



OUTLOOK WEST MELBOURNE

APRIL 2015

A CONTEXT ON BUSINESS, CULTURE, LIFESTYLE AND RESIDENTIAL

West Melbourne has the sustainable economic fundamentals that have led to strong growth in median apartment prices and solid rental market over the past decade.

- WALKABILITY AND ACCESSIBILITY**
West Melbourne offers easy access to the CBD, education facilities, retail shopping and entertainment amenity, park and recreation space.
- POPULATION GROWTH**
Forecast population growth of 94% over the next decade with an additional 10,000 residents expected to reside in E-Gate.
- INFRASTRUCTURE & INVESTMENT**
\$32.6 billion of investment across 5 major projects throughout Melbourne; expected to have a positive impact on West Melbourne.
- EMPLOYMENT AND EDUCATION**
Walking distance to the three major employment hubs in the City of Melbourne as well as Australia's top ranking University.
- RESIDENTIAL MARKET**
West Melbourne registered a median apartment price of \$566,500 as at December 2014 and strong growth of 15.6% over the past year.
- RENTAL MARKET**
West Melbourne has a large rental market with median rents across all apartments averaging growth of 3.7% per annum, over the past decade.

QUEEN VICTORIA MARKET



MELBOURNE CBD



FLAGSTAFF GARDENS

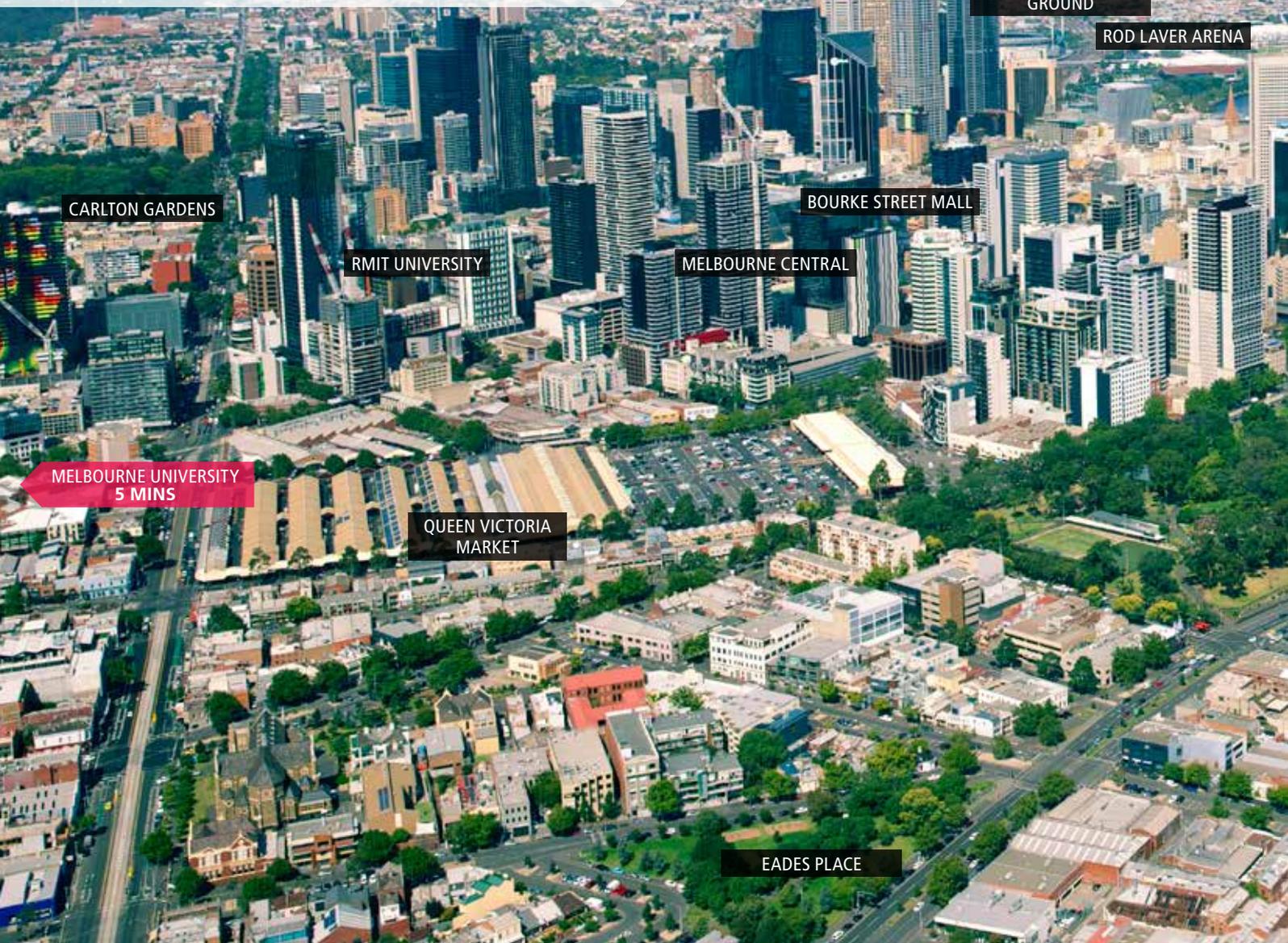


1 POP 2 INF 3 EMP

West Melbourne accommodates all three of the Urbis fundamentals that make a sustainable suburb - Population, Infrastructure and Employment.

WALKABILITY & ACCESSIBILITY

West Melbourne



WALKABILITY & ACCESSIBILITY

West Melbourne sits on the north-western edge of Melbourne's Central Business District (CBD), offering residents accessibility to Melbourne's major employment nodes, academic institutions, retail and entertainment amenity.

Melbourne's oldest gardens, Flagstaff Gardens form the corner piece of West Melbourne which connects it to the CBD. A high point of the city, the gardens, previously known as Flagstaff Hill provide over seven hectares of open space for local residents and workers. The area is listed by the Australian Heritage Commission and provides recreational facilities such as a bowling lawn, tennis courts and a playground.

Well connected by road via Footscray and Dynon roads, West Melbourne has direct connection onto Citylink which is one of Melbourne's major arterial roads and



provides a 20 minute connection to the Airport. West Melbourne is also well connected by public transport with trams running along La Trobe St, and Flagstaff railway station providing residents with access to Melbourne's rail network.

Queen Victoria Market is located adjacent to Flagstaff Gardens and is a ten minute walk from the centre of West Melbourne. Providing fresh groceries daily as well as clothing and collectables, the markets attract both locals and tourists.

In neighbouring Docklands, residents have easy access to Etihad Stadium, the Icehouse skating rink, Southern Star Wheel and Victoria Harbour. There is also an abundance of retail shopping amenity at Harbourtown which can be accessed via the tram along La Trobe Street. The CBD also offers major retail amenity, in particular the Bourke Street Mall, Emporium and Melbourne Central.

ECONOMIC FUNDAMENTALS

West Melbourne

P.I.E

Place appeal is a clear driver of long-term value and is an important motivator for modern purchasers within the Australian residential property market. Regions accommodating this formula will surpass marginal locations over time.

Urbis has investigated the trends that have and will continue to deliver sustained growth. This involves recognising key fundamentals to secure returns as well as identifying regions that are desirable to live, work and play. Urbis has concluded that to achieve this, a location needs to accommodate "P.I.E." - Population, Infrastructure and Employment.

POPULATION GROWTH

Growth across the City of Melbourne is driven by the increasing demand for high density living that offers convenience to education, employment and entertainment hubs. West Melbourne offers this convenience and has experienced the effects of this growth having increased by some 1,700 people or 55% over the past decade. More importantly, over the coming decade West Melbourne is forecast to experience further population growth of some 4,500 residents or 94% in total as it continues to absorb the expanding CBD.

The 2011 Census indicated that the majority of residents were aged between 25-39 years of age which indicates the suburbs popularity amongst younger people who are likely to be studying or working in the local area. With average household incomes of \$106,625, West Melbourne households earn 21% more than the average for households throughout the City of Melbourne.

POPULATION GROWTH



Healthy and sustained population growth usually equates to a healthy and prosperous residential property market. An increased population means increased demand for accommodation.

INFRASTRUCTURE & INVESTMENT



Locations supported by adequate existing and future infrastructure are prime areas for residential development and growth, especially when they coexist within walking distance.

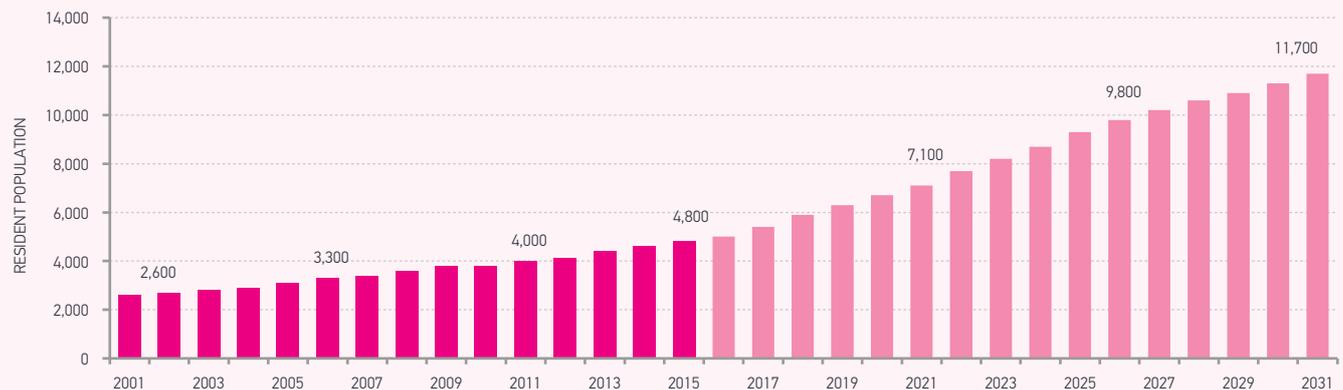
EMPLOYMENT & EDUCATION OPPORTUNITIES



Proximity to employment and education nodes is often a strong driver of residential growth. New jobs lead to new residents as people seek to minimise travel times and improve work/life balance.

POPULATION FORECAST

WEST MELBOURNE



Source: ABS, Victoria in Future, ForecastID, Urbis

ECONOMIC FUNDAMENTALS

West Melbourne

INFRASTRUCTURE & INVESTMENT

The City of Melbourne has well established infrastructure and major amenity. There are a number of infrastructure projects, planned and proposed that are expected to improve the accessibility and connectivity throughout the City of Melbourne and also have a positive impact on West Melbourne:



\$25 billion

- AIRPORT LINK
- METRO RAIL TUNNEL



\$6 billion

- M80 RING ROAD/
NORTH-EAST LINK



\$1.6 billion

- PORT OF MELBOURNE
EXPANSION

Urban Renewal is a key focus of the Governments plans as Melbourne expands to accommodate its growing population. One of the areas for regeneration has been identified in West Melbourne and is known as E-Gate. Located to the west of the suburbs residential area, E-Gate is planned to regenerate space currently occupied by rail yards. This space will become a new mixed-use precinct which will provide further amenity to the area and accommodate some 10,000 new residents.



EMPLOYMENT

The latest data from the Melbourne City Council indicates that there were some 440,000 jobs across the City of Melbourne. West Melbourne's location at the north western corner of the CBD puts it in proximity to the three main employment nodes within the City of Melbourne which support over 300,000 of these jobs. These three nodes are the CBD, Docklands and the Parkville Employment Cluster, which has been identified as the centre for health services and research in Melbourne.

In 2012, when these employment figures were calculated, the City of Melbourne economy generated \$86.7 billion (Gross Local Product). The CBD operates as a major financial centre in Australia and across the Asia-Pacific region. Mining companies BHP Billiton and Rio Tinto both have headquarters in Melbourne as well as two of the big four Australian banks and many other national and multi-national firms. Indicative of West Melbourne's proximity to high-value employment nodes is the fact that 86% of the working population is employed in white-collar employment.

86%



**WHITE COLLAR
WORKERS**

EDUCATION

As a hub for students, the CBD accommodates RMIT University, La Trobe University (city campus) and Victoria University (Flinders campus). To the north of the CBD, within the Parkville Employment Cluster is the University of Melbourne, Australia's top ranking university according to the Times Higher Education World Ranking. As well as West Melbourne's proximity to jobs, it also provides easy access for resident students to these major education institutions.

The extensive range and high quality of educational facilities are key drivers of the student population within the City of Melbourne. According to the Census in 2011, 15% of the population in West Melbourne were studying at a tertiary institution. This relatively high proportion of students indicates that the suburb is a popular place to live for students. It is likely that a proportion of these students would remain in the area at the completion of their study as they would attain employment within the local area.

15%



**TERTIARY
STUDENTS**

RESIDENTIAL MARKET

West Melbourne

West Melbourne has registered solid median price growth across apartments of 15.6% over the past year.

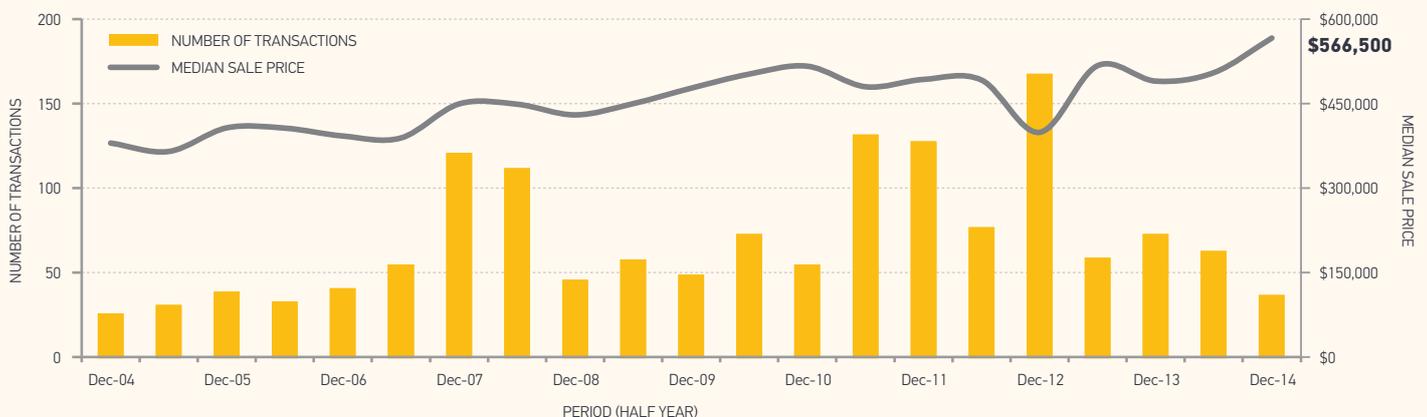
MEDIAN APARTMENT PRICE

The 10 year sales cycle chart generally indicates a long term upward trend, highlighting that property, like many forms of investment should be viewed on a long term basis. Reflecting sustainable economic fundamentals, apartments in West Melbourne have been achieving solid median price growth. Preliminary data for the December 2014 half year period of 36 settled transactions indicates that the median price achieved \$566,500 in West Melbourne. This is an increase of \$186,500 over the previous decade, or 49% in total.

Transaction volumes have stabilised since peaking in the half year to December 2012 at 167 transactions. Recent periods have seen sales volumes at around the long term average, with current levels of transactions and the increasing median price indicating a stable level of demand. Going forward it is likely that there will be an increase in sales volumes as West Melbourne accommodates its growing population.

Sales activity appears low in the most recent period; however this only reflects those apartments which have settled and does not include those agreements which have been made in an off-the-plan transaction and are yet to settle. These transactions only settle once construction is complete. Urbis tracks off-the-plan apartment sales and based on market activity, the recent periods are expected to have a higher volume of transactions than that shown here once construction of these apartments is complete.

APARTMENT SALES CYCLE WEST MELBOURNE



Source: RP Data; Urbis

MEDIAN PRICE GROWTH

Apartment prices have been spurred on over recent years by the low mortgage rate environment. This low interest rate position is expected to continue with the Reserve Bank of Australia having cut the cash rate by 0.25% (February 2015).

The 12 month period to December 2014 saw the median apartment price increase by \$76,500 or 15.6%. This is well above the longer-term trend of 4.1% per annum over the past decade. This growth has been driven by the increasing popularity of the apartment lifestyle across Melbourne, as residents are drawn to convenient and affordable housing that is close to education and employment hubs as well as entertainment amenity.

MEDIAN PRICE GROWTH

1 YEAR
15.6%

5 YEARS P.A.
3.5%



10 YEARS P.A.
4.1%

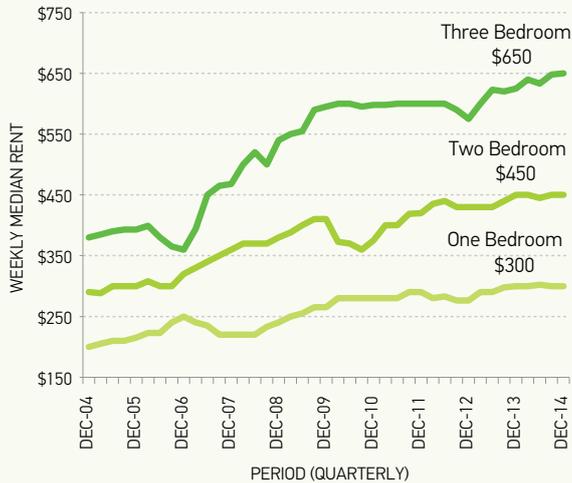
Source: RP Data; Urbis

Over the past ten years, rents have increased markedly across all apartment types.

RENTAL MARKET

West Melbourne

MEDIAN WEEKLY RENTS



Source : Department of Human Services, Urbis

TEN YEAR MEDIAN RENTAL GROWTH P.A.

4.1%



ONE BEDROOM

4.5%



TWO BEDROOM

5.5%



THREE BEDROOM

Source: DHS; Urbis

TEN YEAR RENTAL CONTRACT GROWTH P.A.

15.4%



ONE BEDROOM

8.1%



TWO BEDROOM

6.5%



THREE BEDROOM

Source: DHS; Urbis

MEDIAN WEEKLY RENTS

West Melbourne's residential market has a high proportion of stock being rented. As at the 2011 Census, 60% of households were renting their home. The past decade has seen apartment rents increase markedly which reflects the rental demand for the location and would be expected to appeal to investors.

Since December 2004, the average rent across all apartments increased by a total of 44% from \$265 to \$381 per week. The chart to the left indicates the rental growth trajectory of the apartment types within West Melbourne over the past ten years to December 2014 and the current median rent.

In terms of vacancy, data to February 2015 by SQM Research indicates that West Melbourne had a vacancy rate of 2.1%. This is a relatively low vacancy rate and suggests there is strong demand for rental properties in West Melbourne.

RENTAL PRICE GROWTH

Analysing the rental price growth for one, two and three bedroom apartments in West Melbourne reveals three bedroom apartments have increased at the highest rate of 5.5% per annum or 71% in total over the past decade. Rents for two bedroom apartments grew by 4.5% per annum or 55% in total and one bedroom rents increased by 4.1% per annum, 50% in total.

This confirms there is strong demand for rental properties driven largely by the young professional and student demographic.

RENTAL CONTRACT GROWTH

The Department of Human Services (DHS) tracks the rent being paid on each new bond form lodged by households through the Rental Bond Authority. Over the past ten years, as well as experiencing good rental growth, West Melbourne has also experienced solid growth in new rental contracts.

The annual growth in the volume of new rental contracts for one bedroom apartments was 15.4% per annum for the ten years to December 2014. Over the same time period, two bedroom apartments experienced growth of 8.1% per annum and three bedroom apartments registered 6.5% per annum. This growth indicates the increasing demand for rental accommodation over time.



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