

Where and what type of apartments performed the best in Melbourne's property market

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Michele O'Flaherty-Smith (right) with her mum Marlene O'Flaherty in the Brighton apartment they bought seven years for \$605,000. When it hits the market later this year, it is expected to sell for the mid-\$1 millions. Photo: Wayne Taylor

Michelle O'Flaherty-Smith and mother Marlene bought a rundown art deco apartment for \$605,000 seven years ago, and are now set to more than double their investment.

The pair have reaped a fortune that many Melbourne unit owners could only imagine, with new data revealing not all apartments are created equal.

A typical buyer who picked a two-bedroom unit or apartment in Brighton a year ago has seen the biggest gain – with the median price climbing 22.3 per cent to \$850,000, Domain Group data shows.

Brighton	\$910,000	26.4%
Clayton	\$500,000	18.8%
Doncaster East	\$641,500	12.8%
Glen Waverley	\$680,750	10.7%
Armadale	\$581,000	10.7%
St Kilda	\$509,500	10.5%
Elwood	\$660,000	10.0%
Ringwood	\$500,000	9.3%
Mentone	\$512,500	9.2%
Footscray	\$376,250	9.1%

*Six months to June, suburbs with a minimum of 50 sales

Source: Domain Group, Dr Andrew Wilson

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While a buyer who purchased a two-bedder during this time in South Yarra, where the median dropped 0.2 per cent to \$649,500, may have actually lost money.

Amid concerns of an oversupply of new inner-city apartments, some vendors are enjoying house-like price growth for in-demand apartments.



the past year. Photo: Supplied

Ms O’Flaherty-Smith is expecting interest in the mid-\$1 millions when the pair’s renovated two-bedroom, ground-floor apartment at 1/16 Black Street hits the market in coming months.

The 47-year-old said they had been renting in St Kilda before they found the rundown apartment in one of Brighton’s best streets.

“It’s been a labour of love ... we spent seven years slowly painting, patching and getting things renovated and replaced,” she said.

After watching the suburb transform with new apartments, they are now selling their shared project to help fund a seachange for Marlene.

Listing agent Ben Vieth of Buxton said Brighton units were highly sought by downsizers who wanted to stay in the area, and buyers looking for an affordable entry into the prestigious bayside suburb.

Melbourne unit price growth for different bedrooms

Type	Median	Annual growth	5-year growth
One bedroom	\$352,250	-2.2%	-0.8%
Two bedroom	\$506,000	0.8%	8.2%
Three bedroom	\$652,500	1.2%	21.5%

Source: Domain Group, Dr Andrew Wilson

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The ’60s and ’70s-style single-level, two or three-bedroom villas experienced the most capital growth among the different types of units over the past three years because of their rarity, he said.

Developers don’t build four to six villa units on a block like they did in the past, he said. On a 1000 square metre block, they can now develop 20 or 30 apartments.

“The art deco is a unique market in itself because it’s got that beautiful 1930s period [features], where you’ve got the high ceilings and concrete walls ... there are not many around,” Mr Vieth said.



This two-bedroom at 403/43 Duke Street is located in St Kilda, where the median price for two-bedroom units jumped 14 per cent over the year to \$612,500. *Photo: Supplied*

Recent research by buyers' advocate group Secret Agent shows art deco and period apartments command a premium price per square metre compared with their post-90s counterparts.

Across all property types in Melbourne, three-bedroom units have been the top performers for capital growth over the past five years, with the median price climbing 21.5 per cent to \$652,500.

Meanwhile, the one-bedroom unit median dropped 0.8 per cent during the period, with more significant falls experienced in the CBD, Docklands and South Yarra.

Domain Group chief economist Andrew Wilson also pointed to the higher listings per sale ratio for one and two-bedroom apartments in the CBD – which meant there was plenty of choice for buyers.

Melbourne top suburbs for unit price growth (by bedrooms)

One bedroom Two bedroom Three bedroom

Suburb	Median*	Annual growth**
Northcote	\$357,000	16.1%
Prahran	\$357,000	15.9%
Brunswick West	\$295,750	11.8%
Richmond	\$403,000	5.4%
South Yarra	\$400,000	4.4%

*Suburbs with a minimum of 20 sales

** Jump in median price can also reflect more higher-priced apartments being sold in the six months to June.

Source: Domain Group, Dr Andrew Wilson

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Demand would continue to outstrip supply for established units in the inner east and inner south, which was gentrifying, he said.

Experts attribute the strong capital growth of three-bedroom apartments to their scarcity and their appeal to owner-occupiers.

Angie Zigomanis of BIS Shrapnel said the CBD, Southbank and Docklands were areas with considerable existing stock and new stock being developed, as well as areas with larger developments.

“So someone looking to sell, is in the market with a lot of other people looking to sell, who may be in the same building, the same street and the same suburb,” Mr Zigomanis said.

He said off-the-plan buyers paid a premium because of stamp duty savings and depreciation benefits that weren't offered to the next buyer, which meant it was difficult to make money back in a short time frame.



This two-bedroom villa unit at 3/69 Alexandra Street is nestled in Greensborough, where the two-bedroom unit median climbed 16.4 per cent over the year to \$426,000. Photo: Supplied

Andrew Fawell, director of Beller Real Estate, said consumers needed to understand there were different apartment markets within suburban markets. He said older and more unique apartments were much more attractive than generic off-the-plan units, especially if the market changed for the worse.

“When all the music stops, in a tough market, you’ve got to fall back on the fundamentals,” he said.

Paul Nugent, director at Wakelin Property Advisory said 1930s to 1970s apartments – as opposed to townhouse and villa units – in some inner-city pockets tended to offer good long-term capital growth.

“A fair proportion of the purchase price that investors are paying for those properties can be attributed back to the land value,” he said.

“Whereas often with higher-priced newer units, people are actually paying a premium for the quality of the improvements, the style and extra scarcity of being able to buy a new three-bedroom apartment in a very nice location.”

A carpark with sole and exclusive use is also essential and non-negotiable for an apartment, Mr Nugent added.

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