip you with the knowledge and insights necessary to make informed decisions, whether you're expanding your investment portfolio or searching for your dream home.

So, delve into the wealth of information that awaits you in the pages ahead. Let us be your trusted guide through the intricacies of the Melbourne property market, empowering you to navigate with confidence and seize the opportunities that lie within.

We hope you enjoy this report and with Melbourne having a slower recovery than than its cousins Sydney and Brisbane, the opportunity is immense.

Sincerely,

Julian Muldoon & Tal Eloss, Directors

## TOP 10 INSIGHTS FROM THE REPORT:

- 1. Property values in Melbourne have decreased by 6.82% compared to a year ago, but there has been a 1.01% increase since February 2023, indicating signs of market stabilisation.
- 2. House values dropped by 9.36% to a median value of \$907,220, while apartment values decreased by 6.38% to \$590,437, narrowing the gap between the two.
- 3. Average asking rental prices for houses increased by 19.18% in the year to May 2023, with the current average rental at \$665. Asking rates for apartments rose even further, increasing by 22.8% to \$517.
- The vacancy rate across the Melbourne metro area dropped to just 1.1% by March 2023, creating an affordability crisis for some and improving yields for investors.
- 5. Melbourne recorded an average auction clearance rate of 68% for three months to July 15, 2023, indicating a market bounce back and increased confidence.
- Total stock on the market decreased from 37,215 properties listed in April 2022 to 33,264 properties listed in April 2023, potentially impacting supply and demand dynamics.
- Net overseas migration has rebounded, adding to rental and housing demand.
- 8. The labour market is tight, with unemployment dropping to 3.5% nationally and 3.7% in Victoria, potentially influencing the property market.
- Interest rates have increased, affecting affordability and borrowing power for property buyers.
- 10. The Victorian State Government has a \$112.6 billion pipeline of infrastructure projects, including the Suburban Rail Loop, North East Link Motorway, Metro Tunnel, Level Crossing Removal Project, and Melbourne Airport Rail Link, which are expected to enhance connectivity and potentially drive growth in property values.

These insights provide a comprehensive overview of the Melbourne property market, enabling investors to make informed decisions and capitalise on emerging opportunities.

Melbourne Market Update

Melbourne Market Update

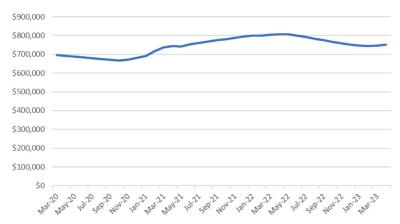
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#### **GENERAL MARKET DATA**

## THE DATA PROPERTY VALUES

- » Median Dwelling price for Melbourne at the end of April 2023 was \$751,125, which is down 6.82% on a year ago. This represents a drop of \$55,019 in median dwelling prices over the past year. However, this figure is up 1.01% on February 2023 and represents the first month on month increase in property values since April 2022, suggesting that the market has stabilised.
- The lowest point of the current Melbourne property market cycle was recorded in February 2023, when a median dwelling value of \$743,554 was recorded. The peak to trough of Melbourne's current market cycle lasted nine months from a peak of \$806,196 in May 2022 to the lowest point of \$743,468 in February 2023.
- » The values dropped further than apartment values. Median house value now stands at \$907,220, a drop of 9.36% or \$93,706 compared to a year ago.
- » Apartment values dropped by 6.38% to \$590,437 or a drop of \$40,234. The gap between apartment and house values has narrowed as limited borrowing capacity encourages buyers to look to buy apartments or townhouses rather than houses.
- Melbourne experienced a trough to peak rise of 21% in dwelling values between October 2020 and May 2022. From May 2022 until the low point of the market in February 2023, Melbourne dwelling prices declined by 7.7%. As a result, Melbourne property values sit 12.72% higher than at the onset of Covid.
- Strongest performing SA3 region in year to April 2023 was Melbourne City, with a
   -0.8% drop in median values to \$503,191.

#### Melbourne - Median Dwelling Value



#### **RENTAL VALUES & VACANCY RATES**

- » Average asking rental prices for houses increased by \$107 in the year to May 2023. Current average asking rental is \$665. This represents an annual increase of 19.18%.
- » Asking rates for apartments have increased even further than houses, with asking rates increasing by \$96 to \$517 in the year to May 2023, which represents an increase of 22.8%. Eastern Harbour City.
- » Meanwhile, the average vacancy rate across the Melbourne metro area dropped to just 1.1% by March 2023, a decline of 1.30% compared to March 2022.
- » The combination of increasing rents and very tight vacancy rates has created an affordability crisis for some, while on the flip side investors are experiencing improved yields and returns.

## **AUCTION CLEARANCE RATES**

- » Melbourne recorded an average clearance rate of 68% for the 3-months to July 15 2023, significantly higher than the 56% recorded for the previous corresponding period in 2022, highlighting the continued recovery of the Melbourne residential market.
- » It is worth noting that the auction clearance rates dipped after the March 2022 quarter, averaging 57% for the rest of 2022. The July 2023 result shows that more properties are selling at auction than during the majority of 2022 and indicates something of a market bounce back.

#### **Average Auction Clearance Rate**



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#### SUPPLY

- Total stock on market has decreased year on year from 37,215 properties listed for sale in April 2022 to 33,264 properties listed for sale in April 2023.
- The number of new properties entering the market has also decreased from 17,147 newly listed properties in April 2022 to 12,537 newly listed properties in April 2023.
- The average days of market meanwhile has increased from 32 days in September 2022 to 40 days in March 2023.

## **GENERAL NOTES**

- » Melbourne didn't experience the same rise in values as other centres during the boom period from mid-2020 to early 2022 due to extended lockdowns which created uncertainty, restricted buyers from viewing open homes or attending auctions in person and created a relative shortage of stock as vendors held off listing until lock-downs ended.
- » Stock levels have actually decreased year on year, so relative shortage of new stock is actually protecting house values to some extent.
- » As borrowing power has decreased, buyers are approaching the market with more caution and an eye for quality property. Overall, there is less competition for properties and buyers are in a better negotiating position with more time to wait for the right property.
- » The auction clearance rates are up for the first quarter of 2023 compared to the last nine months of 2022, a sign of more confidence in the market.

6 Melbourne Market Update

## AUSTRALIAN ECOMONICS/DEMOGRAPHICS/LENDING FIGURES

AUSTRALIA Population	26,124,814 (Sep 2022)	25,422,788 (2021 Cencus)	+702,026	Source: ABS	Sep 2022
GREATER MELBOURNE POPULATION	4,917,750 (2021 Census)	4,485,211 (2016 Cencus)	+432,539	Source: ABS	Census 2021
UNEMPLOYMENT (NATIONAL)	3.5% (March 2023)	4.0% (March 2022)	-0.5%	Source: ABS	March 2022
UNEMPLOYMENT (VIC)	3.7% (March 2023)	3.9% (March 2022)	-0.2%	Source: ABS	March 2023
NATIONAL IMMIGRATION (ARRIVALS)	395,000 (June 2022)	146,000 (Jun 2021)	+249,000	Source: ABS	Jun 2022
NATIONAL IMMIGRATION (DEPARTURES)	224,000 (June 2022)	230,900 (Jun 2021)	-6,900	Source: ABS	Jun 2022
NET POPULATION GAIN/LOSS	170,900 (Net Gain)	84,900 (net loss)	N/A	Source: ABS	Jun 2022
INTEREST RATES (OFFICIAL CASH RATE)	3.85% (April 2023)	0.10% (April 2022)	+3.75%	Source: RBA	May 2023
INFLATION (CPI)	7.0% (March 2023)	3.5% (Dec 2021)	+3.5%	Source: RBA	Dec 2022
MORTGAGE APPROVALS/LOAN COMMITMENTS FOR HOUSING (NATIONAL - TOTAL VALUE)	\$23.96b (Feb 2023)	\$32.526 (Feb 2022)	-26.3%	Source: ABS	Feb 2023
MORTGAGE APPROVALS/LOAN COMMITMENTS FOR HOUSING (VIC - TOTAL VALUE)	\$4.402b (March 2023)	\$6.371b (March 2022)	-30.9% Mar	Source: ABS	Feb 2023
FIRST HOME BUYERS (NATIONAL - TOTAL VALUE)	\$3.49b (Mar 2023)	\$4.43b (Mar 2022)	-26.8%	Source: ABS	Feb 2023
INVESTOR ACTIVITY (NATIONAL - TOTAL VALUE)	\$7.899b (Mar 2023)	\$11.268b (Mar 2022)	-29.89%	Source: ABS	Feb 2023
INVESTOR ACTIVITY (VIC - TOTAL VALUE)	\$3.090b (Mar 2023)	\$4.35b (Mar 2022)	-28.89%	Source: ABS	Feb 2023
OWNER-OCCUPIER ACTIVITY (NATIONAL - TOTAL VALUE)	\$15.59b (Mar 20230	\$21.246b (Mar 2022)	-27%	Source: ABS	Feb 2023
OWNER-OCCUPIER ACTIVITY (VIC - TOTAL VALUE)	\$4.402b (Mar 2023)	\$6.371b (2,358 2,358 Mar 2022)	-30.90%	Source: ABS	Feb 2023
FIRST HOME BUYERS (VIC - NO OF NEW LOAN COMMITMENTS)	2,358 (Mar 2023)	2,173 (Mar 2022)	8.21%	Source: ABS	Feb 2023

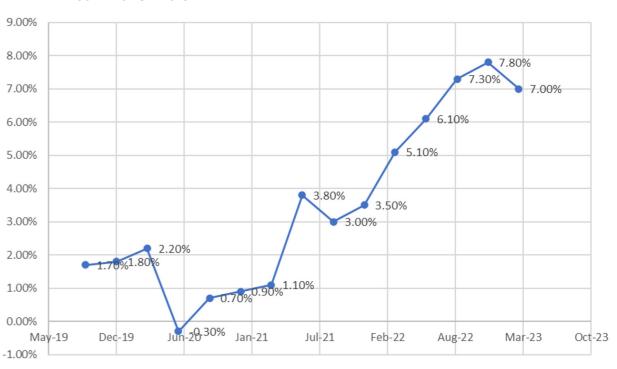
## **ECONOMICS/DEMOGRAPHICS**

- » Net overseas migration has bounced back quicker than expected following the reopening of borders in early 2022. This has added to rental demand and will support housing demand into the medium term.
- » A total of 395,000 migrants arrived in the year to June 2022, compared with 146,000 in the year to June 2021. This compares with 224,000 permanent departures over the same period, representing a net migrant intake of 170,900 in the year to June 2022. This is a significant increase on the net loss of 84,900 in the year to June 2021.
- The labour market is tight, with unemployment nationally dropping to just 3.5% by March 2023. This represents a 0.5% drop from March 2022. Unemployment in Victoria was 3.7% in March 2023, down by 0.2% on March 2022.
- » Interest rates have been increased 10 times by the RBA in successive months following the first rise from a historical low of 0.10% in May 2022 to 0.35%. By April 2023, the official cash rate stood at 3.85%.
- » While inflation has increased significantly in the past eighteen months, it appears that the peak has now passed. The ABS reported that annual inflation is 7.0% for the year ending March 2023. This is a 0.8% drop from the 7.8% reported for the December 2022 quarter indicating that inflationary pressures are starting to ease.
- » Affordability/borrowing power is much tighter following the recent interest rate rises.
- » High household savings will help to provide a buffer against higher mortgage rates and cost of living pressures. The RBA noted that the median variable mortgage borrower had enough in their offset/redraw account to cover 20 months of mortgage repayments.
- » Mortgage approvals on a nationwide basis to March 2023 are significantly down on the previous year, with \$23.96b in loans approved compared to \$32.52b the previous year.
- » First home buyer and investor mortgage rates are also down by 26.8% and 29.89% respectively.
- » In Victoria, investor and owner-occupied mortgage approvals are down year on year by 29.89% and 30.9% respectively.
- » Meanwhile, the number of new loan commitments for first home buyers is also down by 8.21%.

#### VIC - new loan commitments (\$b)



#### **Annual Inflation Rate**



8 Melbourne Market Update Melbourne Market Update 9

METRIC	LATEST	PREVIOUS	CHANGE	SOURCE
Median Dwelling Prices	\$751,125 (May 2022)	\$806,144 (May 2022)	-6.82%	CoreLogic
Median House Prices	\$907,220 (May 2023)	\$1,000,926 (May 2022)	-9.36%	CoreLogic
Apartment Prices	\$590,437 (May 2023)	\$630,671 (May 2022)	-6.38%	CoreLogic
Median Weekly Rental - houses	\$665 (May 2023)	\$558 (May 2022)	19.18%	SQM
Median Weekly Rental - Units	\$517 (May 2023)	\$421 (May 2022)	22.80%	SQM
Vacancy Rate	1.1% (Mar 2023)	2.4% (Mar 2022)	-1.30%	SQM
Time on Market	40 (Mar 2023)	32 (Sept 2022)	+8	REIV - Victorian Insights
Stock on Market (under 30 days)	12,537 (April 2023)	17,147 (April 2022)	-4,610	SOM
Stock on Market (total)	33,264 (April 2023)	37,135 (April 2022)	-3,871	SOM
Auction Clearance Rates (average)	67% (Mar 2023)	65% (Mar 2022)	+2%	Domain
New Dwelling Approvals	3,891 all dwellings (Mar 2023) 2,713 houses (Mar2023)	4,650 all dwellings (Mar 2022) 3,064 houses (Mar 2022)	-19.50% -11.45%	ABS



10 Melbourne Market Update

## **MAJOR PROJECTS**

Major projects have a significant impact on property values as they contribute to the overall desirability of an area, attracting residents, businesses and investors. These projects drive economic growth, enhance infrastructure, and create employment opportunities, all of which contribute to increased demand for properties and subsequently drive up property values.

The Victorian State Government has a \$112.6 billion pipeline of projects under the Big Build Victoria plan.

The pipeline of infrastructure investments includes:

#### 1. Suburban Rail Loop

- » Approximate cost: \$50 billion.
- » Proposed 90 kilometre orbital rail line designed to link every major Melbourne railway line from Frankston to Werribee via the airport.
- » Will include construction of three transport super hubs at Clayton, Broadmeadows and Sunshine.
- » Construction is underway on SRL East from Cheltenham to Box Hill and SRL Airport from Melbourne Airport to Sunshine.
- » The project will take 25 years to complete and may be delayed based on recent communication from government.

#### 2. North East Link Motorway

- » Approximate cost: \$15.8 billion.
- » The North East Link will be a 26 kilometre motorway which will connect the M80 Ring Road and the Eastern Freeway.
- » Will include the construction of 6 kilometres of twin tunnels.
- » Construction will include the first dedicated busway in Melbourne.
- » Construction has commenced and is due to be completed by 2028.

#### 3. Metro Tunnel

- » Total Cost: \$11 billion.
- » Construction of 9 kilometres of twin tunnels from North Melbourne through to South Yarra.
- » Includes the construction of five new underground stations.
- » Construction started in 2016 and will be completed in 2025.

#### 4. Level Crossing Removal Project

- » Total Cost: \$6.9 billion.
- » Involves the removal of 110 level crossings across Melbourne.
- » Also includes construction of 21 new stations.
- » A total of 68 level crossings have been removed so far.
- » The whole project is due to be completed by 2025.

#### 5. West Gate Tunnel

- » Approximate cost: \$15.8 billion.
- » The North East Link will be a 26 kilometre motorway which will connect the M80 Ring Road and the Eastern Freeway.
- » Will include the construction of 6 kilometres of twin tunnels.
- » Construction will include the first dedicated busway in Melbourne.
- Construction has commenced and is due to be completed by 2028.

#### 6. Melbourne Airport Rail Link

- » Cost: approximately \$5 billion.
- » The proposed link is currently due to commence construction in 2022 and will take up to nine years to complete.
- » Will involve construction of a 27 kilometre line from Tullamarine Airport to the CBD via Sunshine.

#### 7. Fast Rail to Geelong

- » Cost: approximately \$4 billion.
- Proposed construction of a fast rail link from Melbourne CBD to Geelong designed to reduce travel times between Melbourne and Geelong to just over 50 minutes.
- The Federal Government has committed \$2 billion towards the project..

## 8. Suburban Roads Upgrade Program

» Cost: \$2.2 billion.

Melbourne Market Update

- » Work is underway to upgrade 12 roads across the Northern and South-Eastern suburbs.
- » Due to be delivered by 2025.

#### 9. Sunbury Line upgrade

- » Cost: \$2.1 billion.
- Work is underway to upgrade the line including lengthening station platforms and upgrading power supply to enable the new High Capacity Metro Trains to operate on the line.
- » Platforms will be extended at 10 stations.

#### 10. Cranbourne Line Upgrade

- » Cost: \$1 billion.
- » Removal of 17 level crossings.
- » Duplicating 8 kilometres of single track.
- » Construction of a brand new station at Mernda Park.
- » Currently underway and due to be completed by 2023.

#### 11. Hurstbridge Line Upgrade

- » Cost: \$530 million.
- Work has started and will include 4.5 kilometres of new track, including the duplication of 3 kilometres of track between Greensborough and Montmorency and the duplication of 1.5km of track between Diamond Creek and Wattle Glen.
- » A new station will also be constructed at Greensborough.



12 Melbourne Market Update

## How 1Group Property Advisory can assist you

We are a Buyer's Agency, which means we work for you, and only for you.

A complete solution We will help you work out your property strategy, identify properties that suit your purpose, conduct thorough due diligence on these properties until you are perfectly satisfied, help you negotiate a good price, assist you at each stage through the process until settlement, and even then be available for refurbishment and ongoing support.

We care and will guide you through your entire property journey.

## PROVIDED BY A TEAM OF INDUSTRY EXPERTS

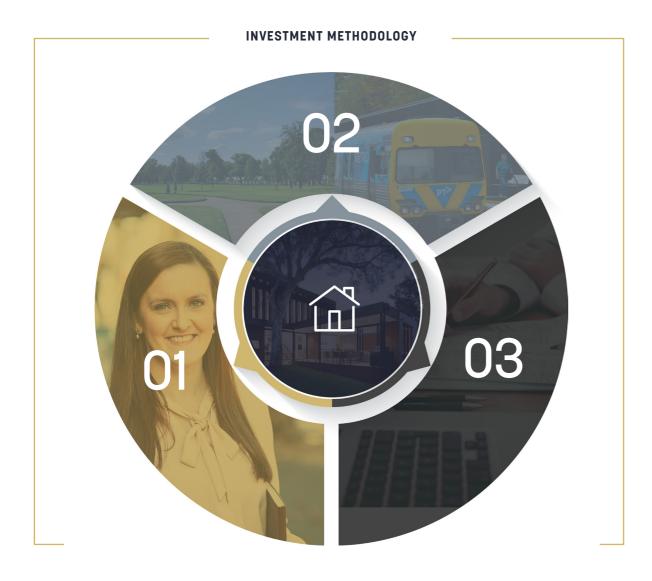
With each member having appropriate qualifications, experience and industry insight, we work together as a team. Our in-house specialists include buyers' agents, property valuers, strategic analysts, property developers and seasoned investors. Supporting the team is a proven network of building inspectors, town planners, solicitors and mortgage brokers.



4 Melbourne Market Update Melbourne Market Update 15

#### ASSISTING YOU EACH STEP OF THE WAY

With a bespoke strategy tailored to your investment goals and budget. Providing critical information for due diligence and decision making. Helping with negotiation to settlement



#### 01 / STRATEGY

Objectives and goals Long term goals Risk profile Financial capability Long term goals Timeline

Strategy options

Investment return expectations
Statement of recommendations

## 2 / MARKET DRIVERS

Education
Transport
Lifestyle drivers
Property scarcity
Demographic trends
Major projects & infrastructure plans
Social amenities & services
Supply and demand analysis

## 3 / EXECUTION

Specialised team approach
Established networks
Market intelligence
Decades of experience
Risk mitigation
Negotiation specialists
Tailored reporting

## **WORKING FOR YOU**

Our fees are fixed, agreed in advanced and for the duration of the journey, with payment weighted on success. We do not accept commissions or incentives. Our sole, vested interest lies in a successful outcome for our clients. We are with you for every step of the journey.



#### MEET THE TEAM →









Melbourne Market Update Melbourne Market Update 17

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