

What's Happening in ... Melbourne, Australia?



Melbourne is the capital city of Australia's Victoria state and the second-largest city in the country. It's known as a place that has a 'little something for everyone', with famous spots like Brighton Beach, thriving nightlife, arts and culture, and a reputation as the 'unofficial sporting capital of Australia.'

Combined with the fact that Melbourne consistently ranks as one of the world's 'most livable cities' according to the Global Liveability Index, it's not hard to see why this city has attracted a population of over 5 million people and continues to attract tourists from all over the globe.

So, how are things looking on the commercial real estate (CRE) front for this lively metropolis?

Investment Inflow

According to a recent real estate investor survey, Melbourne is the number two investment destination in Asia-Pacific (APAC) in 2023 (with Sydney in first place), but investors are changing their asset preferences.

Where before the blazingly hot industrial and logistics sectors were top of the list, many are now focusing on residential and office, and scrutinizing the Environmental, Social and Governance (ESG) facets of their prospective investments.

Stepping into Office

Over the past year, Melbourne has lagged behind other Australian cities in terms of the return to office. Fortunately, recent data suggests that the situation is changing, with office occupancy levels now higher than they've been since the start of the pandemic.

Or, as former Property Council of Australia Chief Executive Ken Morrison puts it: "The Melbourne momentum has begun, with the biggest jump in office occupancy of any city in the country and a new post-pandemic high [for Melbourne]."

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That said, it's worth noting that the 'high' office occupancy being seen in the city was still only at 57% as of December 2022, leaving a lot of room for improvement in 2023.

As with other cities around the globe, Australian workers are also pushing for workplaces with better amenities, and better incentives for coming to work.

Population Boom

Another general APAC trend that's seeing large-scale uptake in Melbourne is the rising interest in multifamily developments, especially long-lease, build-to-rent apartments. The surge of investor interest in the build-to-rent model is being driven by a high level of demand for rentals with very little stock available on the market.

Melbourne in particular was sitting at a nearly 40% decrease in available listings as of the end of 2022. According to Cameron Kusher, Director of Economic Research for data platform PropTrack, the shortfall is likely to continue. He states: "Most of the overseas migration that will occur over the coming years will be in [Sydney and Melbourne], which will increase demand for rental accommodation."

Many Australians are also contributing to the inflow of new residents to the popular city, as home prices in cities like Sydney become prohibitive.

All of which is adding up to the prediction that Melbourne will likely overtake Sydney as Australia's largest city by the end of the decade.

Sunny Outlook

With all these factors in its favor, it's not hard to see why investors are eyeing Melbourne's real estate sector as a strong potential hedge as we head into a period of increasing economic uncertainty. While we certainly think it's a city well worth keeping an eye on, as always, our top advice is to reach out to local experts when contemplating an investment in any new market.

