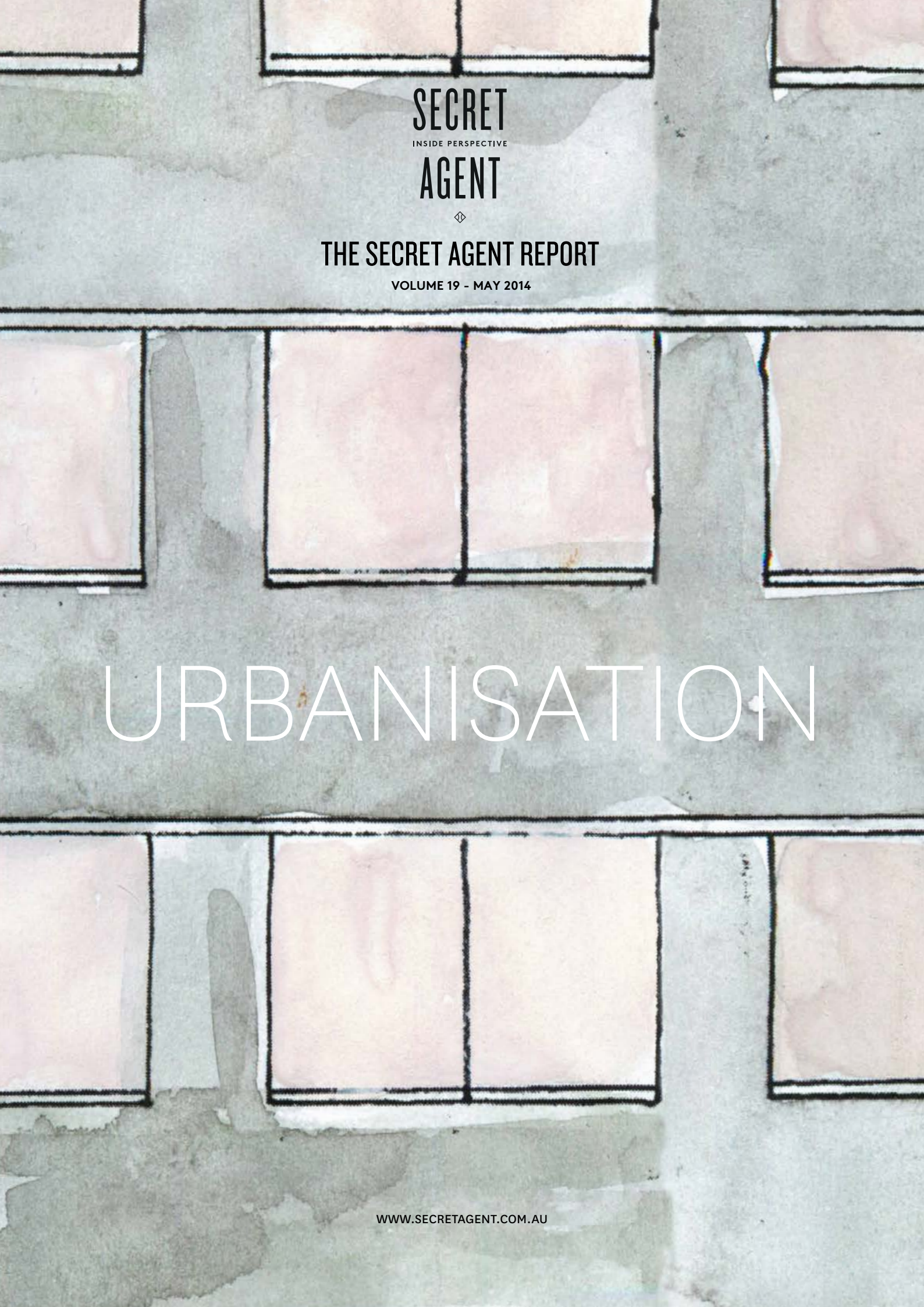

SECRET
INSIDE PERSPECTIVE
AGENT

THE SECRET AGENT REPORT

VOLUME 19 - MAY 2014

URBANISATION

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VOLUME 19 - MAY 2014

"THE CREATION OF A SINGLE WORLD COMES FROM A HUGE NUMBER OF FRAGMENTS AND CHAOS"

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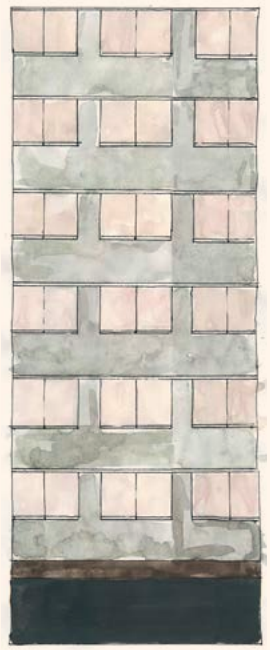


COVER IMAGE

Hayao Miyazaki is best know for creating films as a director and animator. He also co-founded the animation house Studio Ghibli.

Recently, Miyazaki released what will be his last film, *The Wind Rises,* after a career spanning 6 decades. Our colour scheme for this month has been inspired by the characters from the much earlier film; *My Neighbor Totoro.*

Like all cities, Miyazaki's films are something that you have to experience for yourself, to create your own ideas and gain meaning from all of the details, intricacies, 'fragments and chaos'.

The data upon which this report is based was sourced from: The Australian Bureau of Statistics (www.abs.gov.au/census), The Department of Human Resources, Google Maps (maps.google.com.au), propertydata.com.au, Land Victoria (www.land.vic.gov.au), realestateveiw.com.au, Domain (domain.com.au), realestate.com.au, Fairfax, Residex, various individual real estate agents operating in inner Melbourne, and other specialised sources as noted in the following content.

URBANISATION

JODIE WALKER

What do New York, Lagos, Karachi and Cairo have in common? The answer is simple. They are all mega cities, meaning they have a population in excess of 10 million people. In 1950 New York City was the only mega city in the world. By 1985 there were 9 mega cities. Now there are at least 30. This rapid increase, is the result of urbanisation.

Urbanisation refers to an increase in the number of people living in a city compared to rural areas. Despite such a simple definition, the actual process behind urbanisation is complex. It involves a change in our economic structure, living environment and social networks. These changes have occurred rapidly. If we were to go back just 30 years, many parts of inner city Melbourne would be unrecognizable. In fact most inner city suburbs have experienced a great transformation from manufacturing precincts to highly desirable areas to live. Urbanisation has changed and is continuing to change the entire globe. Explaining the mechanisms behind the growth and change of cities is a great challenge for social scientists.

In this report, Secret Agent takes an in depth look at 'The City' and the process of urbanisation. We aim to open up the conversation and identify some of the drivers of urbanisation and it's effect on the property market. The discussion will focus around the works of three influential scholars on the topic; Michael Storper, Geoffrey West and Jane Jacobs. Discussing:

- The history of the city
- The mega trend
- Viewpoints of the city
    - The attraction of the city
    - A scientist's perspective
    - The human element of the city
- Challenges and the future

Historically, cities emerged in places where a food surplus could be found. Once a town generated an excess of produce, a group of consumers of that produce could be maintained. These cities were dense permanent settlements made up of non-agricultural specialists including politicians, religious clergy, market traders and craftsman. The clustering of these people into a small geographical space resulted in functional synergies. Even in the early stages of urbanisation, one of the key features has always been its *"efficiency generating qualities via agglomeration."* (Storper and Scott, 2013) Advances in transport technologies for moving goods and people enabled these groups to congregate in strategic positions, nearby agricultural hubs.

The industrial revolution resulted in a huge increase in economic activity and the growth of cities. The production of manufactured goods and the effect it had on agricultural practices meant that certain limitations of agriculture could be overcome. People were no longer restricted by agriculture but still chose to congregate near industry due to transport restrictions.

Before there were cars people relied on their own feet, trains and horse and cart to get to work. This shaped the housing distribution in inner city suburbs. Homes were located near work and were built close together on small blocks. Shops were set up in areas where pedestrian traffic was highest, usually around train stations. This resulted in a village with grid shaped street patterns that *"emerged organically around the day to day needs and walking patterns of the people who lived there."* (Gallagher, 2013) The growth of these inner suburbs was restricted by walking distance to the centre. In this way, industry, shops and residences were clustered.

At the time, hygiene and living standards were poor. With many people clustered in small areas, disease spread quickly. This gave rise to a process known as urban decay. Cities were neglected, as unemployment levels rose and crime became a real problem. People abandoned their properties and cities became desolate urban landscapes.

With the advent of the car, people began to move away from the unattractive city centres to the suburbs. So much so that up until 2011 (in America) the suburban growth rate was always greater than the rate of urban growth. As each suburb grew, people would move further and further away from the city centre for cheaper housing and bigger blocks. These residential areas were not shaped the same way as there counterparts in the inner city suburbs. Rather urban planners developed these outer suburbs into a series of curving streets and cul-de-sacs. This circular system meant people were more reliant than ever on their cars.

Globalisation of the world, the loss of manufacturing from city centres, and the rise of the knowledge based

economy, are world wide trends. These three major events have changed the way a city is perceived. Coupled with these were a number of other advances which created a resurgence in the popularity of the city. These included the commercialisation of the air conditioner, development of lifts (higher apartment blocks), improvements in hygiene (cleaner cities), growth of the Arts culture, more lifestyle attractions and reduced crime.

At this stage in the history of the city it is important to consider what was happening in the suburbs. Once a tranquil escape from the pace of the inner city, the suburb has become a nightmare of endless sprawl. The 'burbs' are now characterised by frustrating commutes and blocks of bland, generic houses. This has contributed to the urge to move closer to the city centre. Due to increased work hours and longer commutes, people are spending less and less time at home. People are now willing to sacrifice space for the convenience of living closer to work and lifestyle attractions, even if it means living in an apartment rather than a house.

THERE IS A DESIRE FOR A 'LOW FRICTION' LIFESTYLE - TO BE ABLE TO WALK TO WORK OR PUBLIC TRANSPORT AND TO HAVE LESS 'STUFF' IN GENERAL.

Advancements in apartments and building design have helped the current situation progress, by making these forms of accommodation more attractive homes. Consider the warehouse style apartments that have been developed in select areas of inner city Melbourne. Big apartments, converted warehouses and townhouses are becoming highly attractive living options for more and more people including urban families. The modern design and low maintenance style of living is appealing to a great audience and fuelling the development of similar buildings.

Now we are seeing a reversal of urban decay in many inner city suburbs. This gentrification has seen the prices of housing in these locations sky rocket and has pushed out the poorer residents who once resided there. Technological improvements over recent decades have created connected cities, breaking down distance barriers.

THE MEGA TREND

Urbanisation began to intensify during the industrial revolution, mainly throughout North America, Western Europe and Australia. Agricultural jobs became less common and in order to find work people had to move closer to the city where the manufacturing hubs were located. This is when the inner city suburbs really started to grow. Rows of terrace housing were built throughout the inner suburbs of big cities, to accommodate the growing number of workers. In cities such as New York and Los Angeles, large apartment blocks were built to house these workers.

Fast forward to 2014 and urbanisation has become a global trend. It is occurring rapidly, especially in developing countries. The United Nations estimates that three in five people will live in a city by 2030, and most of the new urban growth will be in Asia and Africa.

This is not to say there will be no more growth in the already established cities. It is important to realize that what is being discussed here is not a general movement to a city. Rather this trend is a movement to the real inner core of the city. As cities grow the density of their cores increase and at the same time the density falls in their peripheries.

Secret Agent is seeing a huge rise in the number of people wanting to move to the inner city core. Whether it be downsizers, young professionals or international citizens, everyone seems to want to be a part of the action. Urbanisation is a trend that will continue into the future and this will have massive implications for the property market. To fully comprehend this it is important to understand more about the process of urbanisation. Firstly, what is it that draws people in to the city?

DIFFERENT VIEWPOINTS OF THE CITY

> ATTRACTIONS OF THE CITY <

JODIE WALKER

A city can be thought of as a dense geographical region of services, businesses, jobs, people and their homes. The concentration of people and jobs enables greater wealth, opportunity and social mobility than what rural areas do. Although economic opportunities are more plentiful, they are not the only reason people choose to live in the city. Cities offer the advantages of proximity, diversity and market place competition. People move to the city for a new lifestyle, better paying job or to be closer to family. There is also the annual migration of high school graduates who

move from the country to city universities to further their education.

The movement of people and jobs to urban areas results in the development of a region. The driver behind this movement is an ongoing debate in urban theory. Do firms seeking production locations provide the initial attraction? Or, is it the migration of people to a particular area that creates jobs and drives the growth of a city? The answer is important as this is the catalyst which changes patterns of regional development. A few businesses or a group of individuals move, this attracts more businesses, friends and family of those entities. In turn, the region becomes more and more attractive to other firms and people until a large metropolis is formed.

In his book, Keys to the City (2013), Michael Storper argues that cities "develop mostly as workshops of firms, not playgrounds of individuals." Individuals choose where to live based on the position of businesses and opportunity to earn an income. Storper strongly believes that industries change their geography because certain periods require this change and then people move because people follow their jobs. In doing so, they accept lower amenities (poorer weather) and lower real wages (wages corrected by housing cost). For example, cities such as New York and London are cold for most of the year and have extremely expensive housing, but they also have better jobs on offer than smaller towns may have.

The alternative view is that people move first because of cheap housing or climate and natural landscape of an area. Then firms move in to attract skilled workers and consumers to their businesses. They want to be around a greater density of people as it is beneficial for the success of their business. The bigger pool of people to choose from, the better. As, there are more people around, the more likely their business will succeed. Los Angeles is a good example of this.

WALT DISNEY PLAYS WITH A SCALE MODEL OF LOS ANGELES

Whether jobs or people initiate the growth of a city, the driving force behind urbanisation that has been occurring is a mixture of both. Today it is clear that people move to the city for a collection of reasons, the most dominant of these is proximity to work. Furthermore, living in the city allows you to be close to a greater density of transport options. Whether you work in the city or the suburbs, it is still easier to commute from a house in the inner city. It seems that we have turned full circle and gone back to how things were at the beginning of the Industrial Revolution. A time when houses were built near jobs and shops were built in areas of high foot traffic.

Two things differentiate the urban growth happening now compared to back then. Currently people have an abundance of choice. They are not restricted by having to walk to work. We live in a mobile society where people follow jobs around the country and even the world. Firms, whilst knowing where they want to be (where other successful firms are located), have had to become innovative in order to survive. This innovation provides further attraction to people who will go to a certain city to look for a good job. In fact, Storper argues that most innovation in the world is concentrated in cities.

The clustering of people and jobs is beneficial both socially and economically.

THE PRIMARY FUNCTION OF A CITY IS TO ACT AS AN INTERACTION CENTRE. THE SHARING OF INFORMATION AND SERVICES IS CRUCIAL TO THEIR SURVIVAL.

This has been made easier post globalisation with the advent of technology. Shipping costs have decreased and with the wide spread adoption of the internet, mobile phones, email and Skype, communication is more achievable than ever. It had been thought that technology would remove the need for people to work in close proximity to others. However there is evidence to show that despite these technologies, face to face contact is still the most effective form of communication. Despite the fact that information can be transferred easily all over the world, people and firms still learn best from one another, face to face. It provides a means of motivation and socialisation that technology cannot. There is a need for local centres of interaction. In fact, the more advances

in technology, the greater the need for face to face contact. Storper describes the situation as a feedback loop. The cheaper transport gets the more complex the system becomes. In this regard localism will always exist which means the city core will never die.

The reason for the congregation of certain industries in particular cities is unknown, however, they form a part in defining a city and creating it's identity. Whilst the durable structure of cities made from concrete and steel is fixed, they provide a very different experience to their inhabitants and tourists that visit. Cities can be considered brands, each one unique and identifiable by its own set of characteristics. Why are cities so different from each other? The urban systems within each city are shaped primarily by political and behavioural contexts. These contexts contribute to the defining factors of a cities identity. Regulations provide a resistant element to how a city is formed and these differ greatly between cities depending on the political context. The local behavioural context of a city creates ingrained regions of specialisation. According to Storper (2013) you can understand variety in cities by acknowledging there are basic

A SCREEN GRAB FROM THE ICONIC GAME SIMCITY, AN OPEN-ENDED CITY-BUILDING COMPUTER AND CONSOLE VIDEO GAME SERIES ORIGINALLY DESIGNED BY DEVELOPER WILL WRIGHT. THE GAME WAS FIRST PUBLISHED IN 1989.

structural items and then selection forces that act on these structures. In this sense, cities such as Melbourne and London may be more similar than, say, Melbourne and Echuca. The core that makes Melbourne and London a city is the same, the differences come about from the cities own form of natural selection. Businesses and services that succeed for a particular city survive and those that don't are quickly replaced. The different services, shops and firms in a city give it an identity and reputation of its own.

DIFFERENT VIEWPOINTS OF THE CITY

> A SCIENTIST'S PERSPECTIVE OF THE CITY <

JULIAN FAELLI

Another way to unpack urbanisation is to look at it through a scientific lens. Physicists and biologist of late have turned their eye to the way our urban areas are growing. Looking at our urban systems scientifically will help us to understand the nature of the forces that are driving the rapid urbanisation process. Through his theoretical eyes, physicist Geoffrey West has developed robust mathematical models of basic biology, explaining the rate at which organisms grow and metabolize. He has highlighted that there is a 'universal scaling' relationship (Bettencourt et al, 2007) between the size of an organism and its key characteristics such as lifespan and metabolic rate. These principles are now forming a cornerstone of current medical research into cancer, ageing and sleep.

DETROIT - A CITY THAT FAILED TO INNOVATE

The 'universal scaling' laws that work in biology are also applicable to our urban systems - cities.

WEST HAS FOUND THAT THE BIGGER A CITY IS, THE MORE EFFICIENT IT CAN BE.

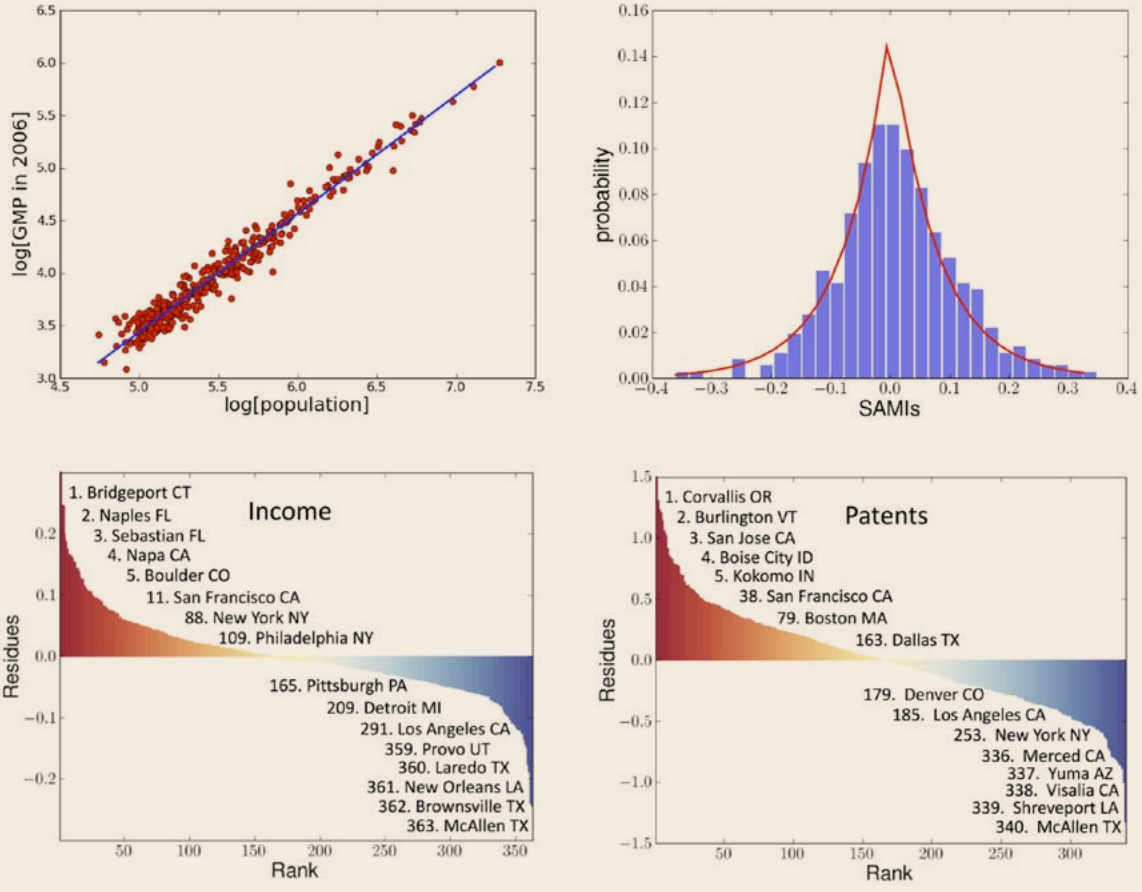
He has explored these scaling relationships through a key range of urban indicators - data about cities that is available and collected nationally (in the USA) and shows the characteristics of a city. This includes data about people, infrastructure, jobs and behaviours. These urban indicators scale with a linear relationship in the same way as biology, with one key difference. As cities grow they get 'faster' not 'slower'. West notes that the parallels differ in one very important area - all organisms eventually die and cities do not. They are in fact very hard to kill. The one catch: they have to keep innovating.

The factor of scaling is dependent on the urban indicator. Some indicators scale in a sub linear manner where the scaling factor is less than one. These are indicators where density of population won't change the demand or delivery landscape to a great degree.

Individual human needs such as access to water and food exhibit this sub linear scaling. The inverse - super linear scaling - with a factor greater than one, is found where the return is amplified significantly by the number of people in a city. Urban indicators such as average wage and the number of jobs in the creative sector exhibit this effect.

It's interesting to note that some of these metrics display a much weaker correlation when applied to smaller Australian towns. One thing is for sure. The effects of our mining boom and large public service can be clearly seen. Our big cities such as Melbourne, Sydney and Adelaide show true to trend.

There has to be something more than the simple scaling laws that define how cities grow, evolve and sometimes fail. It's not just population and growth that makes a city dynamic. Some of the world's most interesting and livable cities are not the biggest by any stretch. We can also look to complexity theory and the phenomenon of

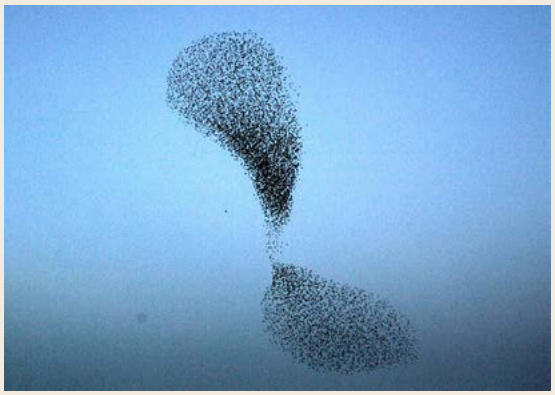


URBAN SCALING INDICATORS

emergence to help understand the fine grain and detail of our urban areas.

Systems are understood to be complex when there are many parts that interconnect in intricate ways. The study of complex systems investigated the relationships that give rise to collective behaviours. It's a relatively young branch of science, established in the late 60's. It didn't catch on until the late 80's when computing power caught up to run the complex models. The research was pioneered by Stuart Kauffman and Murry Gell-Mann at the privately run Santa Fe Institute in 1988.

The Santa Fe Institute concentrated their efforts on studying systems that looked to possess emergent behaviour. That is when the local relationships between agents in the system are such they exhibit a complex and adaptive behaviour to a changing external environment.



FLOCK OF STARLINGS OVER ROME, SHOWING EMERGENT BEHAVIOUR IN THE ETERNAL CITY (StarFlag, 2010)

Complex systems and cities are not unstructured (even though they may look it) in their behaviour as they are a product of their history, giving rise to an inherent order.

THE EMERGENCE OF ORDER FROM A FEW BASIC RULES MAKES COMPLEX SYSTEMS EXHIBIT SELF-ORGANISING BEHAVIOUR. THE OUTCOME HOWEVER IS NOT NECESSARILY SUSTAINABLE.

A classic example of emergent behaviour is bird flocking. When birds are in flight the flock is governed by a few simple rules that each bird follows. No bird governs the flock in its entirety, they simply look to their neighbours and follow the rules below;

- Separation - avoid crowding neighbours (short range repulsion)
- Alignment - steer towards average heading of neighbours
- Cohesion - steer towards average position of neighbours (long range attraction)

The same three traits (separation, alignment and cohesion) are seen time and time again throughout a city's development. Shopping strips and central business districts seem to be governed by these rules. Like businesses set up in the same space without overcrowding the market, and the city exhibits cohesion in its look, feel and offer.

DIFFERENT VIEWPOINTS OF THE CITY

> THE HUMAN ELEMENT OF THE CITY <

COSMO MCINTYRE & LAUREN BEZZINA

Is it simply the traits that West talks about that makes a great urban space? Some would argue that it is a lot more than this. It is about capturing and celebrating the human element, something that theory and numbers can't always solve. This is often counter intuitive, a concept that Jane Jacobs, a hero to some urban planners, was often scorned for. Her theories from mid century were rather radical at the time. Her observations about the city, 'downtown' and how urban life functions, were revolutionary. Jacobs was an advocate for mixed use development and high density urbanization. More specifically she called for short blocks, streets and districts that must serve several primary functions, and buildings that must vary in age, condition and use.

Jacobs mastered the art of observation. "*Why do office workers at New York's beautiful Park Avenue turn off to Lexington or Madison Ave at the first corner they can? Why is a good steakhouse usually in an old building? ...by simple old-fashioned observation...we can see what people like.*" She believed that as soon as an area becomes devoted to 'one type of activity' it will very quickly loose its appeal. Areas must cater for a broad spectrum of people in order to flourish. *"In New York the area with the most luxuriant mixture of basic activity, midtown, has demonstrated an overwhelmingly greater attractive power for new building than lower Manhattan."*

Streets are the nervous system of the city. They work harder than any other part of 'downtown' as they serve up the flavour and feel of an area. "It is the major point of transaction and communication." The more streets there are, the more people, which consequently equates to more life, more energy and better access. A narrow street gives walkers a continual choice as they walk from side to side. It keeps them engaged and entertained. Wider streets are needed for vehicles and create a contrast to pedestrian streets. Removing cars from downtown for the sake of peace, quiet and dead space is useless. It takes away from the atmosphere that is attractive of a big city. However if it were to open up opportunity to make the street work harder and concentrate activity, this would have clear benefits. Street furniture also plays a big role in creating atmosphere. *"The fire hydrant is a high-grade abstract sculpture - and is handy for tying your shoelaces."* Urban spaces work best when they are urban-sized (not suburban-sized) to encourage interaction, community and imagination.

HANDY FOR TYING YOUR SHOELACES... (FORTUNE ARCHIVES, 1958)

The theory that big cities do in fact cultivate small enterprise better than smaller towns is controversial, a point easily dismissed by planners and scholars alike. Big cities with large populations allow small businesses to flourish and excel further than there small town counterparts. The larger the city, the greater number of small enterprise there are (proportionally). The idea that 'people like people' was central to Jacobs's concepts. *"...that the sight of people attracts still other people, is something that city planners and city architectural designers seem to find incomprehensible. They operate on the premise that city people seek the sight of emptiness, obvious order and quiet. Nothing could be less true. The presence of great numbers of people gathered together in cities should not only be frankly accepted as a physical fact – they should also be enjoyed as an asset and their presence celebrated..."*

A city should capitalize on its strengths. These may include its history, climate or topography. Melbourne for example pushes people away from the CBD at night with unfriendly parking restrictions, but is trying to entice diners with its fabulous culinary experiences. As Jacobs insightfully put it, *"Designing a dream city is easy; rebuilding a living one takes imagination."*

City streets should be attractive both physically and psychologically. Keeping one engaged, enchanted and wanting more! The Parisian lane ways, a street in Soho NYC and the graffiti filled lane-ways of Melbourne are good examples of attractive streets. They all possess a human element, a sense of warmth and a flow that works. It is no accident these places draw us in, as there is something calculated at play.

Wondering the streets of Paris one gets a great sense of history, triumph and beauty. Shops and street architecture interact seamlessly with the street scape and pedestrians. There is a connection between the people and store fronts; old and new. The landscape is plotted on a human scale where no street or building feels out of reach or too sparse.

Soho, New York, blends all kinds of retail and storefronts together. Thousands of people interact along the street at different times and at a different pace. More than just a fashion district, it serves multiple purposes. This includes breakfast and coffee goers in the early hours before work, creative mid -morning working, shoppers in the afternoon and diners at night.

Melbourne's lane-ways are beautiful. What were once dark, cramped and unsafe alleyways, the veins of the city, are now works of art with hidden surprises at every turn. The unusual is not overlooked or disregarded and the diversity is

embraced. This occurs by collective design and evolution, not utopian mass-planning. Harmony is created by embracing history whilst moving forward incrementally. As Jacobs says;

> **"OLD IDEAS CAN SOMETIMES USE NEW BUILDINGS. NEW IDEAS MUST USE OLD BUILDINGS."**

"When an entire field is headed in the wrong direction, when the routine application of mainstream thinking has produced disastrous results as I think was true of planning and urban policy in the 1950's, then it probably took someone from outside to point out the obvious." Alan Ehrenhalt wrote in 2001 in *Planning, the magazine of the American Planning Association*.

Jacobs demanded a freshness of perspective which some dismissed as amateurism, but to many it was a perspective that made sense. One that was entirely reasonable and logical.

CHALLENGES AND THE FUTURE

One of the challenges of the city is that urban environments come in bundles. Whilst people do have a choice in which city to move to, the built environment of that city may not necessarily be what they prefer.

> **IN TERMS OF PROPERTY, THIS MEANS THAT IF YOU WANT TO LIVE IN THE CITY, YOU MAY NEED TO ACCEPT CERTAIN DRAWBACKS THAT COME WITH THE POSITIVES.**

Your dream house may be positioned in a desirable school zone meaning you will need to pay a lot more for the property. This bundling of the property and school zone, cannot be undone. Similarly, in order to live in a creative and edgy suburb, you might need to live in close proximity to public housing. You cannot simply choose a perfect bundle, you rather need to establish the best possible combination that suits your needs.

Whatever bundle you end up with, Secret Agent believes that the future of the city looks bright. Urbanisation is an ongoing trend and as supported by Storper, West and Jacobs, the city will continue to prosper. Demand for limited property will only increase and this will continue to push prices in the inner city areas. This discussion could continue much longer, there are many other challenges that cities will face into the future. However the underlying human purpose of the city will remain constant. This purpose is summed up by Lewis Mumford: "*The chief function of the city is to convert power into form, energy into culture, dead matter into the living symbols of art, biological reproduction into social creativity.*"

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RESIDENTIAL UPDATE

PAUL OSBORNE

It was an interrupted month of stock flow with Easter and Anzac Day long weekends playing havoc with marketing campaigns for key properties.

We are heading into the quiet time of year with Winter upon us. This has already meant a reduction of quality offerings within the inner Melbourne marketplace.

Due to the lower turnover, the data shows bigger fluctuations in average and median values. You will note the turnover against the suburbs total housing supply. In many cases, turnover has dropped significantly.

Prices have been mostly robust in the inner south of Melbourne in both apartment and house sales. Inner east houses also showed prices starting to stall, while apartments fared much better within the same market.

Stock absorption has been solid over the past six months. The arrival of the end of the financial year will see some owners liquidate whilst encourage others to purchase. In our opinion, we expect neutral conditions over the coming few months.

1. 16 St Leonards Court, South Yarra - $5-6m (Undisclosed)
1930's home on 730m² of land.
2. 18 Ferrars Pl, South Melbourne - $2.5-3m (Undisclosed)
Boom style Victorian on 270m² of land.
3. 34 Greig St, Albert Park - $1,810,000
Renovated single fronted terrace on 160m² of land.
4. 69 Kerferd Road, Albert Park - $1,775,000
3 bedroom Edwardian home of 230m² of land.
5. 438 Dryburgh Street, North Melbourne - $2.1-2.3m (Undisclosed). Large Edwardian on corner position.
6. 30 Mount Eagle Rd, Eaglemont - $1,715,000
Frederick Romberg home on 1257m² of land.
7. 103 Royal Parade, Parkville - $2.1m
Boom style Victorian terrace opposite Melbourne University.
8. 265 Richardson Street, Middle Park -$2.560m
Single fronted terrace on 230m² of land.

COMMERCIAL UPDATE

JULIAN FAELLI

It has been a quiet month on the commercial front with the Easter break taking much of the steam out of the market. Most of the action was in Collingwood with both large and small sales being represented.

L2 405 Collins Street, Melbourne

Sale of around 1.5M after one week on the market represents a strong result for a unoccupied office space. The Aldersgate House building sits in one of the most picturesque locations of Collins St up near the corner of Queen.

2 Derby Street, Collingwood

A tumbledown cottage on 90sqm of land sold for 630k at auction. In a great spot just shy of Smith St it would make a good site for a unique inner city home and office.

6-10 Keel St, Collingwood

The large 930sqm warehouse north of Johnston St was passed in at a vibrant auction. It was later sold at negotiation for between 4.2 and 4.5 million. This was a rare large apartment block development site.

411 George Street, Collingwood

The Marquis of Lorne failed to sell at auction just before Easter. They are asking $1.59M for this piece of Fitzroy history that currently has a annual rental income of over $80,000.

INNER MELBOURNE TURNOVER

Table 1: Inner Melbourne Quarterly Turnover

		PREVIOUS QUARTER (NOV, DEC 2013 & JAN 2014)				CURRENT QUARTER (FEB, MAR & APR 2014)			
		Apartments	Apartments (By Area)	Houses & Townhouses	Houses & Townhouses (By Area)	Apartments	Apartments (By Area)	Houses & Townhouses	Houses & Townhouses (By Area)
CENTRAL	Docklands	3.04%	1.90%	2.22%	1.68%	2.96%	1.65%	0.00%	0.00%
	Melbourne	1.68%		3.03%		1.55%		0.00%	
	Southbank	1.89%		0.79%		1.25%		0.00%	
INNER NORTH	Brunswick	1.70%	1.13%	1.22%	1.04%	1.63%	1.08%	1.25%	1.17%
	Brunswick East	2.36%		1.24%		1.23%		1.08%	
	Carlton	1.10%		0.61%		0.91%		0.68%	
	Carlton North	1.14%		1.29%		0.76%		0.91%	
	Clifton Hill	0.60%		1.31%		1.80%		1.63%	
	Collingwood	0.79%		0.77%		1.32%		0.89%	
	Fitzroy	0.55%		1.40%		0.96%		1.65%	
	Fitzroy North	0.33%		0.84%		0.75%		1.38%	
	North Melbourne	1.03%		1.20%		1.03%		0.83%	
	Northcote	1.45%		0.84%		1.03%		1.05%	
	Parkville	0.82%		1.29%		0.58%		2.01%	
	Princes Hill	0.41%		0.00%		0.00%		0.97%	
INNER EAST	Abbotsford	1.73%	1.41%	0.80%	1.27%	4.51%	1.80%	1.51%	1.50%
	Burnley	1.36%		0.00%		0.00%		1.47%	
	Cremorne	1.66%		0.59%		0.55%		0.59%	
	East Melbourne	1.38%		1.07%		1.69%		2.14%	
	Hawthorn	1.53%		0.98%		1.58%		1.33%	
	Prahran	1.79%		1.45%		2.16%		1.94%	
	Richmond	1.14%		1.75%		1.65%		1.33%	
	South Yarra	1.32%		0.99%		1.78%		1.75%	
INNER SOUTH	Albert Park	0.39%	1.29%	0.89%	1.12%	1.38%	1.48%	0.95%	1.29%
	Middle Park	1.05%		0.77%		1.26%		1.96%	
	Port Melbourne	1.38%		1.74%		1.50%		1.44%	
	South Melbourne	1.43%		0.69%		1.53%		1.24%	
INNER WEST	Flemington	0.77%	1.10%	1.51%	1.57%	0.42%	1.03%	1.87%	1.28%
	Kensington	1.43%		1.67%		1.67%		0.92%	
	Travancore	0.83%		0.37%		1.04%		1.12%	
	West Melbourne	1.42%		1.80%		1.30%		1.80%	

(Total Sales for the period against total housing supply) Table compiled from data collected from October 2013 to March 2014. Total private dwellings information from the 2011 Census Report from the Australian Bureau of Statistics.

INNER MELBOURNE APARTMENTS
PRICE COMPARISONS BY ROLLING QUARTERS

Table 2: Inner Melbourne Apartments - Price Comparisons

	PREVIOUS QUARTER (NOV, DEC 2013 & JAN 2014)				CURRENT QUARTER (FEB, MAR & APR 2014)					
	Average Price	Median Price	Lowest Sale	Highest Sale	Average Price	% CHANGE	Median Price	% CHANGE	Lowest Sale	Highest Sale
Docklands	673,999	620,000	300,000	1,435,000	755,117 ↑	12.04%	632,500 ↑	2.02%	373,000	2,500,000
Melbourne	528,325	460,000	120,000	2,100,000	572,509 ↑	8.36%	455,000 ↓	-1.09%	110,000	3,150,000
Southbank	594,730	530,500	346,000	2,120,000	579,189 ↓	-2.61%	545,000 ↑	2.73%	345,000	1,300,000
Brunswick	417,662	438,500	260,000	525,000	434,788 ↑	4.10%	430,000 ↓	-1.94%	262,000	930,000
Brunswick East	490,789	491,000	210,000	750,000	477,583 ↓	-2.69%	470,250 ↓	-4.23%	295,000	620,000
Carlton	366,369	281,500	135,000	1,031,000	360,181 ↓	-1.69%	311,850 ↑	10.78%	138,000	965,000
Carlton North	*442,600	*500,000	300,000	585,000	*823,750 ↑	86.12%	*586,500 ↑	17.30%	398,000	1,724,000
Clifton Hill	*378,667	*320,000	320,000	496,000	582,786 ↑	53.90%	538,000 ↑	68.13%	511,000	687,000
Collingwood	640,767	597,000	430,000	1,300,000	586,077 ↓	-8.54%	530,000 ↓	-11.22%	225,000	1,015,000
Fitzroy	639,100	645,000	255,000	906,000	539,571 ↓	-15.57%	533,000 ↓	-17.36%	285,000	910,000
Fitzroy North	*387,625	*390,000	310,500	460,000	528,472 ↑	36.34%	550,000 ↑	41.03%	375,000	850,000
North Melbourne	514,714	450,000	292,000	853,000	469,688 ↓	-8.75%	490,250 ↑	8.94%	135,000	687,500
Northcote	503,750	488,500	380,000	730,000	441,000 ↓	-12.46%	455,000 ↓	-6.86%	305,000	625,000
Parkville	494,500	488,500	280,000	705,000	*684,600 ↑	38.44%	*645,000 ↑	32.04%	278,000	995,000
Princes Hill	*1,557,000	*1,557,000	1,557,000	1,557,000	-	-	-	-	-	-
Abbotsford	488,778	495,000	399,000	615,000	490,096 ↑	0.27%	445,000 ↓	-10.10%	345,000	835,000
Burnley	*300,000	*300,000	295,000	305,000	-	-	-	-	-	-
Cremorne	*568,500	*568,500	420,000	717,000	*418,000 ↓	-26.47%	*418,000 ↓	-26.47%	418,000	418,000
East Melbourne	950,447	530,000	199,000	5,500,000	675,263 ↓	-28.95%	627,500 ↑	18.40%	210,000	2,000,000
Hawthorn	546,448	523,750	115,000	1,310,000	581,424 ↑	6.40%	526,750 ↑	0.57%	310,000	1,380,000
Prahran	491,419	475,000	145,000	915,000	586,946 ↑	19.44%	570,000 ↑	20.00%	305,000	1,170,000
Richmond	550,739	534,750	298,500	1,288,000	521,566 ↓	-5.30%	490,000 ↓	-8.37%	265,000	1,080,000
South Yarra	575,792	518,500	245,000	2,050,000	647,865 ↑	12.52%	527,500 ↑	1.74%	272,000	5,550,000
Albert Park	*702,500	*702,500	485,000	920,000	1,559,833 ↑	122.04%	1,619,000 ↑	130.46%	510,000	2,470,000
Middle Park	*640,000	*595,000	540,000	785,000	*733,500 ↑	14.61%	*733,500 ↑	23.28%	670,000	797,000
Port Melbourne	719,477	675,000	413,000	1,767,000	814,000 ↑	13.14%	650,000 ↓	-3.70%	370,000	2,790,000
South Melbourne	603,357	530,000	386,000	1,850,000	654,088 ↑	8.41%	604,500 ↑	14.06%	337,500	1,950,000
Flemington	353,778	380,000	220,000	472,000	*361,875 ↑	2.29%	*343,750 ↓	-9.54%	330,000	430,000
Kensington	428,433	417,000	310,000	545,000	422,806 ↓	-1.31%	420,000 ↑	0.72%	300,000	600,000
Travancore	*340,500	*361,000	185,000	455,000	*391,000 ↑	14.83%	*376,000 ↑	4.16%	345,000	467,000
West Melbourne	588,050	592,500	332,000	860,000	453,565 ↓	-22.87%	450,000 ↓	-24.05%	655,000	272,088

Table compiled from data collected from November 2013 to April 2014. A dash indicates no recorded sales for the quarter, inability to show a quarterly change or no quarterly change. Directional arrows indicate change in comparison to the previous rolling quarter. * indicates an average or median value calculated using 5 sales or less.

INNER MELBOURNE APARTMENTS QUARTERLY MEDIAN PRICES MAPPED

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Figure 1: Inner Melbourne Apartments - Quarterly Median Change (%)

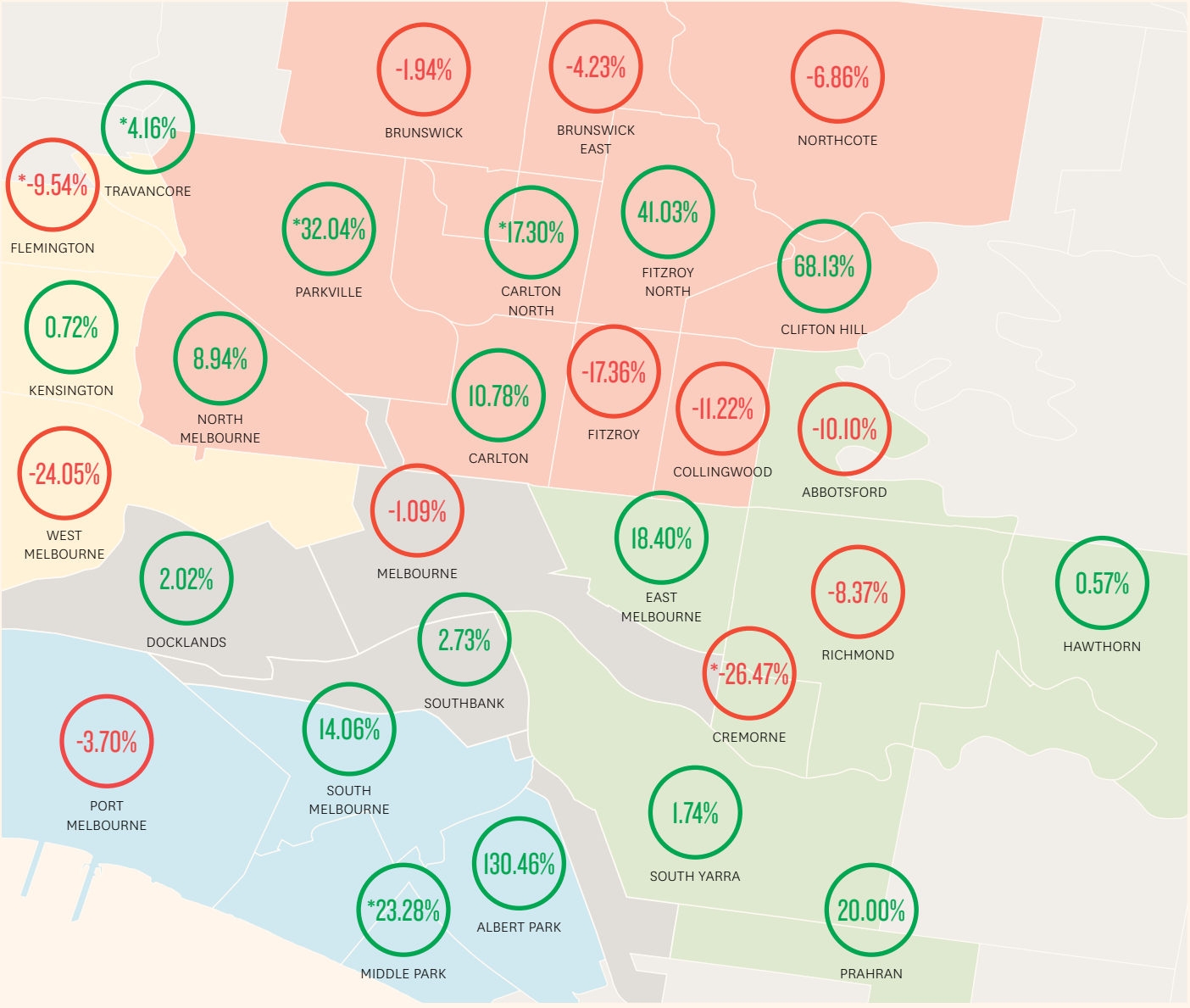

Table compiled from data collected from November 2013 to April 2014. Burnley and Princes Hill were omitted due to insufficient data. * indicates an average or median value calculated using 5 sales or less.

INNER MELBOURNE TOWNHOUSES
PRICE COMPARISONS BY ROLLING QUARTERS

Table 3: Inner Melbourne Townhouses - Price Comparisons

	PREVIOUS QUARTER (NOV, DEC 2013 & JAN 2014)				CURRENT QUARTER (FEB, MAR & APR 2014)					
	Average Price	Median Price	Lowest Sale	Highest Sale	Average Price	% CHANGE	Median Price	% CHANGE	Lowest Sale	Highest Sale
Brunswick	718,333	700,000	600,000	950,000	713,459 ↓	-0.68%	713,459 ↓	-3.57%	580,000	900,000
Brunswick East	644,875	680,000	502,000	700,000	654,357 ↑	1.47%	654,357 ↓	-7.94%	552,000	770,000
Carlton	-	-	-	-	*892,000 -	-	*892,000 -	-	892,000	892,000
Carlton North	*853,333	*980,000	600,000	980,000	*1,000,000 ↑	17.19%	*1,000,000 ↑	2.04%	1,000,000	1,000,000
Clifton Hill	784,286	765,000	650,000	890,000	*769,495 ↓	-1.89%	*769,495 ↓	-2.25%	721,480	861,000
Collingwood	*658,500	*658,500	465,000	852,000	-	-	-	-	-	-
Fitzroy	*831,000	*831,000	817,000	845,000	851,000 ↑	2.41%	851,000 ↓	-1.32%	725,000	1,135,000
Fitzroy North	959,500	814,000	720,000	1,333,500	860,425 ↓	-10.33%	860,425 ↑	5.53%	625,250	1,300,000
North Melbourne	*856,375	*876,500	722,500	950,000	*609,000 ↓	-28.89%	*609,000 ↓	-30.52%	459,000	759,000
Northcote	638,889	610,000	535,000	857,000	823,625 ↑	28.92%	823,625 ↑	30.74%	589,000	1,175,000
Parkville	*735,000	*735,000	650,000	820,000	*655,000 ↓	-10.88%	*655,000 ↓	-10.88%	655,000	655,000
Princes Hill	-	-	-	-	-	-	-	-	-	-
Abbotsford	*585,000	*585,000	585,000	585,000	*779,000 ↑	33.16%	*779,000 ↑	30.26%	525,000	1,050,000
Burnley	-	-	-	-	*1,750,000 -	-	*1,750,000 -	-	1,750,000	1,750,000
Cremorne	-	-	-	-	*789,000 -	-	*789,000 -	-	789,000	789,000
East Melbourne	-	-	-	-	*1,028,333 -	-	*1,028,333 -	-	760,000	1,565,000
Hawthorn	*1,052,500	*1,050,000	835,000	1,275,000	*1,307,400 ↑	24.22%	*1,307,400 ↑	18.67%	880,000	2,071,000
Prahran	*1,180,813	*1,119,125	741,000	1,744,000	*1,176,000 ↓	-0.41%	*1,176,000 ↓	-3.50%	1,050,000	1,535,000
Richmond	927,345	815,000	558,000	2,000,000	917,844 ↓	-1.02%	917,844 ↑	7.67%	691,000	1,335,000
South Yarra	*1,610,000	*1,610,000	1,610,000	1,610,000	*1,751,000 ↑	8.76%	*1,751,000 ↓	-27.33%	790,000	3,250,000
Albert Park	-	-	-	-	*2,310,000 -	-	*2,310,000 -	-	2,310,000	2,310,000
Middle Park	-	-	-	-	*1,285,000 -	-	*1,285,000 -	-	1,000,000	1,570,000
Port Melbourne	1,072,214	970,000	730,500	1,500,000	1,034,056 ↓	-3.56%	1,034,056 ↑	3.09%	685,000	1,400,500
South Melbourne	*1,610,000	*1,610,000	1,610,000	1,610,000	*826,000 ↓	-48.70%	*826,000 ↓	-48.70%	826,000	826,000
Flemington	-	-	-	-	601,500 -	-	601,500 -	-	601,500	601,500
Kensington	641,817	637,000	482,000	810,000	596,179 ↓	-7.11%	596,179 ↓	-1.10%	380,000	715,000
Travancore	-	-	-	-	-	-	-	-	-	-
West Melbourne	*721,750	*721,750	690,000	753,500	*810,000 ↑	12.23%	*810,000 ↑	12.23%	810,000	810,000

Table compiled from data collected from November 2013 to April 2014. A dash indicates no recorded sales for the quarter, inability to show a quarterly change or no quarterly change. Directional arrows indicate change in comparison to the previous rolling quarter. * indicates an average or median value calculated using 5 sales or less.

INNER MELBOURNE TOWNHOUSES QUARTERLY MEDIAN PRICES MAPPED

Figure 2: Inner Melbourne Townhouses - Quarterly Median Change (%)

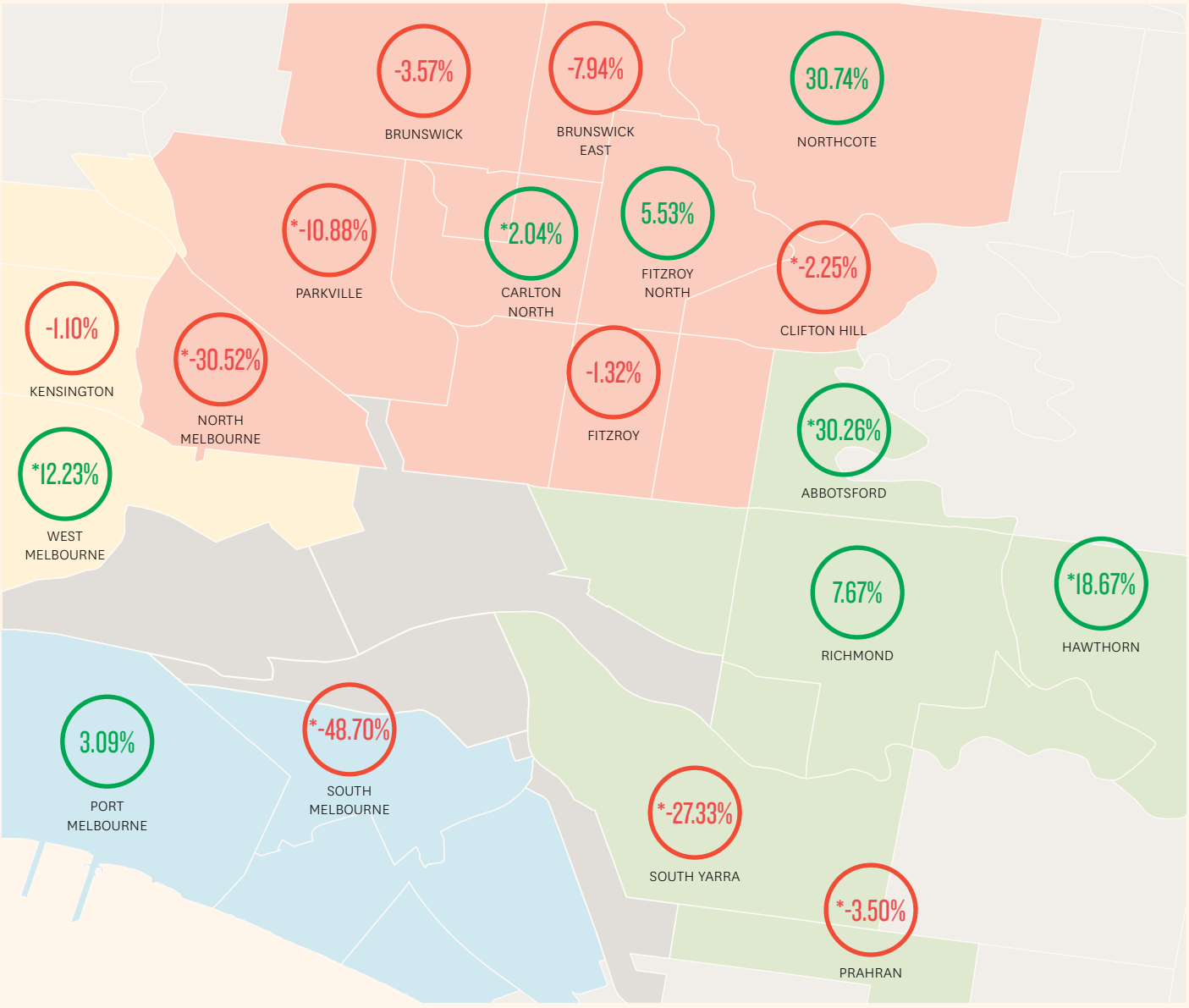

Table compiled from data collected from November 2013 to April 2014. Albert Park, Burnley, Carlton, Collingwood, Cremorne, East Melbourne, Flemington, Middle Park, Princes Hill, Travancore and West Melbourne were omitted due to insufficient data.* indicates an average or median value calculated using 5 sales or less.

INNER MELBOURNE HOUSES
PRICE COMPARISONS BY ROLLING QUARTERS

Table 4: Inner Melbourne Houses - Price Comparisons

	PREVIOUS QUARTER (NOV, DEC 2013 & JAN 2014)				CURRENT QUARTER (FEB, MAR & APR 2014)					
	Average Price	Median Price	Lowest Sale	Highest Sale	Average Price	% CHANGE	Median Price	% CHANGE	Lowest Sale	Highest Sale
Brunswick	825,323	782,500	550,000	1,535,000	901,028 ↑	9.17%	827,500 ↑	5.75%	515,000	1,500,000
Brunswick East	1,003,178	987,500	595,000	1,520,000	1,081,820 ↑	7.84%	988,550 ↑	0.11%	670,000	1,575,000
Carlton	1,420,625	1,175,000	815,000	2,700,000	1,089,167 ↓	-23.33%	1,027,500 ↓	-12.55%	700,000	1,400,000
Carlton North	1,281,478	1,190,000	715,000	3,850,000	1,209,767 ↓	-5.60%	955,000 ↓	-19.75%	767,000	2,550,000
Clifton Hill	1,050,033	995,000	712,500	1,740,000	1,044,761 ↓	-0.50%	970,000 ↓	-2.51%	680,000	1,685,000
Collingwood	816,786	710,000	653,000	1,345,000	803,000 ↓	-1.69%	754,000 ↑	6.20%	630,000	1,002,000
Fitzroy	1,105,850	945,000	671,000	2,065,000	1,223,368 ↑	10.63%	1,090,000 ↑	15.34%	780,000	1,925,000
Fitzroy North	1,218,003	1,192,500	729,000	2,060,000	1,294,236 ↑	6.26%	1,045,000 ↓	-12.37%	740,000	3,724,000
North Melbourne	911,781	780,000	565,000	2,000,000	947,864 ↑	3.96%	902,000 ↑	15.64%	442,500	927,000
Northcote	1,002,322	917,000	663,500	1,660,000	1,062,138 ↑	5.97%	945,000 ↑	3.05%	646,000	2,150,000
Parkville	*1,796,667	*1,830,000	1,610,000	1,950,000	1,420,667 ↓	-20.93%	1,379,000 ↓	-24.64%	710,000	2,100,000
Princes Hill	-	-	-	-	1,129,167 -	-	1,110,000 -	-	875,000	1,460,000
Abbotsford	836,000	808,000	595,000	1,060,000	840,000 ↑	0.48%	814,250 ↑	0.77%	641,500	1,060,000
Burnley	-	-	-	-	*950,250 -	-	*950,250 -	-	800,500	1,100,000
Cremorne	*821,333	*843,500	720,500	900,000	*775,000 ↓	-5.64%	*775,000 ↓	-8.12%	750,000	900,000
East Melbourne	*3,140,000	*2,550,000	1,300,000	6,350,000	2,716,429 ↓	-13.49%	2,410,000 ↓	-5.49%	1,300,000	5,275,000
Hawthorn	1,932,611	1,821,000	747,777	3,550,000	1,708,914 ↓	-11.57%	1,480,000 ↓	-18.73%	960,000	4,100,000
Prahran	1,277,603	1,230,000	635,000	2,500,000	1,204,078 ↓	-5.75%	1,025,500 ↓	-16.63%	706,500	3,985,000
Richmond	1,026,852	927,500	577,000	2,700,000	1,145,685 ↑	11.57%	940,000 ↑	1.35%	610,000	3,000,000
South Yarra	1,772,286	1,280,000	786,500	4,825,000	2,002,280 ↑	12.98%	1,450,000 ↑	13.28%	890,000	5,850,000
Albert Park	1,274,225	1,200,000	726,000	2,310,000	1,615,130 ↑	26.75%	1,510,000 ↑	25.83%	860,000	4,300,000
Middle Park	*1,381,300	*1,364,000	1,210,000	1,635,000	2,077,786 ↑	50.42%	1,665,500 ↑	22.10%	1,190,000	4,300,000
Port Melbourne	1,256,487	1,125,000	690,000	5,175,000	1,195,379 ↓	-4.86%	1,075,000 ↓	-4.44%	765,000	1,781,750
South Melbourne	1,097,071	1,002,500	830,000	1,570,000	1,508,514 ↑	37.50%	1,470,000 ↑	46.63%	764,000	2,850,000
Flemington	841,447	780,000	532,500	1,625,000	759,875 ↓	-9.69%	731,250 ↓	-6.25%	532,500	1,035,000
Kensington	777,741	760,000	387,000	1,225,000	889,539 ↑	14.37%	822,500 ↑	8.22%	387,000	1,591,000
Travancore	*900,000	*900,000	900,000	900,000	*1,045,333 ↑	16.15%	*1,105,000 ↑	22.78%	861,000	1,105,000
West Melbourne	*1,166,857	*1,105,000	860,000	1,900,000	*1,166,500 ↓	-0.03%	*1,002,500 ↓	-9.28%	791,000	1,870,000

Table compiled from data collected from November 2013 to April 2014. A dash indicates no recorded sales for the quarter, inability to show a quarterly change or no quarterly change. Directional arrows indicate change in comparison to the previous rolling quarter. * indicates an average or median value calculated using 5 sales or less.

INNER MELBOURNE HOUSES
QUARTERLY MEDIAN PRICES MAPPED

Figure 3 : Inner Melbourne Houses - Quarterly Median Change (%)

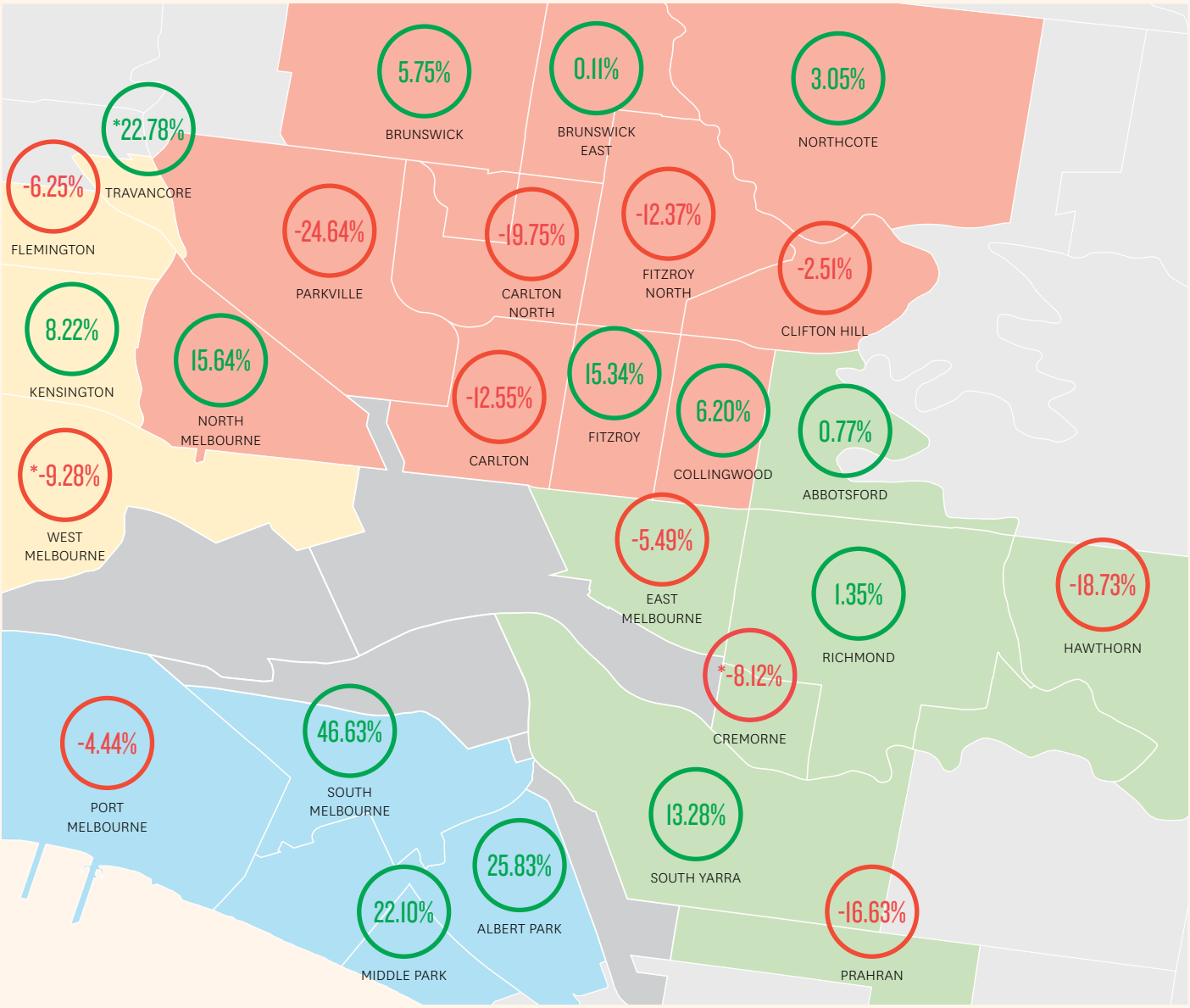

Table compiled from data collected from November 2013 to April 2014. Burnley and Princes Hill were omitted due to insufficient data. * indicates an average or median value calculated using 5 sales or less.

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INSIDE PERSPECTIVE
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THE SECRET AGENT REPORT

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Richard Rossmann
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