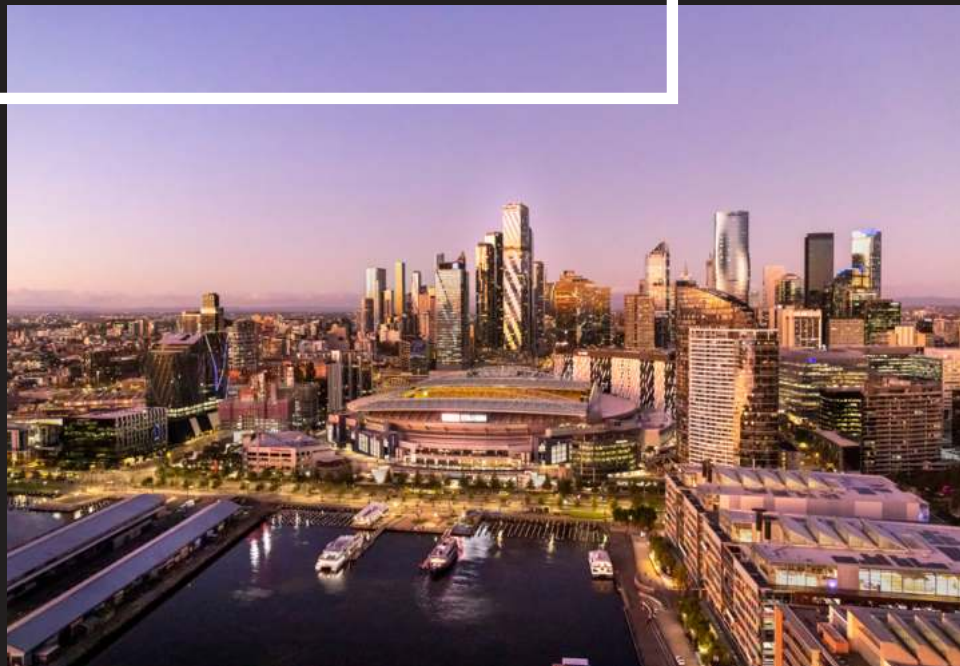


MARKET OUTLOOK

MELBOURNE CBD

The City of Melbourne is anticipated to have 145,000 new residents call Melbourne their home by 2040, creating strong demand for apartment developments within the city.

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Prepared exclusively for
Far East Consortium
February 2024

AUSTRALIAN ECONOMY PROSPECTS

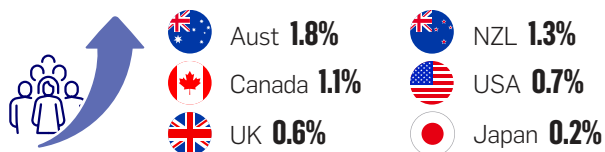
Australia stands out on the global stage for its resilient economy, which continues to be driven by a growing multicultural population and economic, social prosperity.

Australia's residential appeal is anchored by strong population growth, a stable political landscape, and a business-friendly environment. The nation's diverse geography offers unique lifestyle against the backdrop of beautiful natural landscapes. Furthermore, Australia's strong connections to global economies and prestigious education institutes enhance its overall appeal.

A GROWING POPULATION

Driven by immigration, Australia's population has grown at a higher rate than other advanced economies over the last 15 years, increasing 1.8% per annum. Immigration rebounded significantly in 2023 where Australia saw a net increase of more than 518,000 people in the year to June 2023.

2008-23 POP. GROWTH PER ANNUM



2023 IMMIGRATION TO AUSTRALIA



Source: ABS

AUSTRALIA TOP 3 MOST POPULATED CITIES

Forecast to 2040



A SKILLED & EDUCATED WORKFORCE

Australia's employment workforce is projected to increase 14.2% over the next decade. This growth reflects almost 2 million new jobs, with Healthcare and Social Assistance, Professional Services, Education and Training, and Manufacturing predominantly driving this growth. Combined, these industries make up more than half (54%) of the total forecast employment growth.

PROJECTED EMPLOYMENT GROWTH - AUSTRALIA 2023 to 2033



Source: Jobs and Skills Australia, Urbis

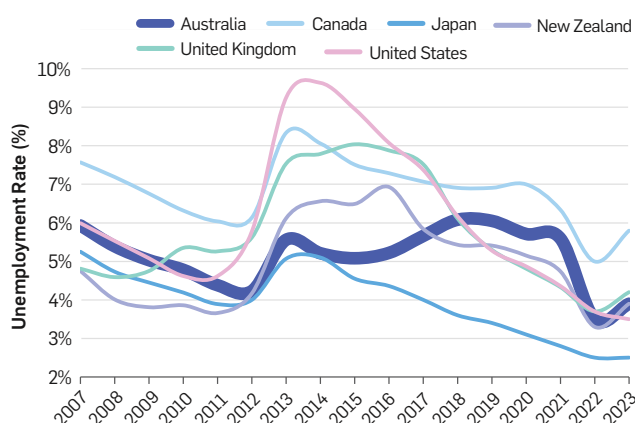
HISTORICALLY LOW UNEMPLOYMENT

Australia's unemployment rate settled at 3.9% at the end of 2023. This is considered tight with the unemployment rate below the 15 year average (5.1%), and remains competitive compared to other advanced economies.

The latest outlook for the Australian economy forecast unemployment rates to stabilise around 4.3% by 2025, according to the Reserve Bank of Australia (RBA).

UNEMPLOYMENT RATE

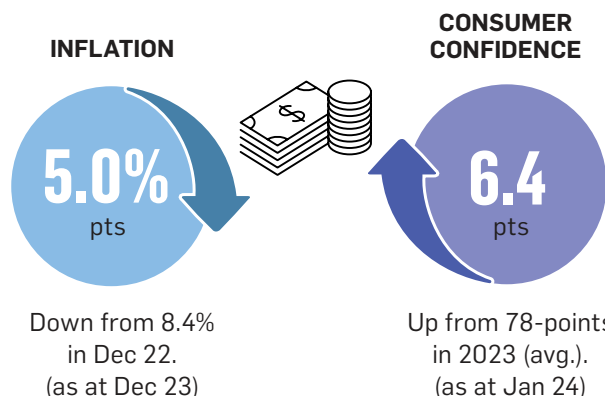
Annual Average % unemployed



Source: The World Bank; Urbis

SENTIMENT RETURNING

Consumer price index data in December 2023 recorded inflation at 3.4%. This is 5 percentage points lower from the year prior. Australia's inflation rate is currently closest to its inflation target of 2-3% since October 2021. As such, Australian consumer confidence has begun returning. The ANZ-Roy Morgan Consumer Confidence index was 6.4 points higher than the same time last year (as at January 2024).



Source: RBA Monthly CPI Indicator, Urbis

Source: ANZ - Roy Morgan, Urbis

WHY MELBOURNE?

Melbourne is forecast to be Australia's largest city by 2032. Over the last decade, Melbourne has become the fastest growing capital city in Australia adding 835,000 people over the 10 years to 2023.

LIVEABILITY AND EDUCATION

Melbourne is recognised around the globe for its world-class sport, entertainment, culture, art and food. It is often referred to as the cultural capital of Australia and hosts many international renowned events.

In 2023, Melbourne was again named in the top 5 most liveable cities in the world by the Economist. The city scored high for its education, infrastructure, culture, and the environment.

Driving Melbourne's success is its prevalence of world-leading Universities. Notable institutions include The University of Melbourne and Monash University which ranked in the top 3% of the World University Rankings for 2024.

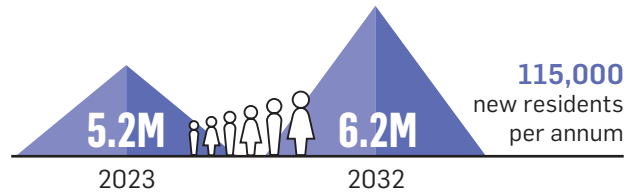


1	Vienna, Austria
2	Copenhagen, Denmark
3	Melbourne, Australia
4	Sydney, Australia
5	Vancouver, Canada

Source: EIU's Global Liveability Ranking 2023

MOST POPULOUS CITY

In the next decade, Melbourne is expected to overtake Sydney as the most populous city in Australia, reaching 6.2 million residents by 2032. With a current population of 5.2 million, this is equivalent to an average of 115,000 new residents a year.



GLOBAL EVENTS CAPITAL

This is beneficial to the local economy, including accommodation, food services and retail. Melbourne is a global events capital, hosting many annual events which attract visitors from around the world. Some events that are hosted by the city annually include:

- Formula 1 Grand Prix
- AFL Grand Final
- Australian Open
- Melbourne Food & Wine Festival
- Melbourne Cup
- PayPal Australia Melbourne Fashion Festival

VISITORS AND STUDENTS HAVE RETURNED

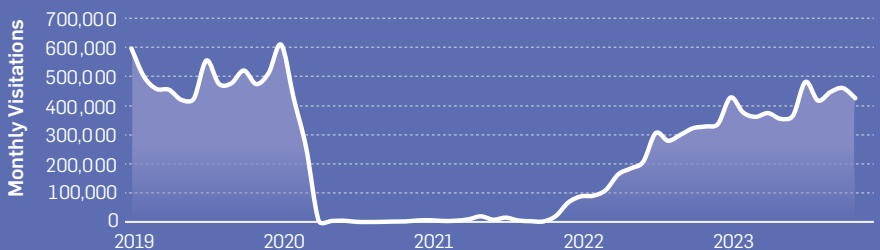
Victorian monthly arrivals have recovered strongly from pandemic levels and currently sit at 90% of pre-pandemic levels.

International students form a significant share of Melbourne's migration each year.

Melbourne recorded a monthly average of 19,000 international student arrivals over the year to November 2023. Melbourne's strong education sector and high ranking universities have contributed to this strong return.

VICTORIAN TOTAL MONTHLY ARRIVALS

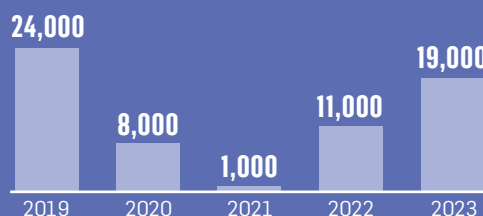
January 2019 - November 2023



Source: ABS; Urbis

VICTORIAN MONTHLY STUDENT ARRIVALS

January 2019 - November 2023



Source: ABS; Urbis



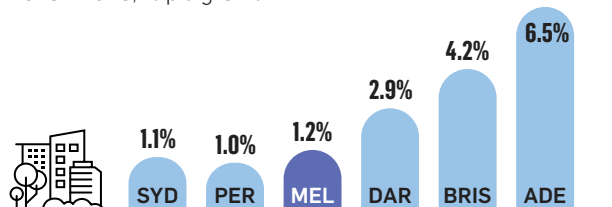
FUTURE DRIVERS OF CAPITAL GROWTH

Melbourne CBD stands out as a promising investment hub, with housing demand outpacing apartment supply. Coupled with anticipated interest rate softening creates a promising environment for capital growth.

APARTMENT MARKET

In the five years to 2023, apartment prices in Melbourne grew 1.2% each year on average, despite the recent interest rate increases. In 2023, the city registered a lower \$600,000 apartment price median compared to Brisbane and Sydney. Melbourne's apartment market shows a positive opportunity for investors and home buyers looking to capitalise on the central city area.

CAPITAL CITY MEDIAN APARTMENT PRICE GROWTH
2018 - 2023, % p.a growth

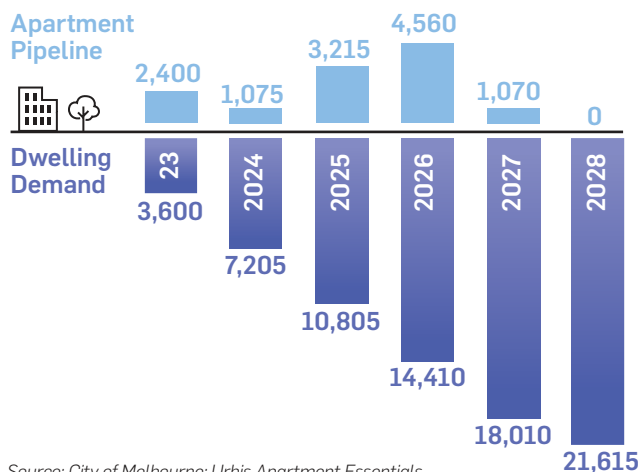


Source: Pricefinder; Urbis

APARTMENT DEMAND OUTSTRIPS SUPPLY

Over the next five years the City of Melbourne is forecasting an additional 21,615 dwellings needed to support its population by 2028. There are some 12,300 apartments in the current pipeline for Central Melbourne. This suggests a 40% dwelling shortfall within the next 5 years. Given this constrained supply, newly built apartments in the CBD will attract higher demand. Combined with resurging overseas migration, the increased demand may drive apartment prices higher.

APARTMENT PIPELINE FOR CENTRAL MELBOURNE
2023 - 2028

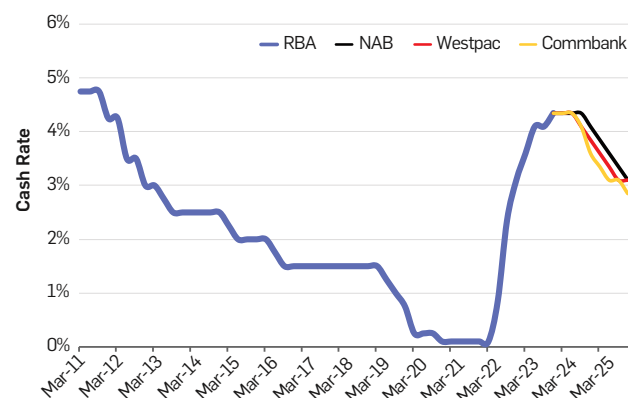


Source: City of Melbourne; Urbis Apartment Essentials

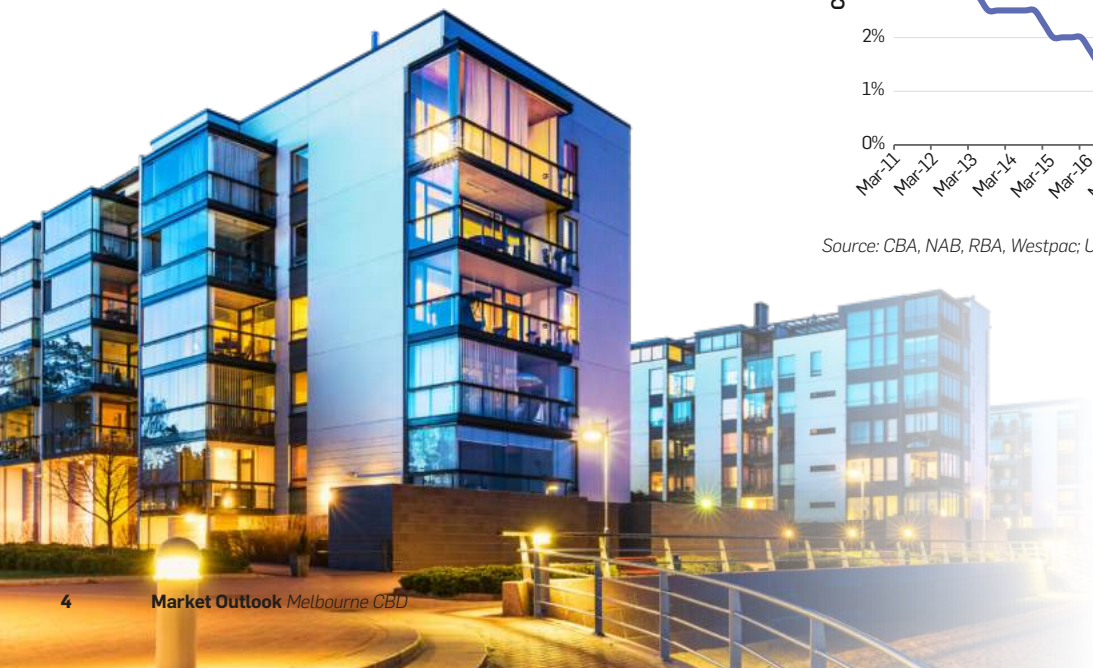
INTEREST RATE CUTS TO RESTIMULATE THE MARKET

Major banks CBA, NAB and Westpac are predicting the interest rate reach as low as 3.6% in 2024 and 2.85% through 2025. Lower interest rates moving forward will stimulate demand in the real estate market, in 2023 there were 29,600 apartment sales in Melbourne 21% lower than 2022 and 36% lower than 2021. As the RBA cuts the cash rate we can expect an uptick in demand as the cost of financing becomes cheaper, stimulating price growth.

RBA CASH RATE FORECAST
2011 - 2025



Source: CBA, NAB, RBA, Westpac; Urbis



APARTMENT MARKET PERFORMANCE

Central Melbourne's strong rental market achieved an indicative gross rental yield of 5.3% supported by a tight vacancy rate of 2.7%.

NEW APARTMENT RENT PREMIUMS

With overseas migration returning, Melbourne CBD's rental market performed strongly. For newly built apartments in the CBD, median weekly rent increased to \$700 in the year to December 2023 from \$600 in the year to December 2022. New apartment stock is carrying an average premium of 16% across all product types when compared against existing, older stock in the area.

VACANCY & YIELD

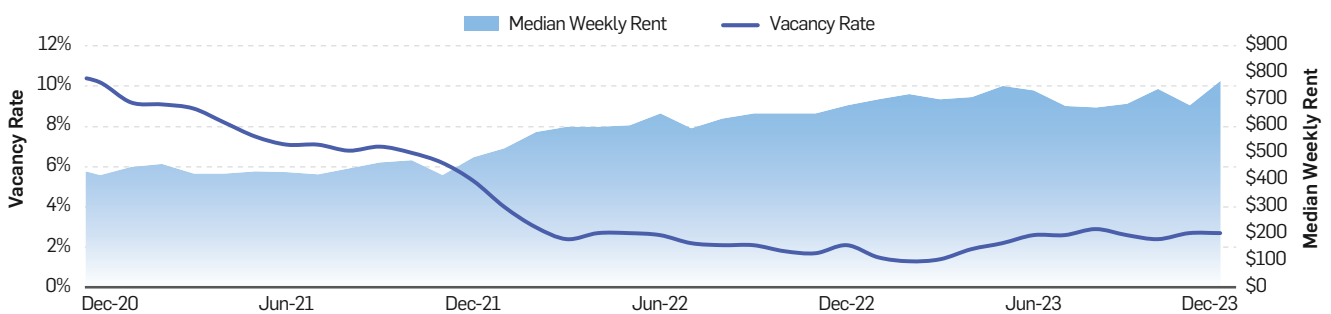
Strong migration combined with lowered levels of new apartment supply has seen vacancy remain low throughout 2023. This reaching a low of 1.3% in February 2023 and an average of 2.3% over the year. Newly built apartment in Melbourne's CBD realised an indicative rental yield of 5.3% across all product types in the year to August 2023. This represents the highest yield compared to other Melbourne inner precincts.

SHIFT TOWARDS APARTMENTS

Interest rate increases have reduced the purchasing power of Melbourne residents. As such, apartments are increasingly gaining popularity as an affordable alternative to the increasingly unaffordable detached housing market. In 2023, apartments in the City of Melbourne were priced 41% lower than the median house price.

VACANCY RATE AND APARTMENT RENT

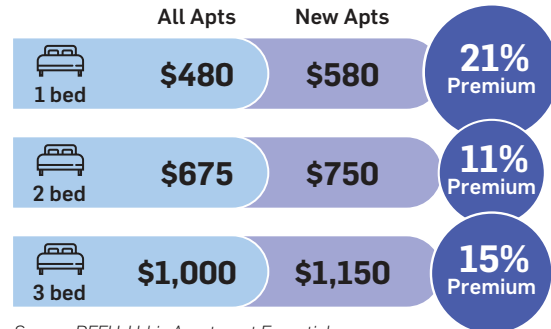
Melbourne CBD



Source: SQM Research; Urbis Apartment Essentials

NEW APARTMENT RENT PREMIUMS

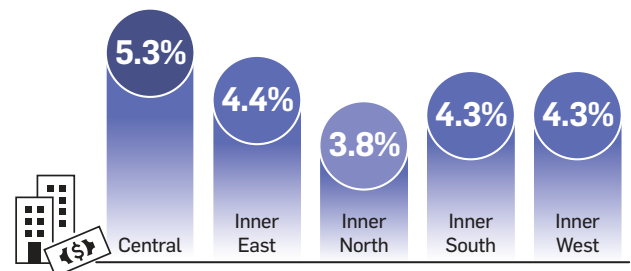
Year to Sep 23



Source: DFFH; Urbis Apartment Essentials

RENTAL YIELD COMPARISON

Year to Aug 23



Source: Pricerfinder; Urbis

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