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## Melbourne inner-city supply being choked off

Melbourne's inner-city apartment market may experience a shortfall in supply over the next five years as projects risk being shelved.

**Property consultant Charter Keck Cramer's** biannual report on the state of Melbourne's central city apartment market shows that falling demand, combined with supply problems, may leave the city ill-prepared for the next upturn.

**Charter Keck Cramer strategic research director Robert Papaleo** said 930 new apartments were sold in the second half of 2008, down 31 per cent on the previous six months.

He said tighter credit conditions could lead to more developments being shelved in the year ahead. "Some of the projects we expected to get out of the ground last year might not eventuate," he said.

More than 90 per cent of sales were in projects targeted at the investment market, suggesting that owner-occupiers were more interested in established projects.

The managing director of developer Pan Urban, Danny Ciarma, said the company's A'Beckett Tower had won strong sales by appealing to investors.

"Even before the financial crisis there was a massive undersupply .... It's going to leave us with a shortage of apartments," he said.

"If you're a developer that's well-placed with residential sites, and if you can get finance, you'll do well. It's minimising settlement risk as well because you're settling in a couple of year's time in a market that's unsaturated."

**Charter Keck Cramer** estimates stock overhang will reach 2185 units by the end of the year, mostly in the waterside suburbs of Docklands and Southbank.

In the six months to December 2008, construction began on 1307 apartments, the strongest figure in five years. The report found difficulties securing finance for new developments might prevent a number of projects being built, despite presales commitments in some cases exceeding 70 per cent.