

The Simpson Report

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REAL ESTATE AGENTS - PROPERTY MANAGERS - SWORN VALUERS - AUCTIONEERS

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W. B. Simpson & Son's Record Sale

W. B. Simpson & Son recently sold a 300 square metre warehouse located at 5-7 Provost Street, North Melbourne for \$1,710,000. The property comprised a single level brick warehouse over 2 titles. The "L" shape configuration coupled with its corner position, three street frontages and Mixed Use Zoning attracted strong interest from developers across Melbourne. Over 140 people attended the auction with 8-10 bidders fighting it out. The property was eventually sold to a local developer for residential conversion.

Richard Simpson said that "the excellent result representing \$5,700 per square metre was a record price for North Melbourne and demonstrated that the market was still very strong for quality residential development sights close to the CBD".

First Home Buyer Numbers Drop Off

According to state government data, the number of first home buyers has fallen substantially in the past year.

In 2009, 50,772 grants were given to first home buyers, an average of 4231 a month. Last year, that fell to 34,386, an average of 2864 a month.

In the first month of this year, 2316 grants were given, 45 per cent fewer than 2009.

The Victorian government provides lower levels of assistance for buyers of existing houses than new ones and this is reflected in the data. In 2008, about 80 per cent of all first home buyers bought an existing house; in 2009, that fell to 70 per cent, while last year, it was 55 per cent.

It is important to note that this data only includes houses bought for less than \$600,000 – or, over the past year, \$750,000 – but that is likely to include almost all first home buyers.

The number of those buying a new house has been stable in the past two years but the number buying an existing house has almost halved. There are

therefore fewer people taking the step from renting to buying.

As the aim of providing higher levels of assistance to those buying new houses was to increase the number of new houses, some success can be claimed; however, the problem is that, overall, the number of first home buyers has dropped.

The government plans to cut stamp duty by 20 per cent for all first home buyers from July 1. That is likely to encourage renters to buy.

Million Dollar Houses

It doesn't seem like so long ago when \$1 million could buy the cream of Melbourne's property market. These days, the once princely sum will barely buy a middle-of-the-road family house in Essendon.

The latest figures from the Real Estate Institute of Victoria confirm the grim reality that the march of the million-dollar suburbs is rapidly gathering momentum.

"You can now drive the 15km from one end of Burke Road to the other without passing a suburb with a median below \$1 million," REIV spokesman Robert Larocca said.

In fact, 346 suburbs and towns recorded \$1 million-plus sales last year, 163 more than 2005. The sales accounted for about 5 per cent of all properties sold in Victoria for the year. In 2002, Toorak had Melbourne's only median house price above \$1 million.

By 2005, Brighton, Canterbury and East Melbourne had joined the exclusive club bringing to four the number of suburbs commanding seven-figure sums for the average house.

Fast forward to 2011 and the latest REIV figures show the number has ballooned to 44, with 18 suburbs cracking the magic million-dollar mark for the first time in 2010.

While most high-end property transactions are done via private sale – meaning the price remains secret – dozens of houses sold at auction for more than \$5 million, including 3818 Point Nepean Road, Portsea, which sold under the hammer for \$8.75 million.

In Toorak alone, 144 properties surpassed the \$1 million mark. In Brighton, the figure nudges 300.

Across Victoria, there were 5252 \$1 million-plus sales in 2010, significantly higher than the 1451 recorded in 2005.

Bigger Houses the Norm

A recent study by the Australian Housing and Urban Research Institute has revealed some interesting trends in Melbourne's housing.

The average home, instead of getting smaller in reaction to increase in affordability pressures, actually grew bigger over the study period between 1990 and 2008. The median floor size of new houses increased by 25% over the 18 year period. What was even more noticeable in urban growth corridors were median floor sizes jumped by 31%.

The desire for a big house was not matched by the need for a big backyard for the kids; instead there was a decrease in the size of land that the McMansions were built on. Lot sizes in the urban growth areas shrunk by 14%.

Not surprisingly, the bigger houses pushed up the average proportion of site coverage by 63%.

The study found that more bedrooms per house, four rather than three, were now the norm.

The picture in the inner suburbs is quite different. About ¾ of dwellings in the inner city have two or less bedrooms, the lower third have only one. In the inner city, floor sizes have shrunk by 34%.

“A divergent pattern is thus apparent, with increasingly large housing on the fringe in particular, and smaller apartment housing in the inner areas,” the study noted.

The study identified a trend where new housing was being built in areas where there were far fewer jobs. Changes to the boundary on the urban fringe of Melbourne have meant more people live further away from their place of employment.

The study concluded “These findings show that planning policies which sought to increase the proportion of housing built close to designated activity centres and public transport nodes,

specifically train stations, appear to have very little influence”.

The proportion of new housing built within one kilometre of a train station has declined since 1990 and further away, within three kilometres, it has declined even more.

World's Most Expensive Streets

Severn Road in Hong Kong sits at the top of the list. This road, at the summit of Victoria Peak, contains about 60 properties where buyers are likely to pay \$80,000 per square metre.

Demand for residential property remains strong in Hong Kong among both residents and Chinese investors and prices have soared by as much as 60% over the last 2 years.

The Land Registry showed Hong Kong's property transactions up 33% from 2009 and 66% from 2008.

Kensington Palace Gardens in London remains in second place after 4 years of the survey. Known to locals as Billionaire's Row, the private road's most recent sale was to Tamara Ecclestone, daughter of Formula One mogul Bernie Ecclestone. He reputedly paid \$70 million for the house.

Fifth Avenue in New York City eased from second place to fourth spot while Sydney's priciest address has been sitting in 10th place for the last 2 years.

Worlsey Road's highest sale was a five storey Italian villa sold last August for \$53 million to a local dentist.

Russia's top street, Ostozhenka Street in Moscow has fallen from sixth place in 2008 to 9th place last year. Prices in the city are now about a third below their peak.