

No pricking this bubble, not yet

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More affordable homes are driving Melbourne's price growth.

No other topic of conversation dominated the market this week quite like the property price figures put out yesterday by the Real Estate Institute of Victoria.

Whether they came as a surprise or were expected depended ultimately on whether you've been viewing the recent changes in Melbourne's market as something that was bound to happen or the sign of some impending crisis.

The REIV reports the median house price rose 8.5 per cent to \$559,000 in the June quarter. Apartments were up 4.7 per cent to \$463,215. It's hardly a smoking gun pointing to the imminent burst in Melbourne's so-called housing "bubble" that analysts have been referring to in the past week.

Historically, it's the third-strongest performance for house price growth for any June quarter going back a decade — and the fifth-strongest for apartments.

So what do the figures tell us? First, that the well-documented easing of demand since Anzac Day, evidenced by the recent slide in the clearance rate, hasn't yet put any serious, across-the-board downward pressure on prices.

Generally speaking, properties are still fetching prices that are equal to or greater than the sales seen in the first three months of 2010, a period that saw many records broken. But the market certainly isn't moving at the same speed across the city.

The "cheapest" 25 per cent of houses that sold in the June quarter experienced a price growth of 8.6 per cent. By comparison, the top 5 per cent of the most expensive houses in the city grew by only 2.7 per cent overall.

Top-end, blue-chip suburbs such as Brighton, Prahran, Toorak, Hawthorn East and South Yarra actually recorded sharp price falls (11.7 to 26.4 per cent) in the three months to June, which is the expected hangover from the unsustainable price rises they've seen in the past year.

Simply, more affordable homes, that is those below \$600,000, are driving price growth overall. Low-quality and over-priced properties either aren't selling — and therefore aren't getting picked up in the sales data — or are selling near or below vendors' expectations.

But even in the case of many of these "weaker" sales in the low-to-mid-range price bracket, it's clear that the compromises vendors are having to make are seeing them come down from the pre-Anzac Day clouds rather than forcing them to sell at a loss.

There's a big difference. Meanwhile, declining stock levels over winter have seen Melbourne's auction clearance rate jump by 5 percentage points in a single week, with 72 per cent of the 497 properties up for auction this week selling, according to the Real Estate Institute of Victoria.

In Northcote, an unrenovated two-bedroom Victorian at 25 Kellett Street attracted steady competition from three bidders from the opening genuine bid of \$640,000 until the property was declared on the market at \$747,500.

Renowden Buyers Advocates bought it for \$757,000. The three-bedroom 1950s house at 37 Moody Street, Balwyn North, sold for \$950,000 off a reserve of \$920,000.

Jellis Craig auctioneer Robert Ding deftly switched between English and Mandarin to accommodate the three bidders.

Advantage Property Consulting purchased two villa units at 15 Atkinson Street, Chadstone, through after-auction negotiations for \$372,500 each after the two-bedroom properties passed in with no other bidders.

The third unit in the set didn't even go to auction but was picked up for \$370,000. The reserve for each was reportedly \$375,000. The units were advertised at \$320,000.

In South Yarra, the two-bedroom unit at 10/55 Avoca Street sold for \$802,000 after being declared on the market by Hocking Stuart at \$660,000 — 21.5 per cent above expectations.

JPP Buyer Advocates said a similar unit in that block had sold for \$695,000 in late May. The property was quoted at \$610,000 to \$670,000.

Another strong result was recorded for 3 Rogers Street, Richmond, a three-bedroom Victorian that attracted at least six bidders and sold for \$1.16 million.

Biggin & Scott, who quoted the property at \$800,000 to \$900,000, declared it on the market at \$950,000. There are 620 auctions scheduled for next weekend.