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Housing market ready to rebound

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David Bonaddio

Melbourne's long property slump has turned into one of Australia's best-value markets, with prices now the cheapest of any capital city after a dramatic five-year market flip.

Fresh analysis from property advisory firm Oliver Hume suggests the reset could trigger stronger activity in Melbourne's housing market, with transaction volumes forecast to rise about 20 per cent over the next year as investors chase value.

Oliver Hume chief economist Matt Bell said the downturn had pushed Melbourne's housing market to 15-year lows for transaction volumes before early signs of recovery began to emerge.

"Melbourne's been in the doldrums for two or three years now, sitting at 15-year lows in terms of transaction volumes, but demand and pricing are improving," Mr Bell said.

"We're confident the fundamentals underlying Melbourne are strong, with elevated pent-up demand.

"Melbourne is relatively as affordable as it's been compared with other markets across the country, both for land and established housing, for decades."

Oliver Hume chief executive Julian Coppini said Melbourne's standing in the national housing market had changed dramatically.

"Five years ago Melbourne was the most expensive, or second-most expensive city in Australia," Mr Coppini said. "Now it's the cheapest."

The reversal has begun attracting attention from buyers and investors who had previously focused on stronger-performing markets interstate.

PIPA chair and buyers' agent Cate Bakos said Melbourne's relative affordability was now drawing stronger interest from outside Victoria.

"There's no doubt Melbourne currently represents strong value in the national property landscape," Ms Bakos said.

"In fact, over the past year I've received more interstate inquiries than I had in several years prior."

Ms Bakos said investors were overwhelmingly focused on detached houses.