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Double-dealing for perfect match

Size matters Joining two apartments makes sense for downsizers who still want the luxury of space, writes **Duncan Hughes**.

Bargain hunters and flexible developers could be a perfect match for buyers wanting to create bigger living spaces by merging adjoining off-the-plan apartments, particularly in middle-ring suburbs, specialists say.

Major developers such as CBRE claim the rate of buyers doubling their original floor space by buying the place next door more than doubled last year as cashed-up empty-nesters sold their suburban family homes and "downsized" into luxury inner-city postcodes.

These empty-nester baby boomers are typically moving from large family homes and still want large living rooms, huge walk-in robes, generous ensuites and at least three bedrooms so that the grandchildren can stay over. "Buyers are often designing the apartments so that they can be easily subdivided back into two apartments if they decide to downsize, or need to rent," says Chris Foster-Ramsay, principal of Foster Ramsay Finance, a mortgage broker.

An apartment buyer in the Eastbourne, an exclusive inner-Melbourne development, recently paid $11 million to create a customised apartment.

But the trend is extending into the suburbs where high land costs and falling apartment prices provide an option for families seeking home-sized living spaces in convenient locations and who are willing to take the risk buying two apartments in an off-the-plan project.

"Middle-ring localities in New South Wales, particularly in some of the centres that have seen hot inner city markets over the past few years, may be the opportunity many buyers are crying out for, as long as you can spot the prime purchasing options among the raft of available options," says Shaun Thomas, Herron Todd White residential director for Sydney.

Steve Lusi, a director of Direct Property Group, says: "Demand for buying two apartments and merging them into one is spreading from the CBDs and inner cities into middle-ring suburbs where young families and downsizers are demanding the size and amenities they would expect in a traditional suburban home."

Apartment sales in most of the nation's state capitals and major regional centres are starting to decline after years of appreciation, particularly around Sydney and Brisbane, which means there is increasing opportunity to negotiate better terms and conditions, according to analysis by Herron Todd White, a national independent valuer.

Developers are offering mortgage commission payments of $30,000 to financial advisers and mortgage brokers, and trebling

Merging two apartments is proving popular but ask for a discount.

buyers as local and overseas demand slows, according to analysis of deals.

Other developer incentives include luxury features, interest on deposits, part-payment of stamp duty and cash rebates to encourage buyers pressured by tougher lending conditions and lower expectation of price growth.

Buyers should ask their adviser whether they are receiving commission and, if so, ask for a discount.

Mr Lusi says buyers of adjoining apartments in suburban apartment complexes should be negotiating discounts of about 5 per cent, enough to cover stamp duty in most states and territories.

Buyers are often designing the apartments so that they can be easily subdivided back into two apartments.
Chris Foster-Ramsay, mortgage broker

The top end of the market, where cashed-up buyers want size and status in the heart of the city, remains strong, according to Andrew Leoncelli, managing director of residential projects at CBRE, the world's largest commercial real estate services and investment company.

The number of combination apartments last year sold by CBRE more than doubled from about 4 per cent to 9 per cent.

"The purchaser is able to customise the apartment design to suit their lifestyles – architects and interior designers do their best but only the occupant truly can know

Leoncelli says.

The rush of supply in apartments in Sydney in the past five years has caught up with demand, giving rise to a cap on price rises, according to BIS Oxford Economics.

While there has been an under-supply of dwellings, including apartments before the boom of 2012 to 2017, there were 47,200 apartment construction starts in 2016-17, doubling from 23,100 in 2012-13, against underlying demand of about 42,500.

In Canberra, apartment growth in suburbs like Molongolo Valley and Turreranong Town Centre is causing prices to taper-off and fall, according to Angus Howell, HTW associate director. "Long-term demand is shifting towards new and established housing," Mr Howell says.

BIS Oxford has reversed earlier predictions that Melbourne will suffer a surplus of apartments, saying faster-than-expected population growth now means the city will be in balance or even face an under-supply.

The consultancy, which warned of a 15,000-apartment glut in the Victorian capital two and a half years ago and repeated the warning last year, now says census figures show the state has 109,000 more people than previously expected.

Key middle-ring south eastern suburbs in Melbourne are Doncaster, Nunawading, Blackburn and Ashburton, where owner occupier and rental demand are strong, says Perron King, HTW's Melbourne director.

Demand for apartments in the northern suburbs is "subdued" because of ample supply and the affordability of vacant land, says Mr King.

Melbourne's northern middle-ring suburbs are considered to be a more affordable option than the south-east.

"Demand for townhouses and apartments remains subdued due to their relative availability and affordability of vacant land, but they are becoming more popular due to population growth," according to Mr King.

There's "heaps of activity" within a 15-kilometre ring of Brisbane and affordability alternatives outside of Adelaide, such as Clarence Park and neighbouring Colonel Light Gardens. There are still large land offerings and houses for reasonable prices within a 20-minute radius of Hobart and