



Melbourne Apartments: Posing Questions & Answers on Housing Affordability

Today, leading property consultants, Urbis released the 2018 summary for Melbourne's new apartment market, featuring the latest results for the December quarter. The Urbis Apartment Essentials has been a trusted source of information for new apartment sales and supply for four years, using survey data and detailed research to provide an accurate look at today's new apartment market. Urbis analysed 230 sales from a sample of 48 projects, comprising almost 10,000 apartments in Melbourne in quarter four 2018. Coupled with detailed analysis of 1,140 sales across the year, Urbis Apartment Essentials has sampled between 15 to 20 per cent of new apartment projects in the city in each quarter. Melbourne's weighted average sale price hovered around the mid \$600,000s throughout the year and recorded a weighted average sale price of \$657,000 in quarter four. Despite prices appearing to hold steady at a market level, affordability is still very much in focus, with housing emerging as a core battleground in the upcoming federal election. The proportion of sales in more affordable apartments has increased, with apartments priced beneath \$400,000 accounting for 12 per cent of all sales in quarter four, a stark difference to the 5 per cent recorded in 2017 quarter four. This coincided with one-bedroom apartment sales accounting for one third of sales in quarter four, having fluctuated between one quarter and a third of sales throughout 2018. Consistent with national trends, sales of two-bedroom apartments continued to make up the majority of sales in Melbourne at 60 per cent in Q4 2018 compared to 57 per cent for the full year. Two-bedroom, two-bathroom apartments remained a buyer favourite, accounting for 44 per cent of all sales, up from 34 per cent in the third quarter. Sales of three-bedroom apartments accounted for 10 per cent of off the plan transactions. The market pivot to owner occupiers is increasingly apparent with 54 per cent of new apartments purchased throughout the year to this segment, while overseas investors dropped down from 40 per cent in 2017 to 23 per cent in 2018. Despite a series of initiatives aimed at dampening overseas investor demand and fears emerging in recent years over settlement, it is encouraging to see that major central city towers are settling as planned, with developers getting on the front foot with buyers well in advance of settlement. However, with funding challenges in both the development and purchaser markets, measures aimed at testing serviceability in the short-term risk having adverse affordability effects in the longer run. This is becoming increasingly clear as future housing supply is being held up by reduced lending and uncertainty in the lead up to the federal election. In line with the wider residential market, the pace of sales dropped in the last quarter, dipping below 10 per cent of available stock sold for the first time. That said, Melbourne has maintained a more rapid rate of sale than other Australian markets in the quarter, but also for the year, averaging 12.4 per cent of available sold per quarter throughout 2018. Amid the tougher conditions, there are projects that are managing to stand out from the crowd. Typically these are delivering either one or a combination of the following: A relatable scale, close to existing amenity and jobs, with views Precinct renewal, bringing new amenity in areas where there is limited housing supply or diversity of product Delivering client service and customisation at an attractive price point Approvals continued to decline, with just over 1,800 apartments approved in the last quarter of 2018 representing one third of the volume approved in the equivalent quarter a year earlier and well below the average quarterly volume over the last two years (5,400). In summary, while apartments present a much-needed affordable option into the housing mix, the slowdown in credit and repercussions in the wider residential market, continue to impact upon the delivery of housing in the inner city and middle ring. As population growth continues amid sound economic conditions, the stall in supply stemming from the standoff between lenders, regulators, policymakers, developers and most importantly buyers, risks accentuating the demand to supply imbalance in the medium term. This brings risks of flow on consequences to housing affordability as the market regains traction. Urbis Melbourne Apartment Essentials Q4 2018 snapshot: Weighted average sale price recorded: \$657,000 14 project launches in the quarter: 2,781 new apartments 1,827 apartments approved in the quarter For media enquiries contact: Stephanie Keith, Senior Brand & Clients Consultant Ph: 02 8233 7633 E: skeith@urbis.com.au Rebecca Jagger and Alexis Carroll at DEC PR Ph: 02 8014 5033 E: urbis@decpr.com.au About Urbis Apartment Essentials The Urbis Apartment Market Essentials is the most comprehensive national survey in Australia, and the only survey for which the sales data for apartment projects with 25 or more units is collected at the time of contract rather than at settlement. Projects with 25 apartments or more are tracked from initial application through to the building being sold out for projects across Perth and key areas of density across Sydney, Melbourne, Brisbane and Brisbane. As well as tracking the status of 2,513 developments Urbis receives surveys from 295 apartment developments. Urbis recognises the traditional owners of the land on which we work. Learn more about our Reconciliation Action Plan.

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