

Residential Markets - Very Different Purchaser Groups

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The residential sector is extremely diverse and, affecting us all, whether as owners or renters, is increasingly in the media and the subject of vigorous debate anchored about increasing population and therefore increasing demand in contrast to insufficient supply, and rocketing values. On the supply side, subdividers, apartment developers, the construction industry, and consultants deal with the challenges of a slow planning process, insufficient skilled labour and lack of credit, ultimately, all factors stifling supply, the impact of which is felt by the entire community. There is now a general awareness in that in its urban areas, our nation is moving to a housing crisis and whilst most believe that it is all due to a fundamental supply/demand imbalance, a better understanding and perhaps some of the solutions can be found by a better analysis of the purchaser profiles, and exactly who wants what.

In broad terms, in Melbourne there are five well recognised categories of purchaser demand, but all different. On the fringe, a particular grouping wants vacant allotments to build their own home, whereas others seek the convenience of a "house and land package". In the inner urban areas, there is an entirely different group including those who seek (higher value) individual dwellings, alternatively (lower value) townhouses, alternatively luxury apartments, or alternatively, flats of one and two bedroom accommodation. This inner-urban market therefore has at least four distinct veins of demand competing across which are upgrade buyers, first home purchasers, and investors, both local and from overseas all driving the market but with different sentiment, and different purchasing power. So, upon reflection, there is a myriad of residential purchasers all with different motives and different requirements culminating in a very diverse purchaser market.

Examining the inner urban markets, investors, who by definition are generally older than first time apartment buyers, are more conservative, preferring a traditional design and perhaps a more spacious apartment, and with parking in contrast to the young Gen-Y first time buyer who preferring an edgy location, is prepared to sacrifice size for a much smaller studio, and perhaps a car park for a bike rack. Others who may have aspired to an individual home but who have been marginalised due to the value explosion, but not being prepared to embrace the apartment lifestyle, are turning to "townhouses" as a compromise. Throughout Melbourne's popular inner urban areas, a townhouse offering the same accommodation as a freestanding residence, and in the same street, would generally be up to 15 - 20% cheaper.

What about young families? If houses are too expensive, yet apartments are only for couples or singles, where does the young family go with a 12 month old baby with a brother or sister planned in two or three years. The answer can be found in many cities overseas particularly in Europe, but is yet to be seen in Melbourne. Apartments designed for young couples in which they can stay and have one or two children without the need to move. They don't have to be larger, but just thoughtfully designed. Round corners rather than 90 degree angles, a hip bath shower base or a laundry with a basin designed to double as a baby bath. A high chair nook and baby corner in the kitchen, strengthened glass, more secure balconies, a night basin in the second bedroom, smaller rather than larger windows better suited to baby day sleeps, a more safety conscious kitchen etc.

There is a misconception that apartment living is only accepted within the CBD and inner urban ring. Increasingly as price points rise, a greater diversity of housing stock is required on the fringe. There are examples of apartments in Melbourne's outer and growth areas that have been successfully offered in recent years. The key ingredients are an affordable product, good design, simple specification and access to public transport and retail facilities. Greater densities and more diverse housing should be encouraged, particularly in Greenfield estates.

Ultimately, purchasers are becoming increasingly segmented which is a reflection of long-term and structural shifts in society, economic and lifestyle choices. Examples include:

- Single households of separated parents who might need one bedroom for themselves but also a spare for kids stay over. This will need to be close to the previous family home because of schooling etc
- Older households – people living together as a compromise between location and cost
- Older singles – through divorce, separation etc
- Intergenerational living – adult kids staying at home longer because of HECS debts and inability to enter housing market
- Overseas purchasers (students and professionals)

The point is that whilst the demand side has been changing and is ever-changing and dynamic, the supply side has not changed at the same speed to match wants and needs. Once a house is built it stays as is for 50+ years. Any new housing in a single year to reflect changing needs is going to only ever be at the margin of existing stock so that stock will not and cannot change that rapidly. Going forward our community will be better served if those at the planning controls do better to understand the diversity of needs and create the opportunities accordingly.

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