

# VIC

## Fast movers

Victoria has recorded strong results but the market is starting to decline

● **WITHIN MELBOURNE**, capital growth climbed throughout the year before dropping off in the last quarter of 2013. According to RP Data, the market may have passed its peak for growth potential.

Auction clearance rates in Melbourne are consistently high, in the 70s week after week. However, an excess level of stock has kept rates from reaching the soaring heights of Sydney.

Indeed, supply-side issues are the major threat to the stability of the Melbourne market over the next few years.

Melbourne accounted for over a third of capital city dwelling approvals

during the last three years, according to the Australian Bureau of Statistics (ABS). Despite its comparatively small size, Melbourne had 78 per cent more properties listed for sale in September than Sydney.

Rapid construction in Docklands means the supply of apartments in the inner city has begun to outstrip demand, according to BIS Shrapnel.

This oversupply could affect high-density property anywhere up to three kilometres out of the city.

Meanwhile, a new housing development opened in Melbourne's western suburbs last year. The new supply of properties from the community, Werribee East, may prevent prices in the west inflating like those in the eastern suburbs.

However, this community also promises to be a hub for employment, bringing renewed activity to the previously neglected west. The plan

### Melbourne property wrap

	HOUSES	UNITS
Median price	\$505,000	\$436,000
Quarterly growth	2.89%	1.40%
Annual growth	2.92%	2.14%
Avg. annual growth	6.44%	5.07%
Median weekly rent	\$370	\$360
Gross rental yield	3.81%	4.29%
Median time on market	56	63

for the new suburb encompasses retail complexes, schools, a hospital and community facilities.

Finally, buyers in Melbourne's north should be aware of the impact of the east-west tunnel on home values. Particularly in the Parkville area, investors may find their views, aspect or convenience impacted by the tunnel's construction and positioning.

In regional areas, performance has been subdued, though some towns are seeing big returns.

The government's plan for Victoria, the State of Cities, suggests several larger towns are set to become regional centres. In particular, towns like Bacchus Marsh, Ballan, Kilmore and Wonthaggi have been earmarked for future growth.

The government plans to invest in these regions to promote employment and population growth. For investors, there's opportunities to get into these markets before buyer demand spikes.

Melbourne saw more properties listed for sale in September than Sydney by

# 78%

## In focus: Middle Park

● **MIDDLE PARK IS** one of the highest land value suburbs in Melbourne. It's not necessarily one of the highest median prices because the size of the blocks are quite small.

The typical properties you see in Middle Park are turn-of-the-century properties ranging through to Edwardian dwellings. There are a lot of beautiful terraces, both single storey and double storey.

Middle Park is quite expensive on the spectrum of houses - you certainly wouldn't get any change from \$1 million. You see some executive families, but also singles and couples.

Being as close as it is to the city and the beach, as well as being highly sought after, it's one of the most tightly held suburbs. It's very aspirational.

However, for investors, there is a question of affordability. A house would be a difficult proposition for investors because it would be highly negatively geared. Just the sheer cost of home ownership in Middle Park would be prohibitive to most investors. An apartment is certainly an option.

You have the light rail in Middle Park, so getting around is very good. The beach, as well as the local shops and cafés, are all beautiful.

**"MELBOURNE HAS SEEN SOME ATTRACTIVE GROWTH OVER THE LAST 12 MONTHS AND I SEE NO REASON FOR THAT NOT TO CONTINUE. HOWEVER, NOT ALL SUBURBS ARE PERFORMING AT THE SAME RATE"**

Melbourne has seen some attractive growth over the last 12 months and I see no reason for that not to continue. However, not all suburbs are performing at the same rate. The suburbs that have been performing strongly have actually been the inner suburbs.

There are areas within Melbourne, such as St Kilda, where older-style units ranging from art deco through to old 60s and 70s units are having their rents compromised by new high-rise units. Putting rents up is quite problematic for owners because we do have an oversupply right in the heart of town.

However, Middle Park should be immune from this. We don't have a ridiculous rate of development taking place at the moment and do not have an oversupply. We also have a lot of houses with heritage overlays in that area, so obtaining large development sites is not easy for developers.

Middle Park will always be a strong performer, broadly outperforming every other suburb. For investors, the suburb is really only an option for people who have money.

The gorgeous terrace houses and the Victorian properties that give Middle Park so much charm will only continue to grow in value as they become scarcer.

### MIDDLE PARK BY NUMBERS

Median house price

**\$1,650,000**

Quarterly growth

**1%**

12-month growth

**30%**

Average annual growth

**8.9%**



Cate Bakos, director, Empower Wealth

## Top yields

● **THE VICTORIAN RENTAL** market is in a weak position, with high vacancy rates and low yields.

Melbourne has the unfortunate title of having the highest vacancy rates of any capital city, with vacancies between 2.5 and three per cent. In fact, Victoria is one of the only states where vacancy rates in regional areas are lower than those in the city.

The city's rental yields are also the lowest of any capital, tracking between 3.5 and four per cent for houses and between four and 4.5 per cent for units. High property prices combined with relatively low rents make Melbourne a difficult place to find cash-flow positive properties.

The oversupply of properties is affecting Melbourne's rental market. While some pockets remain in high demand, particularly blue-chip inner-city areas, other suburbs are flooded with new dwellings. Tenants in these areas may have multiple options, forcing real estate to keep rents at a competitive rate.

Rents have a low median of \$393 for houses in the city and \$300 for houses in regional areas.

High yield towns in outer regions tend to be tiny, with low transaction figures skewing the data. Investors should be aware that properties with high yields in small markets may have limited capital growth prospects. Nonetheless, Australia's tentative economic recovery means the rental market in regional areas is gradually warming up.

### HOUSES

Suburb	Yield
Venus Bay	19.1%
Dimboola	9.5%
Terang	7.9%
Merbein	7.6%
Cobden	7.6%

### UNITS

Suburb	Yield
Officer	9.9%
Spring Gully	7.6%
Hamilton	7.3%
Kalimna	7.0%
Alfredton	6.9%

Source: All data provided by RP Data