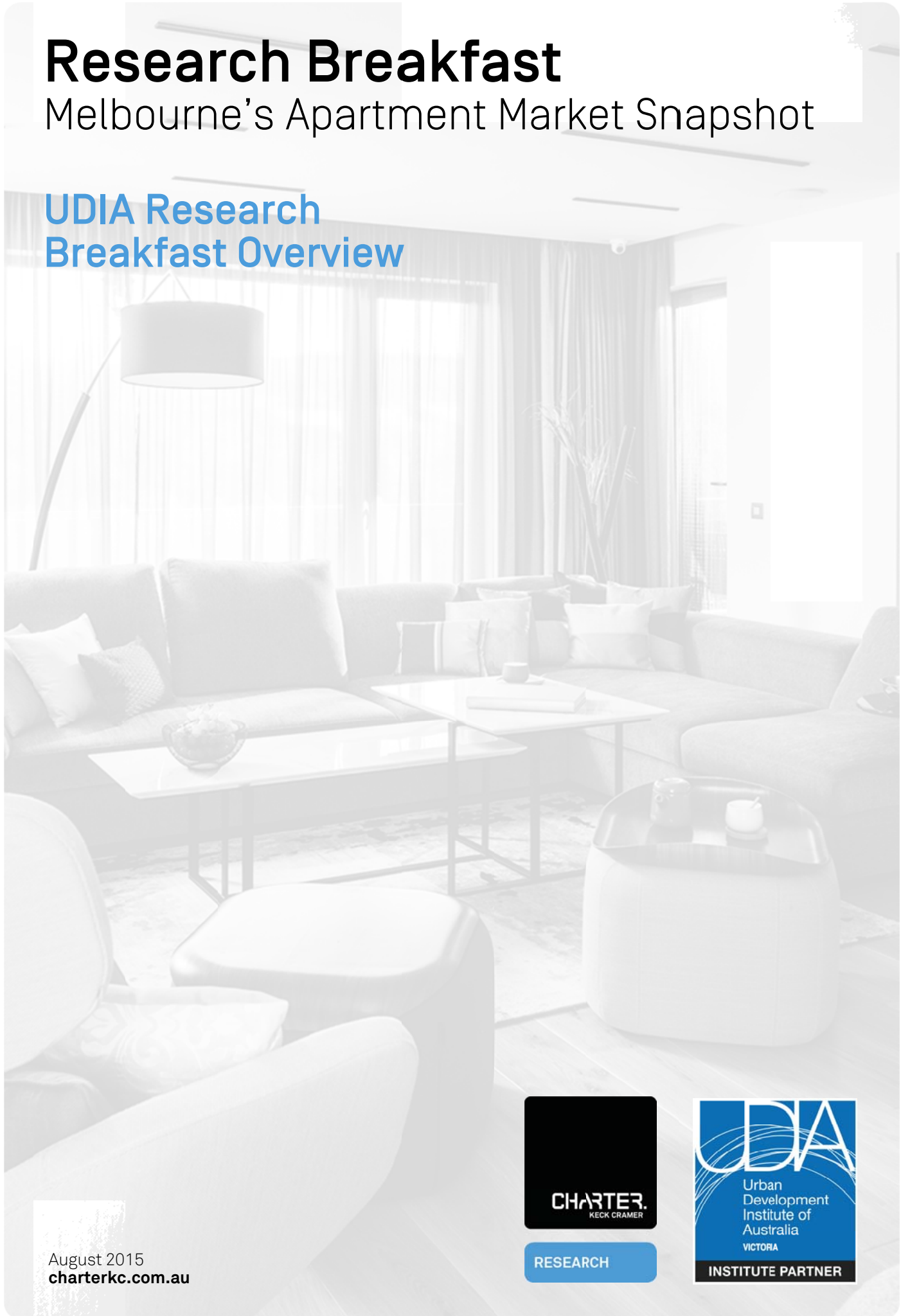


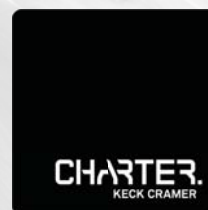
Research Breakfast

Melbourne's Apartment Market Snapshot

UDIA Research Breakfast Overview



August 2015
charterkc.com.au



RESEARCH



Summary of Key Findings

There is no doubt that the structure of Melbourne's housing market has fundamentally shifted since the mid-1990s. This change is due to the advent of contemporary apartments becoming a legitimate, and increasingly since 2010, preferred form of housing for a broadening range of households.

There are a number of myths about Melbourne's apartment market which have emerged because



MATURITY

The maturity of Melbourne's apartment market has become particularly pronounced since 2010 as stock has grown from 63,000 contemporary apartments to 112,000 (2015) with more than 160,000 anticipated by 2018. New completions are now running at an average of over 15,000 p.a. in the current cycle compared to less than 5,000 p.a. in the last peak in the early 2000s. See chart over page.



SUPPLY DISTRIBUTION

Despite the perception that a very large proportion of apartments are contained in CBD skyscrapers, only 38% of completed Melbourne's apartments are in the Central City, with a further 31% in the City Fringe (@2-5 km radius of the CBD) and 19% in the Inner (@5 -10 km) Regions.

The future distribution is however changing with more going into the Inner and Middle (@10-20 km) Regions. Melbourne's apartment supply is increasing in core locations but also spreading out into the suburbs. It is not fully appreciated just how widely distributed Melbourne's apartment supply actually is.



ROLE OF APARTMENTS

The growth of contemporary apartments, as a form of housing across Melbourne's near 1.7 million dwelling stock, represents a growing maturity of products being delivered. It also shows the awareness of this type of housing by consumers, developers and other industry participants. This changing awareness is now being reflected in the emerging policy discussion about the potential introduction of new apartment design guidelines.

Based on a sample of currently released projects across Melbourne, the overall median for a one bedroom apartment was at \$400,000, but ranged between \$340,000 and \$430,000 across Central and Middle regions. For two bedroom apartments, the overall median was \$570,000 with a greater range of \$410,000 to \$610,000 across Melbourne.

This pricing dynamic further highlights the important role of apartments as more affordable housing options especially in established areas where the median detached house prices are much higher (in the order of \$1.1 million for standalone houses in Central and Inner suburbs).



NATIONAL CONTEXT

In the current supply cycle, Melbourne has delivered more apartment supply than any other capital city. Between 2010 - 2014 Melbourne has accounted for 47% of Australia's Core Capital City new apartment supply. Going forward, Melbourne will still account for 44% of new completions between 2015 - 2019. See chart over page.



INTERNATIONAL VS LOCAL DEVELOPMENT

Latest research by Charter Keck Cramer indicates that, in contrast to wide-held notions, Local developers still control the majority of new supply even though International developers are growing in their influence. Local developers have delivered 92% of recent supply and will also deliver 70% of supply in the near term. There is an emerging dislocation within the Melbourne apartment market with the Central City increasingly influenced by the globalisation of high-rise apartments as a form of investment which is leading to 52% of its forthcoming supply controlled by International developers.



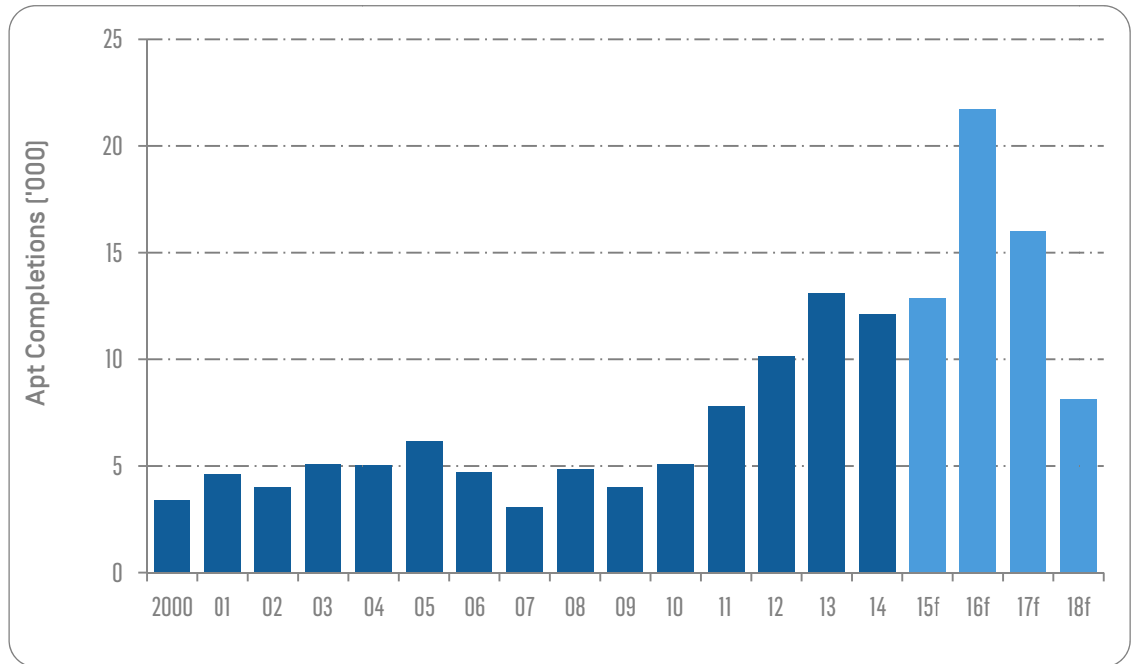
OVERSUPPLY OR MARKET DEMAND?

Melbourne is undoubtedly facing historic high levels of forthcoming supply of apartments but this measure, in isolation, should not be relied upon as a simplistic indicator of "oversupply". Furthermore, approved or mooted are only potential longer-term supply which may not eventuate.

Currently, purchaser demand is at a new peak although with price growth for new off-the-plan apartments are remaining modest and new releases are being continuously absorbed.

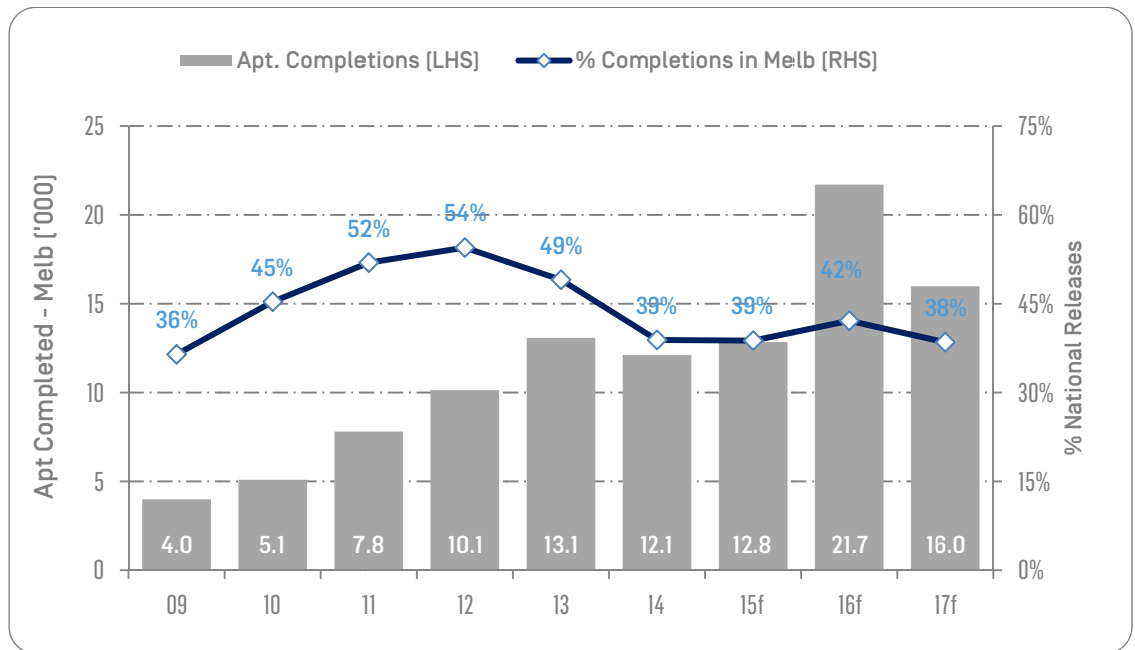
In the occupier market, which is primarily driven by locally-generated household growth, market indicators are still suggesting stable vacancies and rents.

METROPOLITAN MELBOURNE: HISTORIC AND FORECAST APARTMENT COMPLETIONS



SOURCE: Charter Keck Cramer

METROPOLITAN MELBOURNE: SHARE OF NATIONAL CAPITAL CITY APARTMENT COMPLETIONS IN MELBOURNE



SOURCE: Charter Keck Cramer

This Snapshot has been prepared by Charter Keck Cramer (Charter). The information provided is not intended to provide a sufficient basis on which to make an investment related decision. It is intended to provide observations and views of Charter for information purposes only. Observations and views expressed may be changed at any time and without notice to you. Any reliance placed on this material is at your own risk. If you require specific advice or information, please contact Robert Papaleo - National Executive Director, Charter Research at Charter Keck Cramer - robert.papaleo@charterkc.com.au.

**Leaders in
Property
Intelligence.**

ADVISORY. RESEARCH. VALUATIONS. PROJECTS.



RESEARCH

