

Investors driving up bigger apartment projects

PHILIP HOPKINS

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More apartment blocks on the way and they're getting bigger, on the outside that is, unit sizes are falling.

Melbourne isn't just registering more apartment projects - the apartment blocks themselves are getting taller to cater for demand, research from agents Oliver Hume shows.

Projects launched in metropolitan Melbourne in the six months to June 30 had an average 150 apartments, more than double the average of 61 apartments in the first six months of 2008, according to Oliver Hume.

Jamie Kay, apartments division manager for Oliver Hume Real Estate, said the number of projects launched in metropolitan Melbourne had not risen dramatically, but the number of apartments in those projects had.

Prices have risen steadily, even though the size of apartments has fallen slightly in the bigger towers, according to Oliver Hume's analysis of all apartment projects launched in Melbourne over the past two years.

Mr Kay said not all the bigger new projects were in the central business district, Docklands or Southbank.

Some larger apartment buildings had also been launched in city fringe suburbs, including Richmond and South Yarra.

The average number of apartments in new projects in inner Melbourne, including fringe suburbs, jumped from 113 to 205 over the past two years.

Prices for two-bedroom apartments rose steadily over the same period, even though the average size fell slightly to 47 square metres for one and 70 sq m for two-bedroom apartments.

Mr Kay said the figures pointed to a shift away from smaller buildings for owner-occupiers, to larger apartment buildings catering for local and international investors.

Investor demand had helped developers achieve larger pre-sales targets, but the market was still driven by developers' ability to reach pre-sales of 60-70 per cent.

Mr Kay said another emerging trend was the growth in medium and higher density projects in Melbourne growth areas, such as a nine-level apartment project at Point Cook.

"Demand for this sort of product was driven by affordability and entry-level purchases for young couples and familie