

# Melbourne

## Apartment Market Snapshot\*

Australia Residential Research | July 2020

### Overview

JLL's 2Q20 Melbourne apartment supply data showed continued signs of slowing. A number of projects at plans approved stage are experiencing delays in moving to project commencement. The direct impact of COVID-19 really took effect from mid-March 2020 and continues with numbers of COVID-19 cases accelerating, resulting in metropolitan Melbourne experiencing a further six-week lockdown from 9 July. Victoria will see a prolonged economic downturn due to these further outbreaks. Prices have fallen in recent months, but remains positive on an annual basis. This will be tested further over the next 12 months. Medium-term, high levels of unemployment, coupled with muted population growth, will have a significant impact on demand. Buyer and sellers both remain cautious due to economic uncertainty.

- At the end of 2Q20, 15,900 apartments were under construction and due to complete up to 2024. These continue to be concentrated in the Melbourne City precinct.
- Rolling annual apartments sales (new and existing) increased 29.6% Y-o-Y in 2Q20. However sales volumes were down -2.3% in April 2020.
- The Inner Melbourne rental market was relatively tight prior to COVID-19, but vacancy rose markedly to 2.9% for inner Melbourne in May 2020. Over the short-term it is likely we will see further softening due to the impact of the pandemic. However, we expect the rental market should steadily improve over the next few years after the initial impact passes and population growth resumes.
- Gross rental yields for apartments fell marginally over the year to 2Q20, as a result of price growth. Rents increased also, but at a more modest rate. Notably the upper end, larger apartments are performing better.

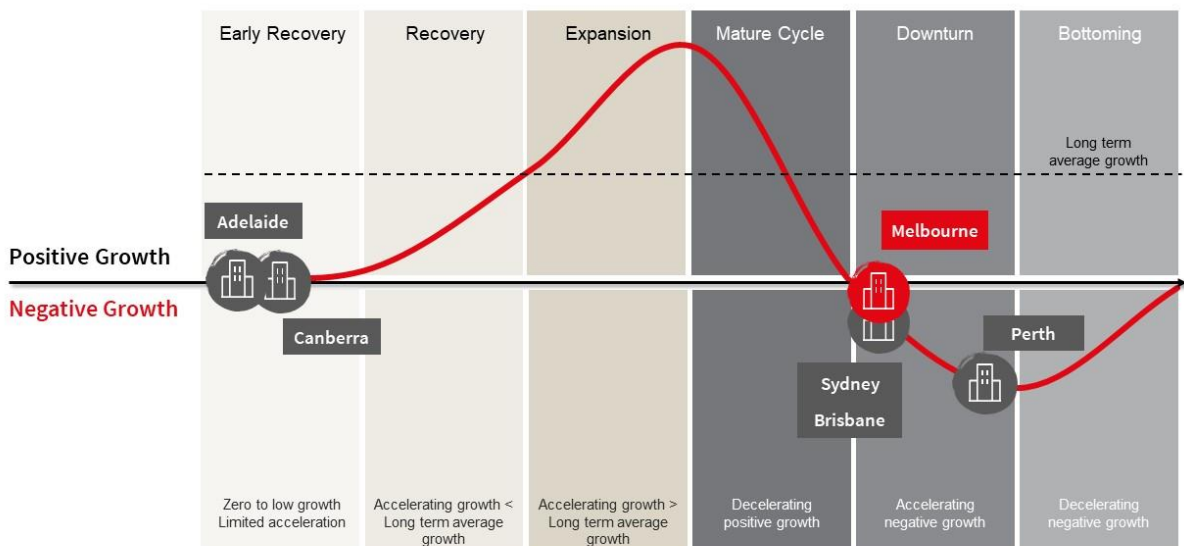
### Key Market Indicators: Inner Melbourne

Indicator	Latest	Y-o-Y % Change
Apartment Approvals (as at May 2020)	6,953	78.5%
Sales Volumes – Units** (12 months to 1Q20)	24,037	29.6%
Median Unit Price* (12 months to Mar 2020)	\$579,000	8.1%
Median Rent – 1 bed** (as at 1Q20)	\$409/week	2.3%
Median Rent – 2 bed** (as at 1Q120)	\$560/week	1.8%
Median Rent – 3 bed** (as at 1Q20)	\$800/week	6.7%
Gross Rental Yields* (as at 1Q20)	3.9%	-0.22 bps

- New and existing (Greater Melbourne)
- \*\*New and existing Inner Melbourne

Source: JLL Research, ABS, CoreLogic, DHHS rental report

### Australian Apartment Market: Capital Value Cycle



\* Please note: a condensed market Snapshot is completed in Q2 and Q4, while a full market report is completed in Q1 and Q3.

## Supply

### 1,445 apartments completed across five projects in 2Q20

Melbourne's apartment supply pipeline continues to slow; as of 2Q20 there are approximately 15,900 apartments under construction, 12.6% less than 2Q19 (17,900).

Providing further economic stimulus, the Victorian Government has fast-tracked another tranche of projects in June 2020, including the first two towers in Lend Lease's Collins Wharf project (668 apartments); UAG Holding's six building project at 346-350 Macaulay Road, in Kensington (426 apartments) and Orb Property Partners development in North Melbourne (169 apartments).

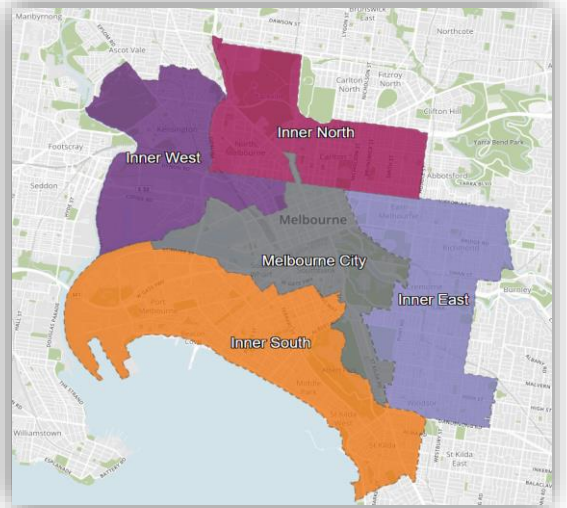
Over the quarter, Cbus' 17 Spring Street in the CBD commenced construction (84 luxury apartments), with an expected completion date of mid 2022. SP Setia's 65 level, Uno development (632 apartments), at 111-125 A'Beckett Street, in Melbourne's CBD is now under construction. Montague Square, at 132-142 Ferrars Street, South Melbourne and South Apartments, 15-35 Thistlewaite Street, Montague, also commenced construction.

Annual completions are expected to total approximately 7,800 apartments in 2020, 25% lower than in 2017, the peak year of completions. Completions are likely to drop in 2021 and uncommitted projects beyond that are likely to push out further.

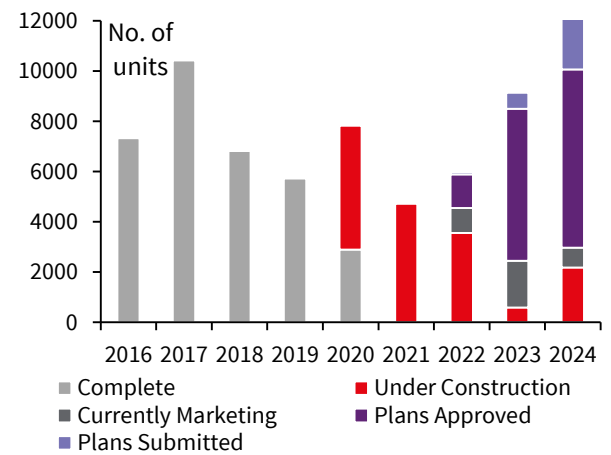
Notably this quarter, World Class Global's Australia 108 has topped out at level 100 in June, with completion of the remaining stages on track for September. Central Equity's Melbourne Grand (889 apartments) topped out at level 58 in June, with completion targeted for late 2020. Other completions scheduled for the second half of 2020 include Cbus and ISPT's Collins Arch (190 apartments) and OSK's Stage 1 of Melbourne Square, where the East and West Towers will deliver 1,057 apartments on completion. Beulah's International's Paragon development (256 apartments) is targeted to complete in Spring 2020.

A soft pre-sales environment is seeing some projects abandoned or delayed, as developers reassess their feasibility. The first signs of settlement default are starting to appear, with Melbourne beginning to see apartment sales fall over this quarter. The pre-sales market will be further impacted later this year when Federal support is eased, coupled with little to no population growth.

**Figure 2: Inner Melbourne Apartment Market Precinct Map**



**Figure 3: Inner Melbourne Supply Pipeline by Status**



Source: JLL Research, as at 2Q20

**Figure 4: Five-Year (2020-2024) Supply Pipeline by Stage and Precinct (Number of Apartments, as at 2Q20)**

Stage	Melbourne City	Inner North	Inner East	Inner South	Inner West	Total
Completed	1,370	335	486	709	0	2,900
Under Construction	12,732	853	764	1,188	442	15,979
Currently Marketing	1,247	53	373	1,564	393	3,630
Plans Approved	9,184	518	1,429	2,264	1,083	14,478
Plans Submitted	1,464	72	720	484	90	2,830
<b>Total</b>	<b>25,997</b>	<b>1,831</b>	<b>3,772</b>	<b>6,209</b>	<b>2,008</b>	<b>39,817</b>

Source: JLL Research, as at 2Q20

## JLL Melbourne

Level 40  
101 Collins Street  
Melbourne VIC 3000  
Tel: +61 3 9672 6666  
Fax: +61 3 9600 1715

[JLL.com.au](http://JLL.com.au)



**Philippa Tavener**  
Associate  
Strategic Research  
[philippa.tavener@ap.jll.com](mailto:philippa.tavener@ap.jll.com)  
+61 3 9565 6619



**Leigh Warner**  
Senior Director  
Head of Residential Research  
[Leigh.Warner@ap.jll.com](mailto:Leigh.Warner@ap.jll.com)  
+61 7 3231 1445