

URBIS

# CENTRAL CITY RENTAL MARKET & APARTMENT PIPELINE

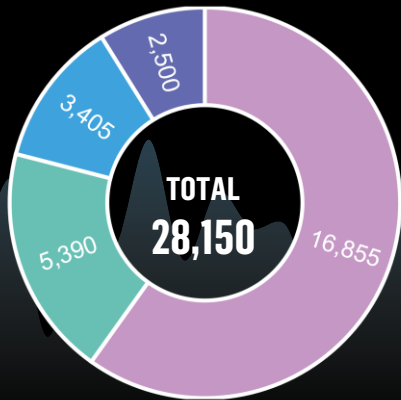
JANUARY 2023

MELBOURNE  
DOCKLANDS  
SOUTHBANK

# CENTRAL MELBOURNE FUTURE APARTMENT SUPPLY

## Future Pipeline by Status (2022-27)

- Under Construction
- Presales
- Development Approval
- Development Application

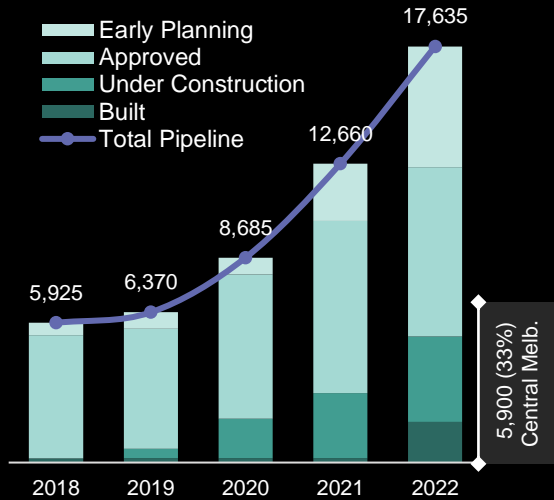


Note: Includes Build-to-Sell and Build-to-Rent projects. Source: Urbis Apartment Essentials.

Almost a third (31%) of the future apartment pipeline is made up of projects currently preselling and under construction. The remaining is made up of permit approved and projects under application.

## Build-to-Rent Supply

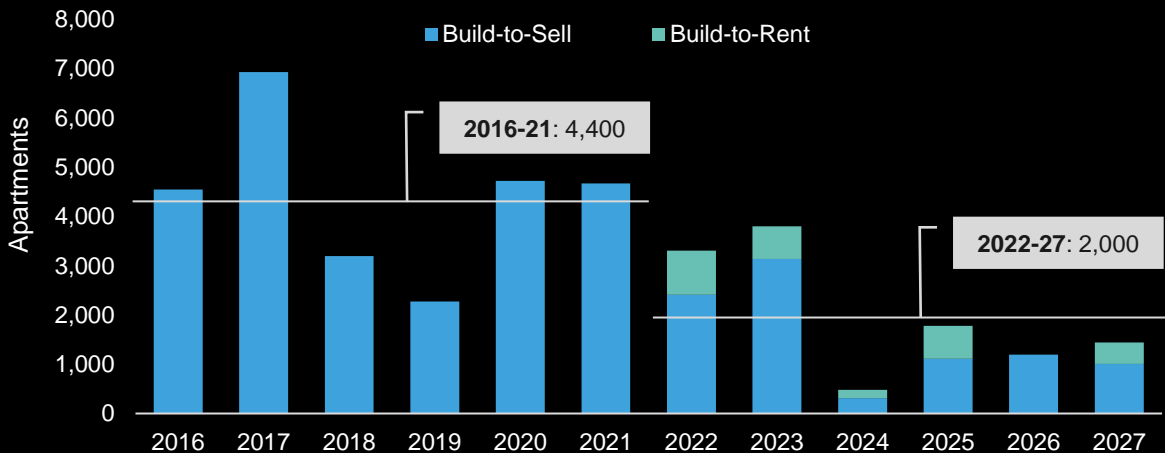
- Early Planning
- Approved
- Under Construction
- Built
- Total Pipeline



Note: Based on BTR projects in Greater Melb. Source: Urbis Apartment Essentials.

An emerging asset, the BTR pipeline in Melbourne has expanded 30% each year since 2018. A third of this is in the central city as at 2022. These 5,900 apartments make up about a fifth (21%) of the 28,150 apartments in future pipeline.

## Future Apartment Pipeline (Active Projects)



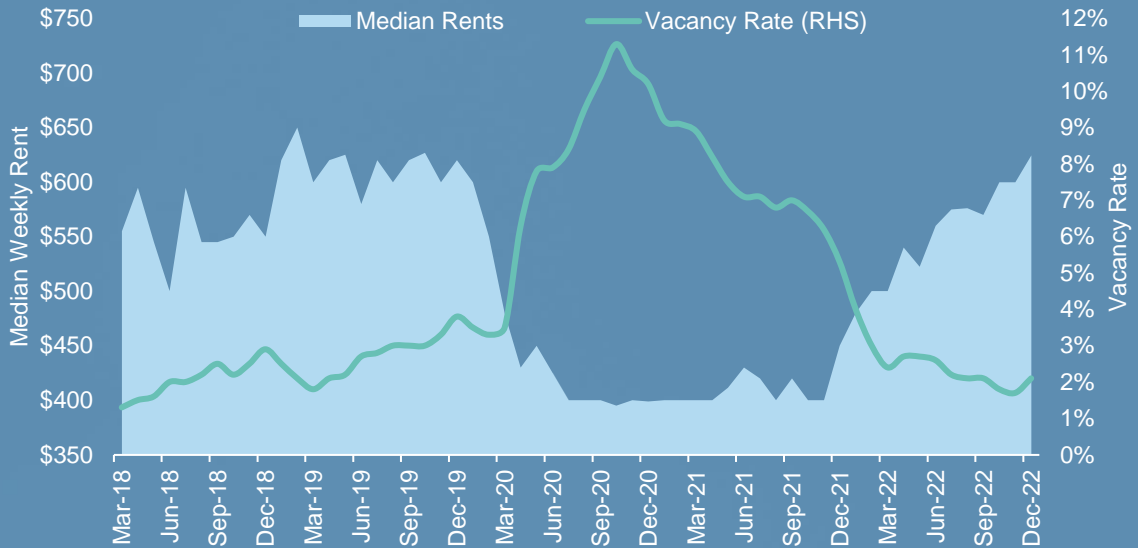
Source: Urbis Apartment Essentials.

Government interventions introduced around 2016-17 limited foreign investment. Changes to stamp duty concessions and tighter lending conditions softened demand, reducing development activity in the central city.

The current apartment pipeline between 2022-27 is anticipated to fall short by half of the annual average over the 2016-21 period. This presents a potential supply shortage particularly as population growth and overseas migrants begin returning in a post-covid period.

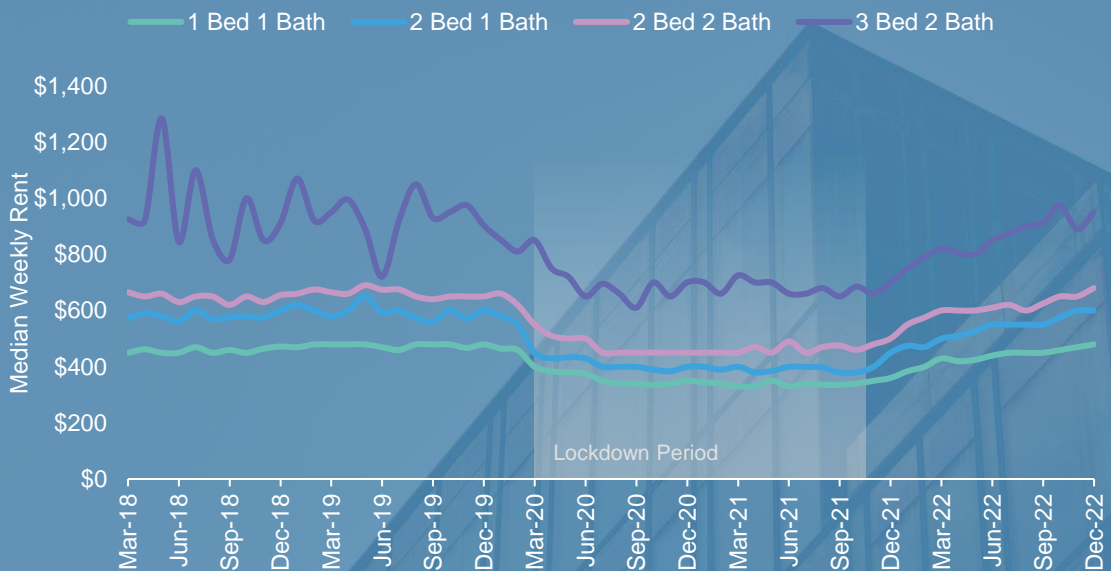
# CENTRAL MELBOURNE APARTMENT RENTAL PERFORMANCE

## Rents & Vacancy In New Buildings



Melbourne's lockdowns and border closures led to significant impacts to Central Melbourne's rental market. The median weekly rent fell 37% over the 12-months to December 2020. Vacancies grew in unison with rates peaking at 11.3% over the same period. Both rents and vacancy have returned to pre-covid levels since Melbourne reopened its borders and its lockdown measures ended.

## Median Weekly Rent Over Time



## BACKGROUND

Historically, Melbourne's central precinct experienced strong apartment development activity. Robust population growth, employment and education opportunities were some of the primary drivers attracting this activity.

In recent years, however, the apartment market has been cooled by government policy changes. These interventions primarily targeted foreign purchasers and investors. These deliberate cooling measures impacted demand for off-the-plan apartments in Melbourne. A sector which was heavily reliant on those foreign purchasers and local investors.

These factors combined with the recent pandemic has ultimately softened demand, resulting in less development activity throughout Central Melbourne. Dwelling approvals and the future supply pipeline remains thin going forward with strong momentum moving towards the build-to-rent space.

## PURPOSE

In assist the UDIA, Urbis is helping to answer two key questions:

1. What is the future supply pipeline of build-to-sell and build-to-rent in Central Melbourne?
2. How has the rental market in Central Melbourne performed in recent periods?

## APPROACH

Assess apartment project supply and performance in Central Melbourne by:

- Identifying relevant developments from Urbis Apartment Essentials platform. This includes apartment developments with more than 25 units.
- Detailing historic and future supply across various stages in the property development cycle.
- Retrieving rental performance from Urbis' Apartment Essentials platform
- Extracting, cleaning, and filtering data across each development

