

It's Lights Out and Away We Go: *How Melbourne is Making a Comeback to Pole Position*



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The roar of engines at Albert Park isn't the only sound of acceleration echoing through Melbourne this March. As the city prepares to welcome Formula One back to its iconic lakeside circuit, there's another kind of momentum building across Melbourne's residential market, one worthy of pole position.

Melbourne's property market has been stuck in the pit lane for the past few years, watching other major capitals race ahead with championship winning performances. Several factors created the perfect storm for subdued activity. Victoria continues to be the most heavily taxed state – dampening investor activity.

New taxes weren't the only drag on performance; revised tenancy laws saw Melbourne's investment appeal suffer, making it difficult to keep pace with the competition.

Yet this period of underperformance had a silver lining, creating genuine affordability relative to other major capitals. Whilst the other cities raced ahead, Melbourne offered a chance for the rookies to enter the race.

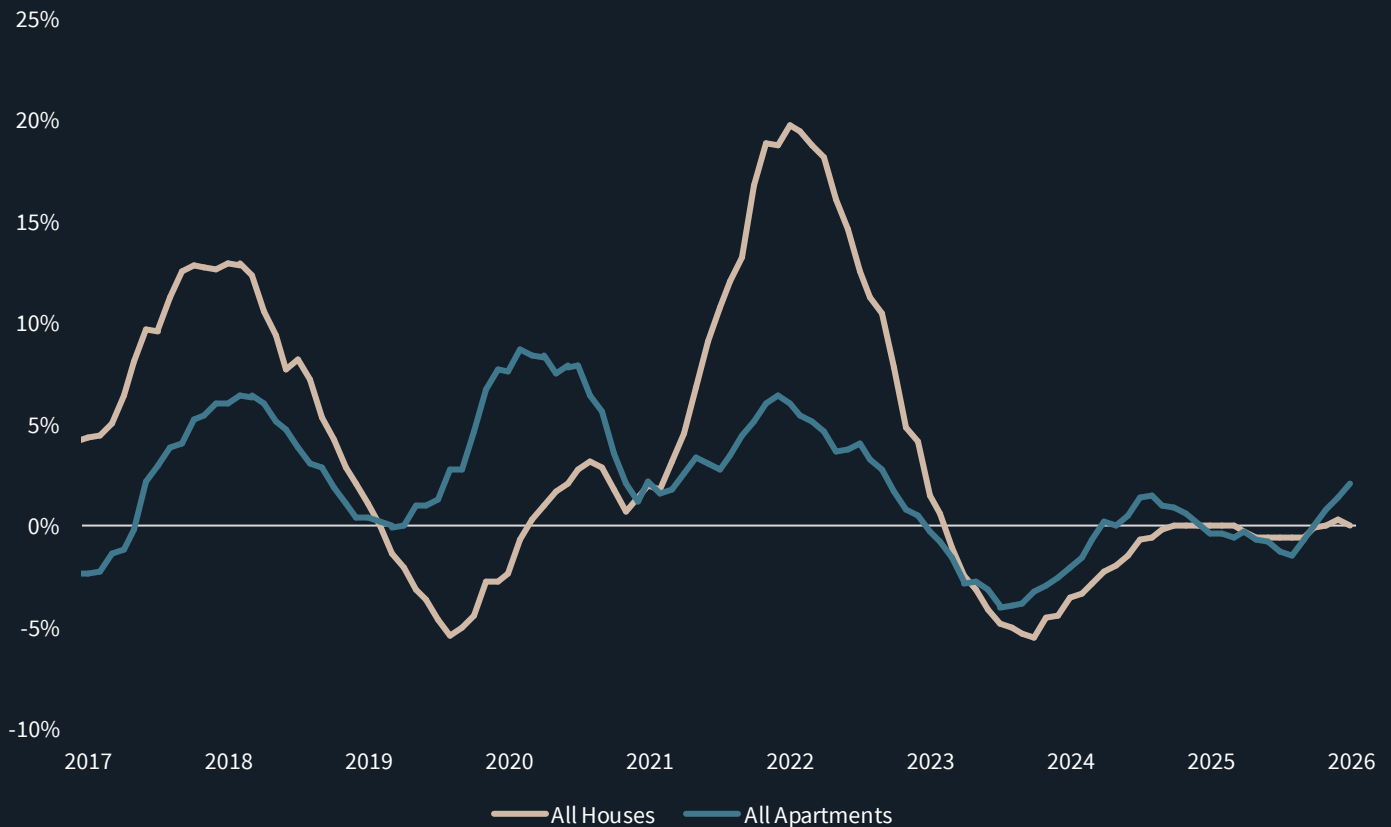
However, Melbourne's changing things up this season, with a comeback poised to be just like McLaren's resurgence to the top of the tables! New investor loan commitments in Victoria surged 38%¹ year-on-year to December 2025, revealing a decisive shift in sentiment.

Just like the multiple engineers behind a good driver, there are multiple factors influencing Melbourne's comeback. This renewed confidence stems from expectations of strong capital growth as the market recovers and Melbourne's position as an established and diversified economy, with Victoria leading the ranks in job creation, residential approvals and home completions.

It also comes as the Property Council of Australia is actively lobbying for critical tax reform. New research shows abolishing Victoria's Windfall Gains Tax would deliver 3,100 new homes annually by 2030, support 2,700 jobs, and inject \$1.4 billion in additional private investment into Victoria while generating \$370 million in additional economic activity.

¹ABS



Figure 1: Greater Melbourne rolling annual sales price change

Source: JLL Valorem as at February 2026

As race day approaches, Melbourne may be starting from the back of the grid, but the surge forward has already begun. Apartment sale prices saw 2.1%² growth year-on-year to February 2026, the largest growth seen since October 2022.

While house prices remain steady, market activity is building momentum with sales volumes jumping 11%² year-on-year during the same period, signalling renewed buyer confidence.

Apartment asking rents also increased, seeing 4.5%² growth year-on-year to February 2026, while yields remain competitive across all dwelling types. One-bedroom apartments are claiming pole position with yields sitting at 6.3%² as at February 2026, offering immediate income returns while positioning for capital growth.

Leading forecasters have Melbourne poised for serious overtaking moves across 2026 and 2027. The general outlook is that Melbourne will see over 5%³ dwelling price growth year-on-year. This will be the first time in roughly three years where Melbourne will see sustained positive momentum.

The strategic parallel to Brisbane and Perth's championship runs a few years ago is unmistakable. Both cities endured underperformance periods that created exceptional entry points for investors. Those who recognised the value during the early laps have since enjoyed substantial capital growth as market fundamentals reasserted themselves.

Melbourne has always been a champion – it just needed the right conditions to prove it again. With confidence returning, Melbourne will take its natural position at the front of the grid once again.

²JLL Valorem, ³KPMG, Domain



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