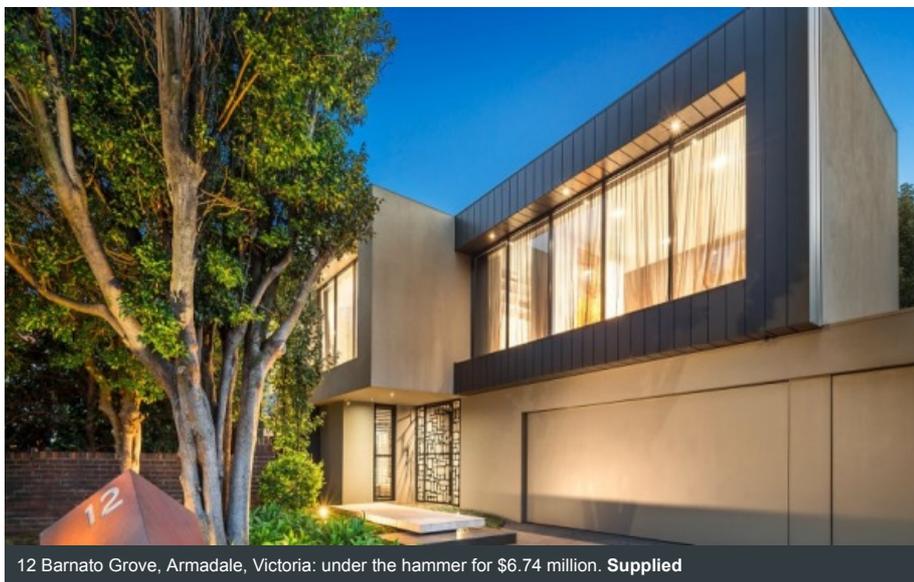


## Why Melbourne house prices are rising faster than anywhere else



Last Saturday's auction surprised even the real estate agent. The five-bedroom house in Melbourne's affluent inner-eastern suburb of Armadale shot through its \$5 million reserve price and kept on going.



12 Barnato Grove, Armadale, Victoria: under the hammer for \$6.74 million. Supplied



by [Michael Bleby](#)

Even the real estate agent was surprised. The five-bedroom house in Melbourne's affluent inner-eastern suburb of Armadale shot through the \$5 million reserve price and kept on going.

The 70-strong crowd were entertained by a four-way battle last weekend for 12 Barnato Grove that ended at \$6.74 million.

"We always thought the property could have some X-factor," said Kay & Burton South Yarra agent Darren Lewenberg. "I thought it should have a value around \$5 million. The result was something of a surprise."

While fancy homes often do well, they don't necessarily reflect conditions in the wider market. But the Barnato Grove house is a metaphor for Melbourne accommodation: prices for houses and apartments have [grown faster than in Sydney](#) over the last quarter and the past 12 months.

"[Sydney was bolting ahead](#) at such a level that it wasn't sustainable and now it's starting to back off," said Paul Osborne, the founder of Melbourne buyers' consultancy Secret Agent.

"Victoria's been successful in terms of population growth. It's the fastest-growing state and the employment situation here is still pretty good."

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Melbourne's growth looks likely to continue. CoreLogic figures show that over the year to February, Melbourne home prices rose 11.1 per cent, compared with 9.5 per cent in Sydney. Over the same period, home values rose 5.3 per cent in Brisbane and 2.8 per cent in Adelaide. Perth homes fell 3.1 per cent.

Despite the faster growth, Melbourne prices are much cheaper than Sydney's. The median dwelling is worth \$550,000 in Melbourne compared with \$730,000 in Sydney.

The strongest growth is in established homes in well-located suburbs, like the Barnato Grove house.

"It's that proximity-rich dwelling on its own land, with easy access to the CBD and easy access to different job opportunities that might be available," Mr Osborne said.

Established houses are one thing, new houses are another. Victoria led the country with 69,420 home approvals in the 12 months ended February. There were almost equal numbers of houses and apartments approved.

## House-and-land packages

Even here, some prices are rising. Prices for house-and-land packages in the low \$300,000-range are kept in place by tough competition. There is movement in the next tier, of new houses sold for \$600,000 and upwards, said Robert Papaleo, the national executive director of valuation firm Charter Keck Cramer.

"We're beginning to see a bit more spread in pricing in the medium-to-upper home market as upgraders are taking advantage of higher equity in the established housing markets and choosing to live in the greenfields," he said.

A "structural uplift" is occurring in apartments on Melbourne's city fringe, included young buyers who have just moved out of home, he said.

"The really interesting thing we're seeing in the city fringe more is that the value rate of larger two-bed and three-bed apartments, particularly the two-bed plus two-bath combinations are actually stronger than ... for smaller one-bed apartments," he said.

Even Melbourne's CBD apartments are getting a boost – largely because of the greater number of tall buildings offering higher, pricier apartments than two years ago, rather than due to any surge in demand.

"That \$10,000 [per square metre] price threshold is being reached much more commonly now," Mr Papaleo said. "It's a compositional issue more than anything."



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