

# MARKET CONDITIONS

This section canvases a number of key factors in relation to the performance of a residential investment opportunity including vacancy rates, median price (and trends) and rentals.

## MARKET CONDITIONS

### Metropolitan Melbourne Residential Vacancy Rates:

Over the last decade, Melbourne, like all capital city markets has experienced a tightening of the residential vacancy rate.

The rental market is considered to be in balance (represent ‘normal’ market conditions) when the vacancy rate is around 3%. As at August 2017, Melbourne’s vacancy rate was sitting a 5-year low of 2.1%.

Vacancy rates lower than this benchmark indicate a relative shortage of dwellings, and subsequent strong demand for rental accommodation.<sup>1</sup>

Detailed in the table below, outer Melbourne is experiencing vacancy levels well below normal market conditions—an ideal market for a potential investor. The outer Melbourne vacancy rate as of May 2014 is 2.0 % compared with 2.4 % at the same time the previous year.<sup>2</sup>

### House and Apartment—Average Annual Median Price Change:

A number of public and private sector agencies aggregate residential property data. For the purposes of our analysis we have relied on the Department of Sustainability and Environment’s (DSE) ‘A Guide to Property Values’ which is published annually by Land Victoria and the Real Estate Institute of Victoria (REIV).

DSE data is based on contract date not settlement date, however published results often not available until the later stages of the second quarter of the following year. The aim of this guide is to present factual data relating to property sales occurring during the calendar year.<sup>3</sup>

It is important to also note the median sale price is the value of the middle item when all sale prices are arranged in ascending order of magnitude.

Median prices are used rather than average prices because median prices are unaffected by a few unusually high or low prices, making them a more accurate indicator of true market activity.

In terms of segmentation, houses are based on a combination of house, new house and terrace product and units are based on a combination of flats/units, townhouse and retirement product.

### Findings:

Over the 5 year period to 2017, the median price of a unit/apartment in Mill Park has increased by around 35%. The City of Whittlesea recorded growth of around 19%.

Mill Park’s median house price rose by 54% over the same timeframe whilst the City of Whittlesea recorded growth of around 21%.<sup>#</sup>

<sup>#</sup>Median house and Unit Prices Five Year Comparison <sup>4</sup>

UNITS	2012	2017	%CHANGE
Mill Park	\$316,000	\$425,000	34.5%
City of Whittlesea	\$319,000	\$376,000	17.9%
Metropolitan Melbourne	\$444,000	\$607,000	36.7%
HOUSE	2012	2017	%CHANGE
Mill Park	\$405,000	\$625,000	54.3%
City of Whittlesea	\$406,000	\$567,000	39.7%
Metropolitan Melbourne	\$522,000	\$822,000	57.5%

### Location:

Mill Park is located in the City of Whittlesea. Mill Park is bounded by South Morang and Epping to the north, Plenty Valley to the east, Bundoora and Thomastown to the south and Lalor to the west.

Major features of the area include Westfield Plenty Valley Town Centre, Mill Park Stables Shopping Centre, Mill Park Leisure Centre, Mill Park Basketball Stadium, numerous parks and reserves and a number of schools.

The City of Whittlesea is located on Melbourne’s urban fringe approximately 20 kilometres north of Melbourne Central Business District (CBD). It covers an area of approximately 487 square kilometres and contains a unique mixture of ‘city lifestyle’ and ‘country comfort’. Whilst the southern parts of the municipality are well-established urban areas, the city also takes in the hills and natural attraction of the Plenty Valley and Ranges.

The City of Whittlesea adjoins; the Shire of Nillumbik to the east, the City of Hume to the west, the Cities of Banyule and Darebin to the south and the Shires of Murrundindi and Mitchell to the north.

Whittlesea has a population of over \$202,000 which is an increase of 3.5% over the previous year. Growth will see Whittlesea’s population increase by around 141,000 persons by 2031. In turn, around 50,000 new households will be created over the same time frame.

Plenty Road and High Street form the major north–south transport linkage to and from the City, providing access to and from the Melbourne Central Business District (CBD). Arterial road networks such as Mahoneys Road, Settlement Road, McDonalds Road, Findon Road, Cooper Street and Donnybrook Road dissect the City in an east–west direction, offering access to neighbouring areas. These routes afford sound linkages for residents to adjoining municipalities (and the remainder of the metropolitan area). The Western Ring Road, which traverses the southern section of the City provides an important passenger vehicle and freight link to the Hume Highway, Melbourne Airport and the Port of Melbourne.

In terms of public transport, Whittlesea is serviced by trains as far as South Morang station, trams currently run from Bundoora to the Melbourne CBD, and buses operate throughout Whittlesea.

The city encompasses services and facilities such as the Epping Hospital and the Epping Plaza Shopping Centre. It is considered that Epping Plaza and the South Morang Activity Centre will provide the municipality with a future employment focus. In addition, the relocation of the Melbourne Fruit and Vegetable Market to Epping will deliver more than 20,000 new jobs over time.

## SOURCES & DEFINITIONS

1. Real Estate Institute of Victoria, Chief Executive Officer, Enzo Raimondo suggests that this imbalance has resulted in higher housing costs for renters. Since 2005, rent increases have grown from 3% to around 10%.

2. Outer Melbourne represents suburbs located greater than 20 kilometres from Melbourne CBD, Whittlesea, and more specifically Mill Park are defined in this catchment.

3. The information contained in this guide has been obtained from Notices of Acquisition (NOA), which are required to be completed by each purchaser within one month of the acquisition of any real estate in Victoria.

4. Land Victoria data is based on settlement data, and as such there is a time series lag.