

Sydney v Melbourne

Total weighted returns by location, 2002-15 (%)

		Average total return per annum	Capital gain	Income (rental yield)
MELBOURNE	Eastern	13.9	7.8	6.1
	Northern	12.0	7.3	4.7
	South east	12.0	6.4	5.6
	Central	11.1	6.1	5.0
	Inner south	10.5	6.4	4.1
	Inner north	10.1	5.8	4.3
	Inner west	10.1	5.8	4.3
SYDNEY	Northern	10.9	6.9	4.0
	Inner west	10.8	4.4	6.4
	Eastern	10.4	6.4	4.0
	Inner east	10.1	6.7	3.4

SOURCE: ATCHISON CONSULTANTS, PMS PROPERTIES

Across the portfolio, the average total return was 10 per cent per annum, which beat returns generated by Australian shares, listed property and fixed interest products. Only commercial property – out of the price range of many small investors – generated a slightly higher return over the same period.

The results highlight the benefit of holding property with a long-term focus. They also reflect the historically stronger market fundamentals in Melbourne (more consistent price growth, stronger net migration), as well as the PMS investment philosophy, which is focused on investing in housing at below replacement cost in suburbs close to major infrastructure and where demand for rental accommodation is growing.

DEMOGRAPHIC DRIVER

Melbourne's top-ranked eastern suburbs include growth areas like Box Hill, which has benefited from an influx of Chinese migrants, as well as from investment in transport infrastructure and hospital and education facilities.

"Our investments are driven by the dynamics of demographics and where people wish to live," PMS founder Jock Bing told *The Australian Financial Review*.

He added that they also reflected the surge in Melbourne property values over a longer period of time and did not fully reflect the recent rise in Sydney values as part of the now-deflating property boom.

"You're paying the same price in Albert Park in Melbourne now as you are in Paddington in Sydney," Mr Bing said. "Five years ago, there was a 30 per cent difference [in comparable suburbs]."

The audit of the \$425 million portfolio comes as November figures from CoreLogic RP Data show a 1.5 per cent fall in dwelling values over November, with Melbourne values falling 3.5 per cent and Sydney down 1.4 per cent.

Mr Bing said it was getting harder to find investments that meet its criteria: "We would like to keep buying in Sydney, but we now have to look at 15 properties to buy one. In Melbourne, we would have to look at 12 properties to buy one, and in Brisbane, six to buy one," he said.

Mr Bing said it was likely that Sydney house prices had peaked and would, if

