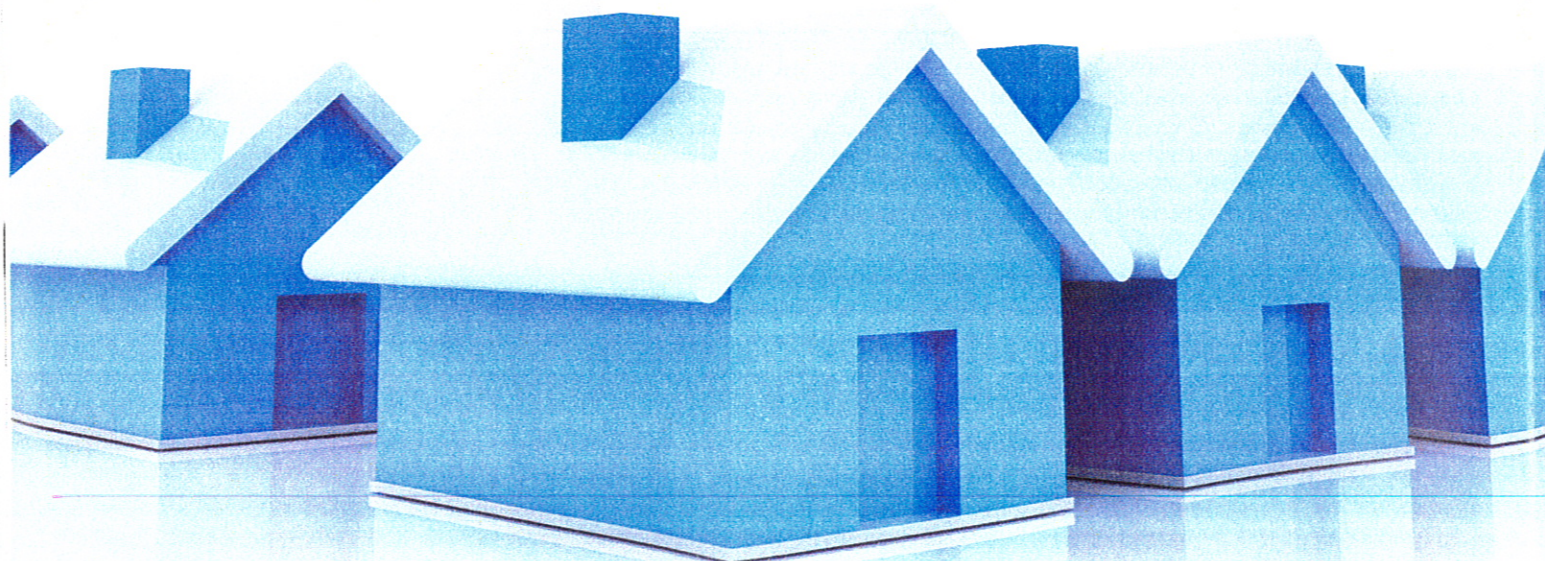


Almost million dollar babies

Which suburbs will break the \$1 million median house price barrier in 2011? We take a closer look at Australia's 'almost there' six-figure suburbs. **CAROLINE JAMES**

EXCLUSIVE

FOR SALE
\$999,000



T rue, owning a \$1 million house may not hold the same 'wow' power it did a decade ago. Median house prices in four out of the eight Australian capital cities are now above \$500,000. But seven-figure sums in real estate still fascinate most property investors and homeowners.

Watching Australia's steady rise of suburbs with median house prices above \$1 million – up 35 per cent to 212 suburbs in 2010, according to RP Data – is a bit like watching waves of a rising tide. You know if you wait long enough \$1 million club membership will lap at your feet.

Today's club top dogs include Mosman on Sydney's North Shore, which recorded 192 \$1 million-plus sales last year, according to PRDnationwide, and Western Australia's beachside darling Peppermint Grove, which lays claim to Australia's highest median house price of \$4.6 million, reports RP Data.

So where is the next generation of million dollar babies?

We asked Australian Property Monitors (APM) to generate an exclusive report for API, showing all suburbs nationally that finished 2010 with median house prices between \$850,000 and \$999,999. We figured this might shed some light on where the wealth waves are rolling.

APM found 144 suburbs finished 2010 with median house prices within 15 per cent of the golden \$1 million figure (see page 51). Thirty-four suburbs recorded medians within just five per cent – \$50,000 – of the seven-figure milestone.

"We tend to look for a minimum of 20 sales in a reporting period before we believe we're getting a robust result," APM senior economist Andrew Wilson explains.

"The larger the numbers, the less likelihood of skewed results and we also adjust our medians to take into consideration any unusual amounts of sales at either end of the price spectrum."

Wilson also uses a water metaphor when asked to interpret APM's statistical findings.

"One of my favourite sayings around here is 'a rising tide will lift all boats'," he says.

"We're currently in a rising tide and in time it will lift all boats; wages, aspirations and market confidence."

Sticking with the water theme, demographer Bernard Salt of KPMG describes the suburbs highlighted in APM's report as real estate "osmosis".

"When I looked through these statistics what struck me was what I would call an osmosis effect," Salt says. "It's almost like the \$1 million-condition spreads out from where it has previously been reported."

However, Metropole Property Investment Strategists boss Michael Yardney says it's

"unlikely" we can expect "another big increase" in the number of suburbs joining the \$1 million club in 2011 because the national property market fell in value in the final quarter of 2010.

Five years ago, the \$1 million club had 78 member suburbs, according to Yardney. "But as the property market picks up over the next few years and capital growth returns more suburbs will increase in value and more houses will be worth \$1 million or more," he predicts.

"Based on the past 10 years and a trend called the ripple effect, where buyer demand and capital growth 'ripples' outwards from one suburb to the next, there's compelling evidence median house prices will be over \$1 million in every capital city at the end of this decade and in many cases closer to \$1.5 million."

"Canberra is a very solid property market, a quiet achiever."

So where will 'almost million dollar suburbs' end up in 2011 and should investors be targeting these areas?

NEW SOUTH WALES

Asked if it's reasonable to expect to see more suburbs joining the \$1 million club this year, Wilson says: "Yes, definitely".

"I would suggest, as a reasonable and perhaps optimistic assessment, anything within a five per cent margin of that figure would be a good bet to climb over the \$1 million mark in 2011."

Hotspotting.com.au director Terry Ryder is less optimistic.

Ryder suggests Sydney "may get a lift" from the recent change of government.

"Very little infrastructure has been built in recent years and it's no coincidence Sydney has been the real estate under-achiever among the capital cities," Ryder states. "If the new government can get the economy moving again and start building roads, rail links and hospitals, real estate will react."

Salt, while reluctant to make predictions, notes Lane Cove's wealth is spreading to Lane Cove North, which finished last year with a \$987,000 median house price.

He sees suburbs with access to water – Little Bay, Abbotsford and Annandale – performing strongly in 2011.

VICTORIA

JPP Buyer Advocates' Catherine Cashmore

expects all Victoria's under-\$1 million top dogs to reach seven figures this year.

The Melbourne-based advocate says, excluding Yarrambat, which "makes the list due to its prestigious houses on one-hectare allotments", Ashburton, South Melbourne, Port Melbourne and Aberfeldie lie within 20 kilometres of the CBD, have established infrastructure, and benefit from "the ripple effect" from more expensive neighbours Brighton and Camberwell.

"It's safe to assume that 2011 will see moderate growth of around eight to 10 per cent," Cashmore says. "I'm not surprised by any suburbs on this list."

Ryder suggests there's impetus behind "the Caulfield suburbs" because of the \$750 million redevelopment of Caulfield Racecourse and the \$350 million expansion of the Monash University campus.

Wilson thinks Melbourne "has some upside in the higher levels".

"The ones leading up to \$1 million... do have some potential even though there has been strong price growth post-GFC (global financial crisis) so the market may be taking a pause this year, catching its breath," Wilson suggests.

"Suburbs within four per cent would definitely be in contention to make the \$1 million club this year."

Salt notes Aberfeldie is next to Essendon, which is already a \$1 million-plus suburb, and Ashburton is beside Camberwell, which is also a seven-figure house median suburb.

"These almost-there suburbs are not the ultra high end," says Salt. "This isn't where you'll find the BRW 100, but their accountants, their lawyers, will be found in these suburbs. You'll find the comfortable upper middle class," he explains.

QUEENSLAND

In the Sunshine State, industry experts are less confident the "almost \$1 million club" of suburbs will rise this year.

"Brisbane has got to have some question marks over it," Wilson says, referring to its five top suburbs under \$1 million.

Salt refrains from forecasting but notes the recurring trend of underdog suburbs benefiting from richer neighbours is evident in Brisbane's St Lucia and the Gold Coast's Bundall.

"St Lucia is around the river bend from Milton, one of Brisbane's top blue-chip suburbs, Bundall is next to Sorrento and behind Surfers Paradise," Salt observes.

He also suggests St Lucia, Bundall and New Farm's proximity to water will stand their home values in good stead this year.

And Tinbeerwah and Gumdale may reach