VIC News

# Melbourne apartments: Young people buying off-the-plan face being ‘submerged’ financially: experts

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SAMANTHA LANDY AND JOHN MASANAUSKAS Herald Sun

Property experts say “billions” of dollars in settlements on inner city apartments are potentially at risk due to buyers failing to complete purchases.

YOUNG people buying apartments off-the-plan in inner Melbourne to get a foothold in the property market face being “submerged” financially, experts say.

With 60,000 units approved or being built, senior financial authorities like the Reserve Bank have warned about the consequences of oversupply.

Property experts say “billions” of dollars in settlements on inner city apartments are potentially at risk due to buyers failing to complete purchases.

It’s feared foreign buyers in particular — who make up at least 30 per cent of off-the-plan purchases and have enabled many Melbourne projects to get off the ground — will surrender deposits paid on apartments and not settle their contracts.

Secret Agent Property Services founder Paul Osborne said they were being turned off new Melbourne apartments by the risk of falling values, and by Australian banks tightening lending criteria for overseas buyers.

The Australian Population Research Institute’s David McCloskey said first-home buyers could also be victims of a price slide.

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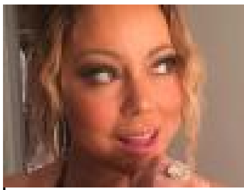

Mariah flashes the flesh in cheeky snaps

Apartments built and under construction in Doncaster. Picture: Mike Keating.

He said census data showed many Victorians aged 25 to 35 were buying apartments to get into the market, earn equity and sell a few years later to help earn a deposit for a house.

"If there's a collapse in apartment values, they're going to find it extraordinarily difficult to gather enough money to get a house deposit when they have to pay back debt on a unit,' he said. "The action they've taken to get ahead may submerge them."

Last week, Reserve Bank governor Glenn Stevens expressed concern about excessive supply in Melbourne and Sydney's markets.

Mr Osborne said the settlement risk caused by oversupply, and foreigners departing the new apartment market, could have repercussions for the wider market.

Developers who'd relied on foreign investors could be left with significant losses, even leading to bankruptcy, by buyers defaulting on contracts, he said: "The consensus now is that this can still be contained. But these situations can be a catalyst for a market correction."

But Nicholas Smedley, of medium-density developer Steller, said the number of apartments approved and actually built in Melbourne would be “very different”.

“The wrong product in the wrong location won’t be built,” he said.

CBRE director Mark Wizel said while a comparison of historic unit supply levels and current ones indicated a glut, in reality Melbourne was “a very late adopter to inner-city, higher density, smaller space living.”

Urban Development Institute of Australia Victorian chief executive Danni Addison said Melbourne was seeing some downward pressure on the resale of new apartments, but this was not unexpected.

“Property is a medium- to long-term investment for most participants,’ she said.

“(Apartments) should not be seen as short-term investments to be flipped after settlement, which is the case for much of the perception of resale values.”

Melbourne has 60,000 units either approved or being built. Picture: Steve Tanner

## THE FACTS

**Melbourne has 60,000 units either approved or being built.**

**According to CoreLogic, the median sale price for units for the year to March was:**

$483,000 in greater Melbourne (up 3.3 per cent year-on-year)

$450,000 in the CBD (down 4.9 per cent year-on-year)

$585,000 in Docklands (up 0.3 per cent year-on-year)

$560,000 in Southbank (up 2.8 per cent year-on-year)

28,185 units were sold in greater Melbourne in the year to March, according to CoreLogic

## SKY HIGH PRICES FOR FIRST-HOME BUYERS

FOR Gretta Mockridge, buying a house and land has always been her preferred way of getting into the property market.

But Ms Mockridge, 27, is realistic about her chances.

“This seems increasingly unachievable as I break down my savings plan and realise that the capital required upfront to buy land, along with the availability of houses in Melbourne is going to make it a long goal,” she said.

“An apartment off the plan becomes the only way to break into the market to simply just get started.”


Gretta Mockeridge has aspirations to buy an inner-city apartment but has decided to wait until prices drop due to an oversupply in the market. Picture: Jake Nowakowski

Urban Development Institute of Australia Victorian chief executive Danni Addison urged new buyers to do their homework on the market in order to make the best decision.

“Off the plan property purchases are no different to other property products,” she said.

“Property is a medium to long-term investment option and the historical trends relating to the location, product type, price point and resale value are essential to understand the pros and cons of any purchase.”

Despite high prices, Ms Mockridge said that her friends were reasonably optimistic about entering the market.

“Some have already bought apartments in Melbourne, generally with a partner,” she said.

“However, they recognise that it’s a long process of saving, not just for the deposit but also to put away for the repayments that will be required that are out of their current means.”

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