

Apartment prices slay the safe-as-houses myth

The latest REIV figures show that investing in an apartment is a safe bet, writes **Richard Conrad**

THE widely held belief that units and apartments generally don't increase in value as fast as houses is just plain wrong.

The latest REIV figures show that in the past five years units and apartments have performed slightly better than houses.

From December 2004 to December 2009, the average price for a metropolitan house grew 46.1 per cent from \$370,000 to \$540,500.

In the same period, the average price for Melbourne units and apartments grew 47 per cent, from \$300,000 to \$441,000.

And recently, average prices paid for units and apartments have increased 7.6 per cent, from \$410,000 in the September 2009 quarter to \$441,000 in the December quarter.

Chosen wisely, units or apartments can be "safe as houses" — and they're top places to live, too.

In East Melbourne, where the average price for an apartment is \$825,000, an 118 per cent rise in values can be attributed to record prices paid for luxury pads, particularly in the Mercy Hospital

Houses versus units							
Houses	Dec-09 median	Quarterly change	Annual change	Units/apartments	Dec-09 median	Quarterly change	Annual change
Toorak	\$2,675,000	3.3%	6.3%	Toorak	\$701,250	0.4%	12.9%
Brighton	\$1,661,500	4.9%	20.8%	Brighton	\$730,000	-4.3%	21.5%
Malvern	\$1,521,000	1.4%	10.5%	Malvern East	\$490,000	9.5%	14.0%
Balwyn	\$1,451,000	12.8%	51.8%	Balwyn	\$650,000	5.9%	20.4%
Hawthorn	\$1,406,000	10.3%	4.9%	Hawthorn	\$452,500	2.4%	24.7%
Kew	\$1,380,000	2.5%	35.2%	Kew	\$550,000	7.8%	15.8%
Camberwell	\$1,339,000	3.4%	36.6%	Camberwell	\$629,000	12.4%	12.0%
Hampton	\$1,255,000	2.9%	14.1%	Hampton	\$581,000	-3.2%	11.7%
Hawthorn East	\$1,252,500	-5.6%	54.6%	Hawthorn East	\$555,000	16.2%	46.2%
Elwood	\$1,247,500	1.8%	22.0%	Elwood	\$500,000	7.2%	13.9%
South Yarra	\$1,200,000	11.9%	21.2%	South Yarra	\$605,000	8.5%	34.3%

Source: REIV and Office of Housing

redevelopment. Other desirable suburbs that have seen big increases in the average prices of units and apartments include Port Melbourne, Armadale, Caulfield North,

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Northcote, Fairfield, South Melbourne and Docklands.

In Toorak, the average house price at the end of 2009 was \$2,675,000, yet the average unit or apartment would have set you back only \$701,250.

But for value for money, you would have been better off investing in

Toorak units and apartments because they rose 12.9 per cent in value last year — more than double the 6.3 per cent rise for houses.

Units and apartments span the

entire price spectrum — from entry-level one-bedroom units in outer suburbs to multi-million-dollar penthouse apartments at Melbourne's best CBD and inner-city addresses.

REIV research manager Robert Larocca credits the shift towards medium and higher-density housing

in Melbourne as one reason units and apartments are performing well.

"For some that shift will be a lifestyle choice; for others it will be a decision based on cost," Larocca says. "For many, inner-city suburbs' higher density can provide a more affordable option."

"The increasing popularity of medium and higher-density housing also has a positive outcome; for some suburbs the capital appreciation matches that for houses."

"Overall, growth in the median price of units and apartments has matched that of houses for five years," he says.

But Larocca warns that the adage of

location, location, location applies as much to units and apartment as it does to houses.

"In some cases, the location may not mean what suburbs or what street, but what floor," he says.

"Get the right location and your resale value will be comparable."

Larocca says the belief that units and apartments don't perform as well as houses is a legacy of older attitudes to medium and high-rise dwellings.

HOWEVER, precautions need to be taken when buying an apartment or unit.

These include being aware of costs such as owners' corporation (previously known as body corporate) fees and liability for repair and maintenance costs for the building as a whole.

Archicentre — the Australian Institute of Architects' building advisory service — recommends a professional inspection of the building before buying a unit or apartment.

Faults Archicentre has found during pre-purchase inspections of apartments include lack of insulation and noise barriers between apartments, poor ventilation in laundries and bathrooms, drainage problems and structural damage.