

PROPERTY WATCH®

Third Quarter 2011

Melton LGA Market Overview

IN BRIEF

- The median sale price for houses in the Melton LGA matched the ten year annual growth rate at 10.4% for the six months to March 2011, culminated from a lower transaction base of 543
- The Melton LGA vacant land market median price has spiked to a phenomenal 27.9% annual growth rate for the six months to March 2011

Scope

This report analyses the current trends and performance of the Melton Local Government Area's (LGA) house, unit and vacant land markets. It further highlights the region's local trends to provide an understanding of the type of real estate product in demand by the local market.

Area Characteristics

The Melton LGA encompasses almost 530 square kilometres, with its closest perimeter approximately 20 kilometres west of Melbourne's CBD. The region comprises of 20 suburbs and has been earmarked as a key growth corridor for Victoria, with much of Melbourne's urban sprawl already encroaching the LGA's eastern border. With strong population growth driving a number of substantial infrastructure and amenity developments in the Western Corridor, there lays a strong potential for capital appreciation in the Melton real estate market.

Melton LGA House Market

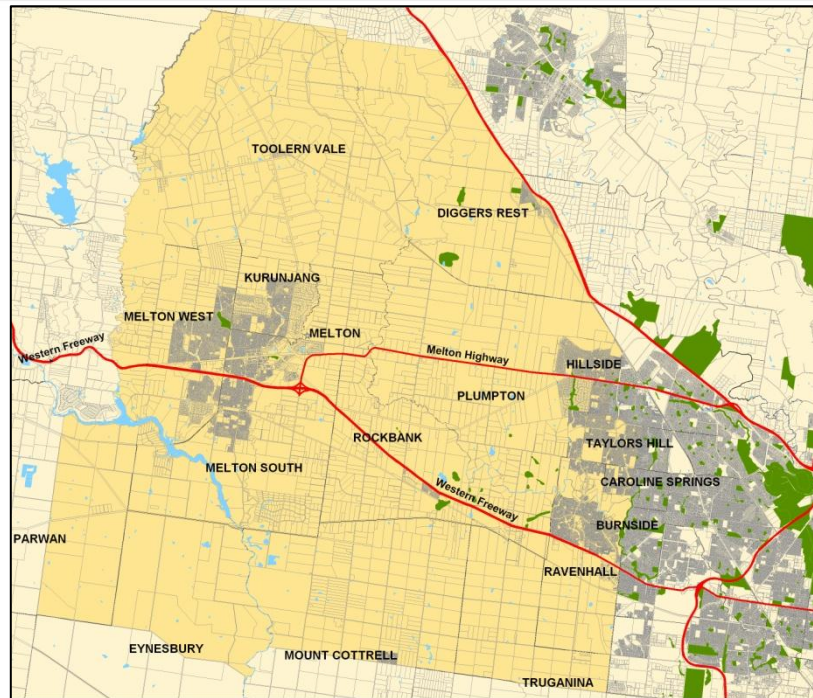
The Melton LGA house market is well placed to accommodate the growth spreading from Melbourne, it provides excellent access to the city, coupled with improved affordability.

The six months to March 2011 closed at a new high for the median price of \$349,000. The median was an increase of \$32,750 on the previous year, representing a very robust growth rate of 10.4% which is the same as the ten year average growth figure.

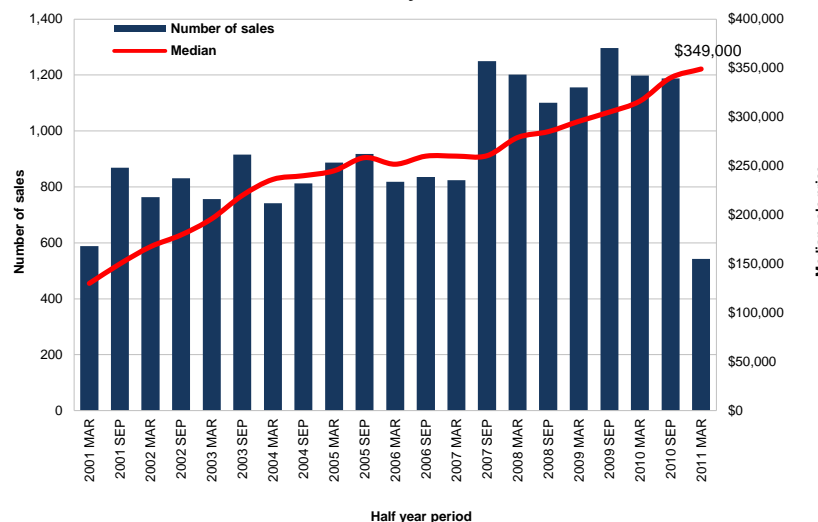
The strong median growth demonstrates the underlying strength of the market, as it has occurred against the background of falling sales numbers. The 543 transactions for the six months to March 2011 represented only 50% of the five year average of 1,087 per six month period. The softening in sales has occurred very broadly across the Victorian market for this period.

The price points table demonstrates the price movements that have seen the strong growth in the median price. Sales below \$300,000 which represented 50% of all sales as recently as March 2009 represent only 30% of the market as at March 2011. Over the same period, sales above \$400,000 which represented 11% have grown to 33%. It appears that in the future there will be more sales above \$400,000 than below \$300,000 which did not seem immanent as little as two years ago.

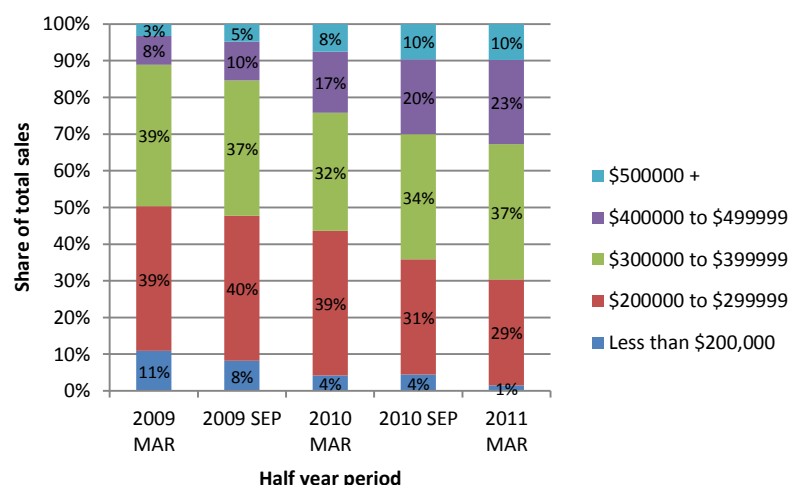
The lowest value sale for the six months to March 2011 was transacted in February for a property in Westlake Drive, Melton West at just below \$100,000. The three highest sales values recorded were all at Hillside, the peak of these being a property in Conferta Close which sold for \$955,000 in March 2011.



Melton LGA House Sales Cycle



Prepared by PRDnationwide Research. Source: PDS

Melton LGA House Price Points
March 2009 to March 2011

Prepared by PRDnationwide Research. Source: PDS

Melton LGA Unit Market

The Melton LGA's growing urbanisation is evidenced by the rapidly developing unit market. The first three years of the decade saw annual sales volumes averaging under 150 transactions, since 2007 these annual sales figures have more than doubled on average to exceed 300. The six months to March 2011 however saw the market soften to record the lowest volume of transactions for a six month period since 2006. The fall in sales was quite dramatic, with the 73 transactions for the six months to March 2011 representing a 58% decrease on the previous six months. Given the strong longer term upward trend, and the general nature of this softening across the Victorian real estate market, it is reasonable to expect volumes to return to average levels in the medium term.

The median price for units in the Melton LGA has shown significant volatility over the decade. The median price for a six month period has on six occasions this decade been lower than the previous period. The more mature house market by comparison had only one decrease in median price over this same period. The six months to March 2011 recorded a median price of \$250,000 which was \$9,000 down on the previous six month period. The longer term view shows a very healthy ten year growth level of 10.4% per annum, however the five year average annual growth has slowed to 3.1% per annum.

The price points table at right reflects the relatively small changes that have occurred in the unit market in recent periods. There has been a decrease in the number of sales occurring below \$200,000 down from 18% of all sales for the six months to March 2009 to 12% in March 2011. The \$200,000 to \$299,999 price bracket continues to dominate, growing to represent 67% of all sales for the six months to March 2011.

Melton LGA Vacant Land Market

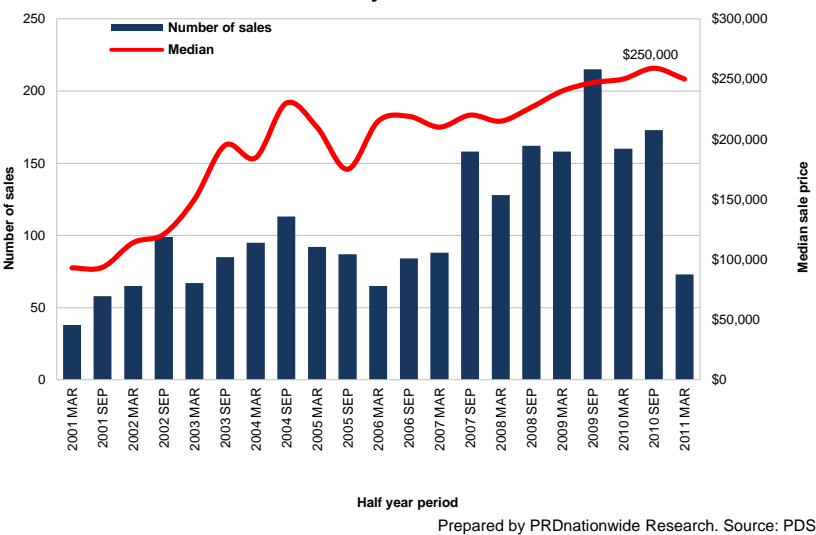
The median sale price for vacant land surged to a new high of \$165,000 for the six months to March 2011. Following a period of very slow growth for the six years to March 2010 (1.8% per annum over this period) the median price has spiked to a remarkable annual growth rate of 27.9% to the end of March 2011.

The phenomenal growth has seen sales below \$100,000 which represented 17% of the market as recently as the six months to March 2009, drop to a negligible 2% to March 2011. Over this same time period the over \$250,000 bracket has increased from 3% of all sales to a significant share of the market at 19%.

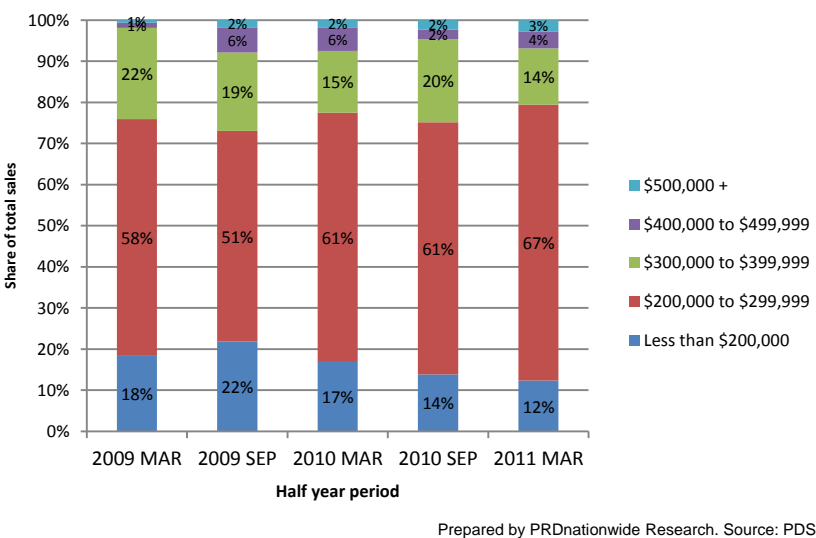
The Melton LGA is widely understood amongst investors to be a fast growing area. The land market has seen investors speculate that this population growth coupled with improving amenity so close to Melbourne would lead to growing prices. This is evidenced by the average holding period of only 1.5 years for blocks of land that have been purchased and resold since 2000.

The long term future of the Melton market would appear to be very strong with the fundamentals of growth and position so much in its favor. Due to the speculative nature of some investors in this market, some short term anomalies might be reasonably expected.

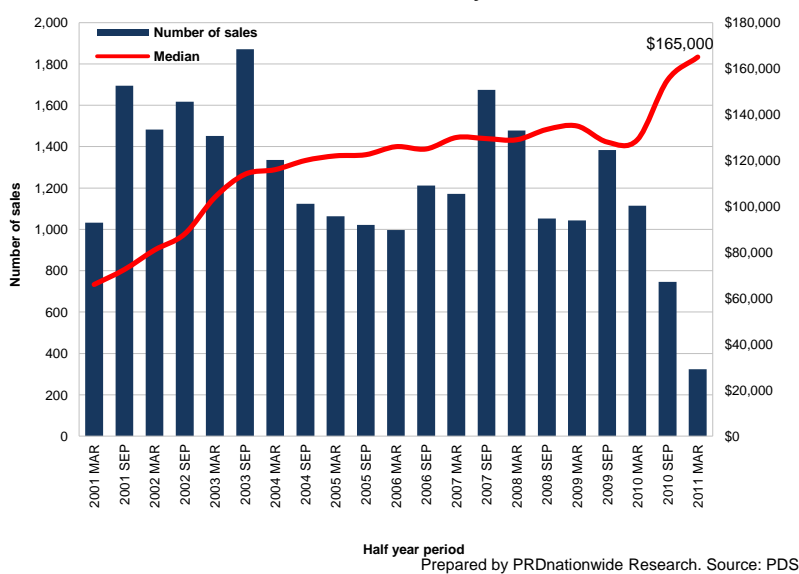
Melton LGA Unit Sales Cycle



Melton LGA Unit Price Points March 2009 to March 2011



Melton LGA Vacant Land Sales Cycle



Prepared by PRD Research. Source: PDS Live and ABS. For further details contact: Mark Corboy (0400) 520 717 or Email: markcs4u@gmail.com, PRD Gens Gaunt Melton on (03) 9747 6665, or visit our website at www.prdnationwide.com.au/research.

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