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Melbourne's property prices are growing faster than Sydney.



Dana McCauley, news.com.au @Dana_Adele

SYDNEY, your time as Australia's most sought-after address could soon be over.

Archival Melbourne is threatening to steal the Harbour City's crown, with its housing market slaying that of its glitzy big sister.

After being voted the world's most liveable city for the sixth year in the a row, Melbourne property prices grew faster than those of Sydney.

A lot faster — homes sold in Melbourne went up an average 6.9 per cent in the year to September, compared with just 3.2 per cent in Sydney, according to the latest data from the Australian Bureau of Statistics.

Why? It comes down to supply and demand, with the comparative affordability of Melbourne housing — combined with the city's reputation as a cultural and sporting mecca — luring people from overseas and interstate.

"The reality is that Melbourne is now expanding by about 100,000 people every year," SQM Research founder Louis Christopher said.

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“That’s like the equivalent of the MCG at full capacity. A lot of those people do have money to go and buy a property and that’s what they’ve been doing.”

If the trend continues, the unthinkable could become a reality; “One day, Melbourne may end up more expensive than Sydney,” Mr Christopher said.



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Melbourne's laneway cafes are part of its charm. Picture: Scott Barbour Source: Getty Images

A DEMOGRAPHIC SHIFT

That’s a big jump, with the median dwelling price in Melbourne just over \$700,000, compared to Sydney where it hovers around the \$1 million mark.

But then again, Melbourne is forecast to become Australia’s biggest city by 2050, a transition that demographers have been predicting for the past two years.

Social researcher Mark McCrindle said that with the city’s population growth outpacing that of Sydney for several years in a row, it was no surprise that its property prices would reflect this.

“The faster the demographic growth, normally, the higher the prices go,” Mr McCrindle said.

And while the difference in Melbourne’s annual population growth was only about 5000 to 15,000, it was steadily catching up.

“We often forget that there’s only an eight per cent difference in the size of the two cities,” he said. Sydney’s population hit 5 million in 2016, while Melbourne is approaching 4.7 million.

What was drawing people to the city, he said, was a combination of a “good, diversified economy”, with lower house prices compared to Sydney and a reputation as the fashion and cultural capital.

“I think that gives it some good international credibility puts it on the map globally,” he said.

Education was another pull factor, he said, with plentiful options for independent schools and universities.

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'IT TICKS ALL BOXES'

Committee for Melbourne chief executive Martine Letts said migrants from both interstate and overseas were seduced by the city's cultural charm.

"I think it is about its livability, cafe culture and the perception that communities are more engaged in Melbourne," Ms Letts told news.com.au.

She cited "great sporting venues that are all close to one another and easy to get to", along with reliable inner-city public transport and "fabulous cultural venues", as major drawcards.

There's the Australian Open, the Grand Prix and of course the AFL Grand Final; countless festivals, shows and exhibitions; spring racing carnival and Melbourne Fashion Week.

"There's always something going on in Melbourne; every night in just about every area that you care to mention, there is a theatre or music or art galleries," Ms Letts said. "It ticks all boxes in a way that no other Australian city does."

Ironically, she said, Melbourne was at risk of falling victim to its own success, with its expanding population putting pressure on the services that make it such a liveable city.

"The big challenge is looking at how we can meet the demand of the future," she said.

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