

ECONOMY AND
DEMOGRAPHICS

JAMES NIHILL | 20 NOVEMBER 2018

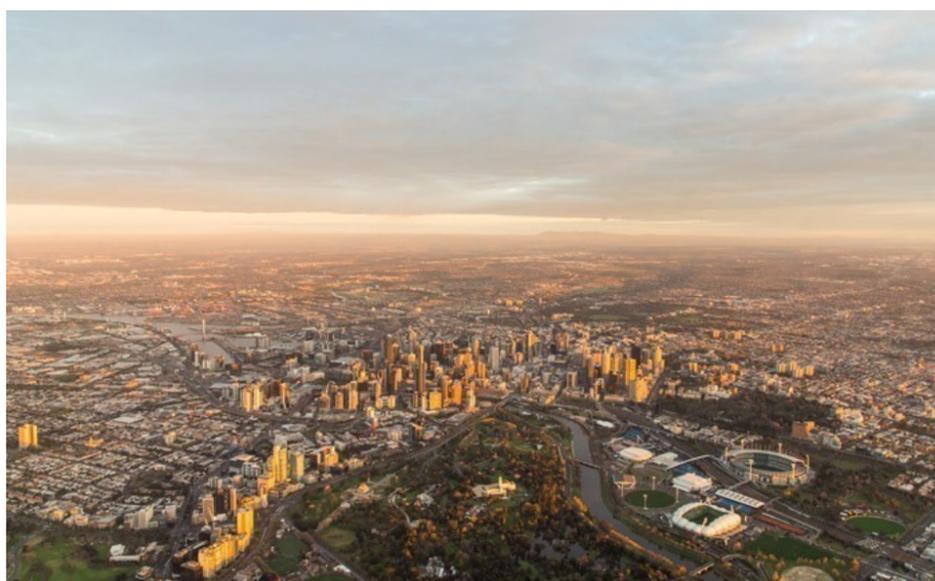
Tale of two cities - Melbourne set to overtake Sydney: James Nihill

EXPERT OBSERVATION

For years Melbourne has been renowned for its trend-setting restaurant and fashion scene, often teaching big sister Sydney a thing or two.

More recently, Melbourne's property market has caught our eye with its striking and daring architectural designs and robust opportunities for investors.

It's almost impossible to escape headlines declaring prices falling in housing markets in major Australian capital cities, spreading widespread concern and creating an irrational fear of residential property investment.



But all indicators point to Melbourne as a prime investment location supported by strong population growth, stable political leadership and a high level of government investment in infrastructure.

Despite on-going media reports on negative housing trends, Melbourne continues to show solid economic growth and is likely to come out of this 'softening period' relatively

unscathed.

Melbourne has managed to counteract the alleged housing market slowdown as the city's median house price is up 5% in the past 12 months.

According to the Real Estate Institute of Victoria (REIV), there was a 13.6% increase in the value of homes sold on the private market and an 0.6% increase in the value of those sold at auction over the past 12 months.

The good news for investors transcends stabilising house prices as 2018 has also seen a boom in population growth which has allowed Victoria to take out the number one spot this year in CommSec's "State of the States" economic rankings, outranking New South Wales for the very first time.

In fact, Victoria experienced Australia's largest population growth between 2016 and 2017 with Melbourne experiencing the largest and fastest growth of all capital cities.

According to the Australian Bureau of Statistics, Melbourne grew by approximately 144,400 people at a growth rate of 2.7%.

This record population growth continues to fuel demand for housing maintaining an overall undersupply in the market.

It is predicted that Melbourne could become Australia's largest city as early as 2030 with its population expecting to reach 6.1 million.

Melbourne is on the verge of overtaking Sydney as the nation's largest city and remains a 'safe bet' for investors in terms of securing tenants and both rental and capital growth.

The city also has no shortage of infrastructure projects making the city desirable for new residential dwellings.

Melbourne has a larger land radius in the city centre than Sydney allowing for more development and will soon have Australia's tallest skyline, with more than 140 skyscrapers higher than 100 metres completed, planned or under construction.

The Victorian economy has arguably been the best managed State across both sides of government for decades providing a resilience unseen in other states.

The Victorian Government is committed to ongoing investment in world-class transport infrastructure including the \$11 billion Metro Tunnel and the \$1.75 billion Regional Rail Revival program.

The future outlook remains positive with forecast budget surpluses for the next four years provide a stable economic environment in Victoria, allowing the government to expand its ongoing investment in infrastructure.

The housing market slowdown will likely dominate the headlines for the foreseeable future, but the reality is the property market is dynamic and there are always opportunities if you know where to look.

Investors need to do their homework and seek professional advice and ensure the fundamentals are strong before leaping into an investment opportunity.

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