

# Happy times for unit buyers in Melbourne

## Scott Elliott

Boutique apartment projects in Melbourne's inner suburbs are emerging as a sweet spot in the market, as developers capitalise on lower presale requirements and greater access to finance.

But property analysts Oliver Hume are predicting that developers risk oversupply, as the early signs in 2010 are pointing to price falls in some projects.

Most new apartment projects were launched in the City of Stonnington, Boroondara, Glen Eira and Yarra.

In terms of suburbs, most new apartment complexes were launched in Hawthorn, Doncaster, North Melbourne and Footscray.

Oliver Hume Real Estate research general manager Andrew Perkins said there were 370 medium and high-density projects being marketed across metropolitan Melbourne, equating to about 28,000 units (up 24 per cent from the last six months of 2008).

He said about 80 new projects, adding 6200 units to supply, were launched in the second six months of 2009. "The increase in supply of apartments meant it was a great time to buy with greater choice and greater competition for sales," he said.

The median number of apartments launched per development in

Melbourne was 43 units. Apartments are shrinking — studios had a median size of 34 square metres, one-bedroom units 51 sq m and two-bedroom units 73 sq m at December 2009.

Entry-level median prices for studios and one-bedroom apartments decreased, according to the report. The entry-level median price for studio apartments in inner Melbourne was \$302,500 (down from \$305,000) and for one-bedroom apartments was \$379,500 (down from \$385,00 in the last six months of 2008).

CB Richard Ellis director of Victorian Residential Projects, Andrew Leoncelli, sees it differently.

Mr Leoncelli, a former senior Valad executive, said while there was a higher number of projects and product being marketed, the risk of oversupply of completed product in the market was mitigated by time and challenges with debt finance.

"We believe there is little chance of an oversupply currently as the credit markets still remain tight, with high levels of presales required," he said.

"The time lag between sale and delivery of these projects is typically two to three years, given construction timeframes vary between 18 and 26 months."

He said this tested a project's viability and ensured that sales occurred before construction.

