

# INTRODUCTION

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Savills is pleased to present our Overseas Buyer's Guide for residential property in Sydney and Melbourne. With over 700 offices in 60 countries, Savills is extremely well placed to understand the drivers behind foreign investment, global trends and ensure our clients receive the best advice.

Australia has long been an attractive destination for foreign investment into residential property. The stable economy and political landscape, tourism, education, immigration and health are all key drivers that attract investment from offshore buyers. However, for many the biggest draw is the lifestyle Australia offers. The warm, sunny climate combined with the rich and diverse culture appeals to buyers from all over the world.

Our key cities of Sydney and Melbourne have experienced strong growth in values over recent years much like many other global cities. As we look forward, although the tightening credit markets have already caused a reduction in supply, demand is expected to continue to grow.

We are now witnessing a generational boom in infrastructure investment, particularly in Sydney following a period of under investment. This investment in key transport projects will enhance our cities' international reputation as business centres and a place to live.

While there have been recent policy changes directed at international buyers, we expect our key cities to remain attractive investment destinations. Sydney and Melbourne will continue to provide the security, freedom and space together with a high quality of life that is so attractive to foreign buyers who seek their own piece of the Australian dream.

I trust that this Buyer's Guide provides a useful tool in making your investment decision.



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# MELBOURNE



## City Data

Area (sq km)	9,991	
Population	4,725,316	
Density (persons/sq km)	465	
Property Type	Detached Houses	68%
	Terrace Houses	17%
	Units	15%
Unemployment*	5.6%	
Cash Rate	1.5%	
Residential Vacancy Rate	1.7%	

Source: ABS, SQM Research, Savills Research

\* Average for Victoria



## Property Data

		Houses	Attached Dwellings (units and townhouses)
Median Value		\$650,000	\$500,100
Change in median value over time	1 year	16%	4%
	5 years	54%	18%
	10 years	118%	59%

Source: ABS, Savills Research

A highly regarded city, Melbourne's charms have been globally recognised.

Melbourne has been ranked the world's most liveable city for seven years in a row by the Economist Intelligence Unit's Global Liveability Index. The survey assesses five factors and Melbourne achieved perfect scores in healthcare, education and infrastructure and outranked Sydney in terms of stability, culture and environment.

The quality of life experienced in the city attracts high calibre employees who contribute to the strong local economy. Melbourne is the capital city of Victoria, which accounts for almost a quarter of economic activity in Australia, second only to New South Wales.

Victoria is one of the fastest growing states in Australia. In the last 10 years, the population of Melbourne has increased by nearly one million people to a total of 4,750,000. This has significantly added to the demand for real estate in the area. Unlike Sydney, Melbourne does not have physical barriers, such as mountains and national parks, constraining expansion. This means Melbourne's growth is less restricted.

### Residential market

Melbourne has seen strong growth in property values over the past decade, second only to Sydney, as prices are supported by robust jobs and population growth.

These significant price increases have continued in the house market with house prices in Melbourne rising by

16.1 percent over the year to March 2017. This has been driven by fierce competition amongst buyers for a low level of available stock.

Attached dwelling prices have seen lower levels of growth than houses with an increase of 3.9 percent over the year to March 2017. This underperformance has been a feature of the market for several years because there is more available stock in the apartment market.

Much like Sydney, the property market in Melbourne faces a number of challenges. The new mortgage lending regulations, which target investors, are a national policy and purchasing costs for international buyers are some of the highest in the country. On 1st July 2016, an additional seven percent stamp duty was applied for overseas buyers. Like Sydney, the impact of this is mostly confined to the new build market given foreign buyer restrictions.

However, a significant difference with Sydney is the price point. While property affordability in Melbourne has been stretched, prices remain on average 30 percent lower than in Sydney.

### Rental market

Rental values in Melbourne are on average 25 percent below Sydney, less of a discount than property prices as rental values tend to correlate with wage growth. This means yields in Melbourne are slightly higher than those in Sydney at an average of 3.3 percent and 4.1 percent for houses and units respectively.



## Outlook

The outlook for the Victorian economy is very positive at present. Although economic growth figures are below those of NSW, key indicators such as job advertisement numbers and employment growth figures are positive and point towards continued outperformance.

The strong population growth experienced in Melbourne is anticipated to continue with some estimates suggesting it will overtake Sydney to become the largest city in Australia over the next 20 years.

While affordability in Melbourne has been stretched, the issue is not as pressing as in Sydney as prices remain on average

30 percent lower. However, following on from rising prices, both first home buyers and existing home owners need to either stretch their finances further or save for longer. This means there is little potential for owner-occupier demand to push prices up at the same rate as seen previously.

Following regulatory measures implemented to slow the volume of bank lending to investors, it is widely believed that the proportion of bank lending to investors will reduce. However, given the historically healthy returns, tax benefits and the limits placed on superannuation contributions, investing in residential property is likely to remain an aspiration for many.

Overall, Melbourne can be described as a high demand and high supply market. While there has been much rhetoric surrounding an oversupply of units, few appreciate the relative population growth performance.

In line with Sydney, property price growth is likely to slow this year, with prices remaining on a 'high plateau' perhaps for some time. However, as Melbourne's population continues to increase, the long-term prospect for the residential markets remain sound.

Sources: Savills Research, the Economist, Victoria State Government, Residex

# DEMAND DRIVERS

## INFRASTRUCTURE

Melbourne's transport system includes modern port, airport, road, rail, tram, bus, cycling and walking infrastructure. The city has an extensive freeway and arterial road network, a rail network that provides access to the central city and other employment centres throughout the suburbs, as well as the world's largest tram network.

Although the city's transport system has sound foundations, it is coming under increased pressure from population growth. To combat this there are a number of major infrastructure projects either under construction or under planning which will enable Melbourne to continue to be a globally connected and competitive city.

## URBAN RENEWAL

### Arden

- Plans to transform a 56-hectare area of industrial land in North Melbourne into a new commercial and residential precinct
- A new metro station at Arden is expected to open in 2026
- The area is anticipated to be developed gradually, over the next 30 years

## ROAD

### Western Distributor Project

- Made up of three connected major projects: the Monash Freeway Upgrade, Webb Dock Access, and the Western Distributor
- Forecast to provide a second river crossing and reduce travel times from the west by 20 minutes
- Construction is expected to begin in 2018 and continue until 2022

### CityLink Tulla

- Forecast to add extra lanes in each direction between the Bolte Bridge and Melbourne Airport
- Expected to increase capacity by up to 30% and reduce the travel time between Melbourne Airport and the West Gate Freeway
- Works have commenced and are expected to finish in 2018

### North East Link

- Proposed road connecting the east and southeast to the north without going through the inner city
- Currently at the business case development, consultation and route selection stage, which is forecast to conclude in 2018
- Once construction begins, the project is expected to take around ten years to complete

## RAIL

### Melbourne Metro Rail

- Victoria's biggest ever public transport project
- 9km of newly laid track with 5 new underground stations, linking the north west to the south east
- Construction has begun and is expected to finish in 2026

### Railway level crossings (railroad crossings)

- Removal of 50 of Melbourne's level crossings
- Anticipated to reduce travel times for both road and rail users
- Construction has commenced and forecasts suggest that at least 20 level crossings will be removed by 2018 and all 50 level crossings will be removed by 2022

## EDUCATION

Melbourne is the third largest international student city in the world with 13 University Campuses in and around the CBD attracting in excess of 80,000 students a day. Three of the highest ranked universities are:

### University of Melbourne

The University of Melbourne is often ranked as Australia's best university. It is located in Parkville on the fringe of Melbourne's central business district.

- Founded: 1853
- Total number of students: 52,257
- Overseas students: 14,166 (27.1%)

### Monash University

- Founded: 1958
- Total number of students: 64,479
- Overseas students: 22,140 (34.3%)

### Deakin University

- Founded: 1974
- Total number of students: 45,900
- Overseas students: 7,468 (16.3%)

# SALES SNAPSHOT

## MAINSTREAM



### SIA, 84 Burke Road, Malvern East

Sales price	\$865,000
Size/sq m	Internal 81
Description	Off-the-plan unit, 2 bed



### Jewell Station, 325 Barkly Street, Brunswick

Sales price	\$675,000
Size/sq m	Internal 66, External 18
Description	Off-the-plan unit, 2 bed



### QC Residences, 472 Bourke Street, Melbourne

Sales price	\$670,000
Size/sq m	Internal 69
Description	Off-the-plan unit, 2 bed

## LUXURY



### Derby Place, 369 High Street, Kew

Sales price	\$2,840,000
Size/sq m	Internal 241
Description	Off-the-plan unit, 3 bed



### Gertrude, 166 Gertrude Street, Fitzroy

Sales price	\$2,200,000
Size/sq m	Internal 137
Description	Off-the-plan unit, 3 bed



### Capitol Grand, 241 Toorak Road, South Yarra

Sales price	\$2,650,000
Size/sq m	Internal 142
Description	Off-the-plan unit, 3 bed

## SUPER LUXURY



### The Alexandra, 56 Cotham Road, Kew

Sales price	\$6,100,000
Size/sq m	Internal 335
Description	Off-the-plan unit, 4 bed



### Lyall Residences, 14-18 Murphy Street, South Yarra

Sales price	\$7,225,000
Size/sq m	Internal 371
Description	Off-the-plan unit, 3 bed



### 1097-1099 Malvern Road, Toorak

Sales price	\$6,850,000
Size/sq m	Internal approx. 500, External 800
Description	Established house, 4 bed