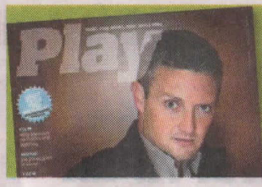
14 STRAIGHT
BLACK CAVIAR EQUALS PHAR LAP PAGE 6



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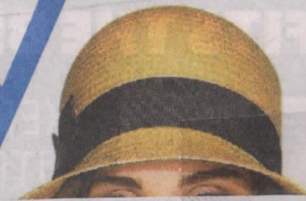

Thousands of battling homeowners forced to sell properties at a loss

$300m BLOW

JOHN DAGGE
Property editor

VICTORIAN homeowners have lost more than $290 million over the past three years selling properties for less than what they paid for them.

Alarming figures that point to a hidden crisis in the property market reveal 5427 vendors lost an average of $54,000 on investments gone wrong in the three years to July.

The Melbourne CBD, Southbank and Docklands are the state's leading loss-making suburbs.

One out of every 20 properties sold in those locations had lost their owner money, according to the data from a property research firm.

But the losses are not limited to the flats-dominated inner-city market, with the figures also showing vendors losing millions in popular family areas.

These suburbs include Point Cook, Roxburgh Park, Frankston, Reservoir, Carrum Downs, Glen Waverley, Hawthorn and Elwood.

Residex, a property information firm that collates data on real estate markets throughout Australia, compiled its analysis after sifting through the results of 268,000 sales recorded with the Valuer General.

It is the first time the firm has crunched the numbers on Victoria, meaning it could not make historical comparisons.

The losses are even more startling given that the city's median house price rose by around 30 per cent over the same period.

A breakdown of the top 10 loss-making suburbs is heavy with inner-city locations as well as some of Melbourne's most expensive postcodes.

At the top of the list is the CBD, where 427 properties were sold for less than what the vendor paid.

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500 AUCTION RESULTS
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WHAT THE HODSONS TOLD POLICE
GANG WAR VICTIMS IN THEIR OWN WORDS PAGES 10-13

$300m lost on houses

From Page 1

Southbank recorded 213 loss-making sales, Docklands 92, St Kilda 92, Carlton 91, Hawthorn 85, South Yarra 70, Brighton 61, Elwood 61 and Point Cook 57.

The figures come as Melbourne limps into its traditional spring selling period, with little more than half of all properties selling at auction.

The market has been battered by seven interest rate rises since April 2009, which have added about $85 a week to a $350,000 mortgage.

Yesterday, almost 600 properties were auctioned, but only achieved a clearance rate of 54 per cent.

Residex chief executive John Edwards said the number of vendors burned in property sales would eclipse 6000 if stamp duty and transaction costs were taken into account.

Mr Edwards, who has monitored the nation's property market for 25 years, said the pain for Melbourne homeowners was far from over.

By the time the market bottoms at the end of next year, Residex expects the city's median house price to have shed 15 per cent. Families living in a $500,000 home can expect to see $75,000 wiped from its value.

"The adjustment process in Melbourne is just beginning," Mr Edwards said.

"I won't be surprised to see Melbourne suffer more than any other capital city in Australia.

"It has the highest volume of surplus stock in the country and as the manufacturing industry further turns down the city will suffer from more unemployment than any other capital."

JPP Buyer Advocates' Catherine Cashmore said many of those who had lost money in property purchases would have been short-term investors, local and foreign, buying off-the-plan, inner-city apartments.

"There is a surplus of high-rise developments and they tend to lose value before they gain value," she said.

"Nine times out of 10, off-the-plan developments are overpriced. They are priced on speculative value.

"When you go to sell you are also in a situation where no one wants to buy your lived-in apartment because there are always brand new ones coming on the market in those postcodes."

A recent report by RP Data found 1.8 per cent of Victorian homeowners lived in houses that were worth less than what they paid for them. This is below the national average of 3.7 per cent.

If, however, the median house price fell by a further 10 per cent the report estimates that negative equity could rise to 16 per cent in some areas of the state. In Melbourne the figure would top out at 4.2 per cent.

About 55 per cent of houses in Melbourne were now worth double what their owners paid, RP Data found. Interest-rate watchers are predicting a Melbourne Cup day interest-rate cut of 0.25 per cent by the Reserve Bank.

AMP Capital chief economist Shane Oliver said while homeowners would welcome the cut, it would take several more to inject any life into the state's property market.

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CASE STUDIES

CAULFIELD
1/160 KAMBROOK RD
Three-bedroom, one-bathroom unit with yard

Bought Oct 2010 $785,000
Sold Sept 2011 $651,000

LOSS
$134,000

PASCOE VALE
22 RAEBURN ST
Four-bedroom, three-bathroom double-storey house

Bought Apr 2010 $765,000
Sold July 2011 $680,000

LOSS
$85,000