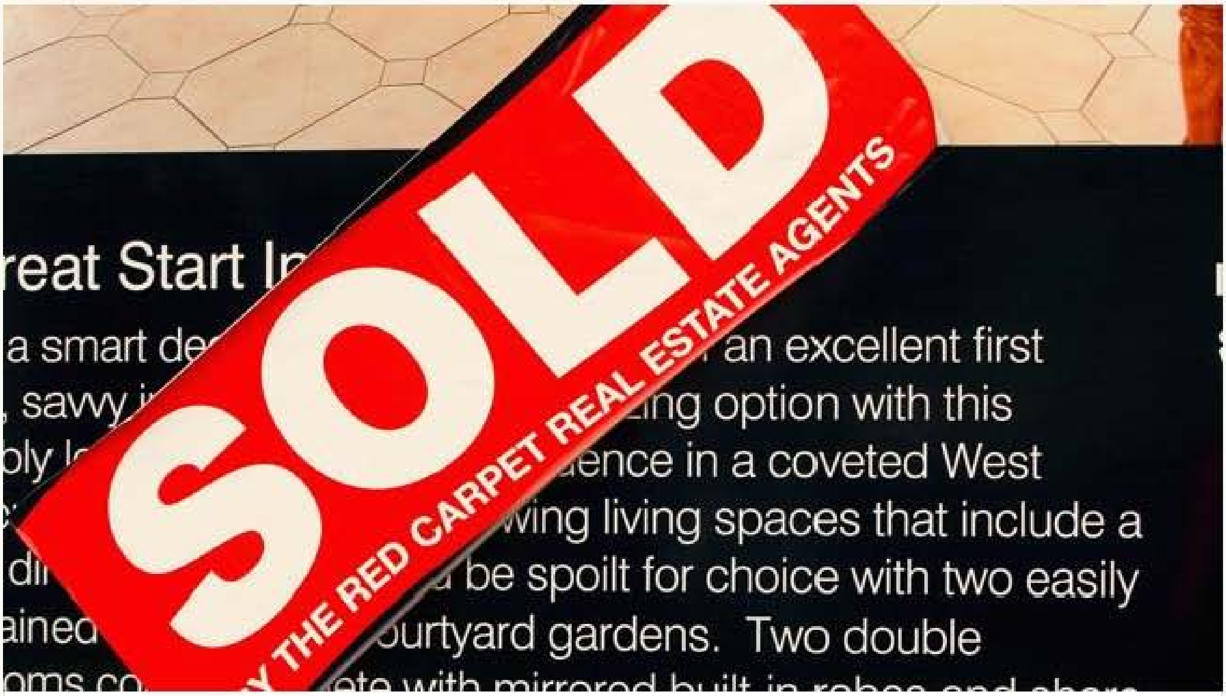
Melbourne property market continues to improve

NATHAN MAWBY • HERALD SUN • AUGUST 01, 2013 12:05PM



Homebuyers have been warned price rises may be on the way. Picture: Scott Barbour/Getty Images *Source:* Getty Images

A FURTHER improvement in house prices in Melbourne last month, coupled with an anticipated interest rate cut next week, has sparked a housing affordability warning.

The alarm has been raised by market analysts at RP Data and Rismark, whose combined Hedonic Home Value Index released yesterday revealed a $13,250 (2.5 per cent) increase in values on the price of a median, $530,000, house helped put our market $23,320 (4.4 per cent) ahead, year-on-year.

That growth follows predictions last week that Melbourne's home values could return to peak levels by Christmas this year.

RP Data analyst Cameron Kusher said the figures were a mixed bag.

"It's good news for people that own their homes, but not for those looking to buy for the first time," Mr Kusher said.

"Someone looking to get in on their first time, it obviously does make it a bit harder."

But the growth in prices recorded was predominately lead by houses, with units recording more modest figures.

"It's interesting to see that houses are really picking up, people seem to be going for houses rather than units," Mr Kusher said.

He believes the link may reflect people deciding to buy houses rather than a unit while rates are low.

Mr Kusher also noted an acceleration in growth in the coming three months is possible.

"The third quarter is usually a strong one, so I wouldn't be surprised to see a little bit of an acceleration in the next three months," he said.

Ben Skilbeck, Rismark CEO, added that a predicted interest rate cut next week would make things even worse for first time buyers.

"While the highly anticipated interest rate cuts in August will further act to improve housing affordability, if these cuts do eventuate they will likely spur further house price appreciation making the deposit requirements for first home buyers more challenging," Mr Skilbeck said.

The growth in values is a response to positive conditions in our market and puts Melbourne slightly ahead of the national average, though behind market leaders Sydney and Perth.

Units were also buoyed by a slight increase, with a rise of $9,785 (1.1 per cent) recorded in the past month and $13,485 (3.1 per cent) year-on-year.

The current Melbourne median for units is now $435,000.

Both the median house and unit price for Melbourne fell last month, but this reflected poorer quality properties being sold as stock levels dropped over the winter months, according to Mr Kusher.

The data comes as CommSec and Australian Bureau of Statistics figures released this week have revealed Melbourne's outer regions are the nations most mortgaged.

A staggering 55 per cent of Melton homes are mortgaged, according to the figures.

Also high on the list are Casey, 53.1 per cent, Wyndham, 50.5 per cent, Nillumbik, 50 per cent, and Cardinia, 49.9 per cent.

Almost half, 48.4 per cent, of homes in the Manningham council area are owned outright.