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Young priced out of property plump for inner-city pads

MELBOURNE is leading an affordability-driven apartment surge as young buyers give up on the dream of owning traditional homes in most capital city inner suburbs.

As the Sydney apartment market cranked up after off-the-plan stamp duty concessions began this month, Melbourne buyers priced out of inner-city housing markets but not willing to live in outer suburbs were turning to small but affordable high-rise flats to stay close to CBD jobs and social networks.

With Australia's \$544,000 median house price \$155,000 higher than for apartments and units, analysts believe it's a trend likely to be repeated around Australia.

"If buyers are willing to sacrifice the dream of owning a block of land and house, they can greatly improve their purchasing options and will likely be able to own in much more desirable locations," said RP data analyst Cameron Kusher.

Mr Kusher said the big advantage of apartments and units was that buyers could live in locations where houses were out of price reach.

Sam Nathan, an apartment specialist with property researchers and advisers Charter Keck Cramer, said Generation X and Generation Y saw apartments as their primary housing option.

"They have made a lifestyle decision not to live in traditional houses in outer suburbs," Mr Nathan said.

"They want to be close to the CBD so as to not lose contact with social and business networks," he added.

For Melburnians pushed out of the inner-city housing market, the latest figures for the second half of last year reveal a 25 per cent rise in apartment supply and small price falls.

Entry-level apartments are driving Melbourne owner-occupier sales, with the average inner-city 32sqm studio apartment selling for only \$305,500.

One-bedroom 51sq m apartments average \$379,500 (down from \$385,000) and two-bedroom 73sqm apartments \$530,000 (up from \$529,000).

This compares with a Sydney CBD entry level range of \$550,000-\$650,000 for a one-bedroom, one car park apartment.

However, with the city centre having four distinct sub-markets, one-bedroom apartments can cost up to \$1.5 million.