

END OF YEAR REVIEW

THE SECRET AGENT REPORT

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SECRETAGENT.COM.AU



Contents

"FOR LAST YEAR'S WORDS BELONG TO
LAST YEAR'S LANGUAGE AND NEXT
YEAR'S WORDS AWAIT ANOTHER VOICE."
- T.S. Eliot, *Four Quartets*

Cover Art
(c) Sheng Yi Lee 2015

- 3** **OVERVIEW OF 2015**
by Paul Osborne and Richard Rossman

- 5** **TOP PERFORMING SALES**
Houses, townhouses, apartments and commercial property.

- 9** **\$2MIL+ HOUSES AND TOWNHOUSES**
Annual growth rate of selected properties and overall turnover by year.

- 11** **GROWTH BY SUBURB 2014-2015**
Houses, townhouses and apartments.

- 14** **HIGHEST AND LOWEST GROWTH SUBURBS**
Houses, townhouses and apartments, based on 2014-2015 price growth.

- 15** **HOUSES - AFFORDABILITY BY SUBURB**
Based on price per square metre.

- 16** **YEAR ON YEAR COMPARISON**
Houses, townhouses and apartments.

- 17** **PRICING TRENDS**
Predictions vs observations in real term average prices.

- 18** **CHINESE INBOUND INVESTMENT**
by Bin Rong and Jodie Walker

- 20** **2015 RESEARCH SUMMARY**
by Jodie Walker

Overview of 2015

by Paul Osborne and Richard Rossman

Yet another year has passed. In the world of real estate, it has been a year of sensational market activity for two of Australia's largest cities: Sydney and Melbourne.

2015 surpassed most expectations for sellers, with new precedents being set in almost every corner of the market. It proved to be more of a difficult year for those trying to buy into the housing market, as intense competition for well-located inner city assets remained. The movement towards living as close to the inner city as possible is growing across cities worldwide - former slums are fast becoming displaced by landscapes of millionaire residences. This trend is only accelerating.

Over the last quarter of 2015, Sydney experienced a sharp fall in auction clearance rates, while Melbourne faced a similar pattern, albeit much gentler. Perhaps some relief is due in 2016 for those who missed out on buying this year.

Houses

Average house prices increased in all inner suburbs except East Melbourne. 17 out of 28 suburbs experienced double digit growth over the past year, with average prices across all suburbs increasing by 14.1% (average change from \$1,194,922 to \$1,363,665).

At the same time, about 17.5% less houses were sold in 2015 compared to 2014. This shows that some of the growth in prices can be attributed to supply bottlenecks in the housing market in Melbourne's inner suburbs. It also highlights the fact that activity around inner city homes was not as strong as perhaps thought.

The average annual growth rate sits at 11% per annum for repeat sales in the \$2 million and above market, demonstrating a slowing growth rate compared to the broader market.

Turnover of these luxury homes is also retreating. This suggests that fewer homes are reaching this milestone and demand is tapering off for property within this bracket.

The top performing suburb for 2015 was Middle Park, growing at 45% over the past year and selling for over \$10,000 per square metre of land. 2015 appears to have been a bad year for East Melbourne, however it is important to realise that statistics are not an indicator of the quality of homes in this suburb, which can break any record providing quality supply is available.

The price per square metre analysis revealed that suburbs such as Travancore, Northcote and Flemington in the inner West and North are still the most affordable, costing buyers on average \$2,000 to \$3,500 per square metre. In Melbourne's inner South and East, suburbs including Albert Park, Middle Park and East Melbourne are priced at over \$10,000 per square metre. Across all suburbs, the average price per square metre was just under \$6,000.

Townhouses

The overall trend for townhouses was very similar to that of houses in 2015. The growth in average prices of about 14.2% was accompanied by a decrease in overall supply by 12.4%.

While individual suburbs may have experienced more sporadic movements in average prices, it is important to remember that due to most suburbs only recording a handful of townhouse sales each year, factors such as size of the individual townhouse will have a greater impact on results.

Overview of 2015

In the suburbs with enough sales to provide accurate statistics, Kensington and Brunswick were cheaper than average at just over \$6,000 per square metre. On the other end of the spectrum, Port Melbourne, Richmond and Albert Park were the most expensive areas, with the former two at nearly \$10,000 per square metre on average and the latter at an average price of nearly \$14,000 for every square metre of land.

The townhouse market saw the best growth in South Yarra (60%) while Hawthorn struggled the most with a 9% fall in prices.

Apartments

Apartments in Melbourne's CBD and surrounding suburbs saw a modest increase in average prices of 2.2%. The total number of apartments sold over 2015 increased by 0.3%. It was the only property type to increase in turnover and provides a great example of supply and demand with slower growth when there is increased supply.

What's interesting is that the majority of suburbs with prices below the total average saw price increases, while the opposite is true for suburbs with above average sales prices.

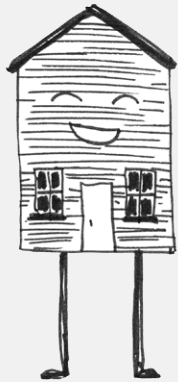
In other words, cheap apartments are now more expensive and the high end of the market has become more affordable.

Secret Agent's rolling quarters data has shown that the latest quarters growth has started to plateau. This is due to a combination of factors, including new banking regulations deterring the property investor, sluggish income growth, slowing private foreign investment and a more uncertain outlook for 2016 with falling commodity prices hurting Australian export conditions.

2016 looms ahead as one of the most uncertain years in a long time. Secret Agent looks forward to bringing you updates as they happen throughout 2016. [◆](#)

Top Performing Houses

2015



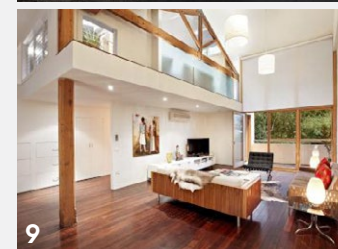
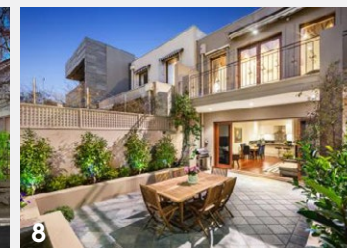
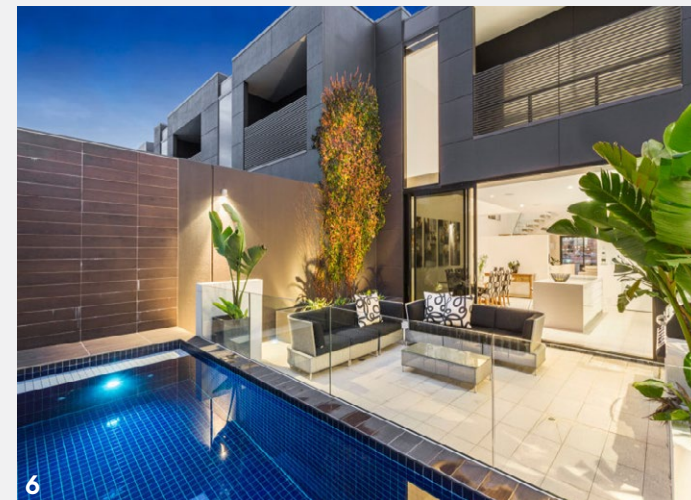
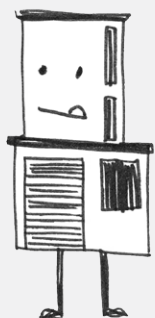
- 1 **\$10,500,000** 3 Marne Street, South Yarra
- 2 **\$9,000,000** 10-12 Kooyongkoot Road, Hawthorn
- 3 **\$7,620,000** 21 Shakespeare Grove, Hawthorn
- 4 **\$6,850,000** 28 Harcourt Street, Hawthorn East
- 5 **\$6,810,000** 53 Hawthorn Grove, Hawthorn

- 6 **\$7,500,000** 140 Beaconsfield Parade, Albert Park
- 7 **\$9,000,000** 261 Beaconsfield Parade, Middle Park
- 8 **\$6,600,000** 16 Beach Street, Port Melbourne
- 9 **\$6,060,000** 5 Narveno Court, Hawthorn
- 10 **Undisclosed*** 11 Hilda Crescent, Hawthorn

*Between \$6,000,000-\$6,100,000

Top Performing Townhouses

2015

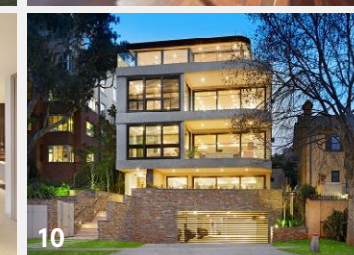
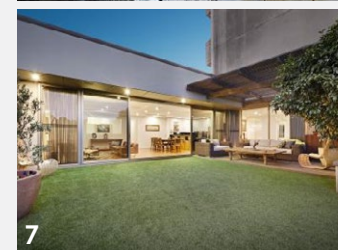
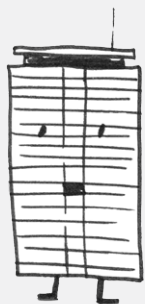


- 1 **\$3,700,000** 1/36 Murphy Street, South Yarra
- 2 **\$3,492,500** 22/2 Jolimont Terrace, East Melbourne
- 3 **\$5,425,000** 3/133 Alexandra Avenue, South Yarra
- 4 **\$3,100,000** 45a Murphy Street, South Yarra
- 5 **\$6,150,000** 70 South Wharf Drive, Docklands

- 6 **\$3,550,000** 126 New Quay Promenade, Docklands
- 7 **\$3,000,000** 3 Shipley Street, South Yarra
- 8 **\$2,600,000** 53 Tivoli Road, South Yarra
- 9 **\$2,400,000** 5/4 Tullo Place, Richmond
- 10 **\$2,377,000** 76a River Street, South Yarra

Top Performing Apartments

2015



- 1 **\$5,830,000** 1/68 Walsh Street, South Yarra
 - 2 **\$5,150,000** 2/126 Walsh Street, South Yarra
 - 3 **\$4,700,000** 5/45 Marne Street, South Yarra
 - 4 **\$4,200,000** 11/112 Millswyn Street, South Yarra
 - 5 **Undisclosed*** 804/150 Clarendon Street, East Melbourne
- *Between \$3,900,000-\$4,100,000

- 6 **\$3,815,000** 1/131 Hotham Street, East Melbourne
 - 7 **\$3,300,000** 26/1 Albert Road, Melbourne
 - 8 **\$3,280,000** 2401/228 A'Beckett Street, Melbourne
 - 9 **Undisclosed*** 801/65 Beach Street, Port Melbourne
 - 10 **Undisclosed**** 2/99 Alexandra Avenue, South Yarra
- *Between \$3,250,000-\$3,350,000
**Between \$3,100,000-\$3,200,000

Top Performing Commercial

2015



1



2



3



4



6



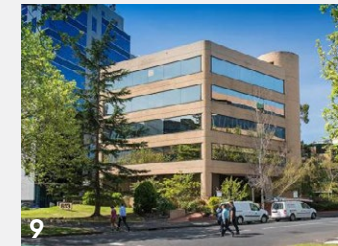
5



7



8



9



10

- 1 **\$6,030,000** 29 Sydney Road, Brunswick
- 2 **\$4,290,000** 33 Dudley Street, West Melbourne
- 3 **\$4,600,000** 51-55 Johnston Street, Fitzroy
- 4 **\$2,510,000** 163 Epsom Road, Flemington
- 5 **\$3,300,000** 390-394 Brunswick Street, Fitzroy

- 6 **\$3,125,000** 519 Chapel Street, South Yarra
- 7 **\$3,400,000** 195 Lonsdale Street, Melbourne
- 8 **\$1,650,000** 378 Barkly Street, Footscray
- 9 **\$12,100,000** 613 St Kilda Road, Melbourne
- 10 **\$4,318,900** 637 Glenferrie Road, Hawthorn

\$2million+ Houses and Townhouses

2015

The annual growth shows the gain or loss in price since the last time the property was sold (within the past 5 years). The annual turnover results indicate how many houses and townhouses priced above \$2,000,000 were sold in comparison with the previous year.

Average annual growth:

↑ **11.69%**

Annual turnover:

Year	No. of properties sold	% Change from year before
2012	181	-1.10%
2013	263	31.18%
2014	326	19.33%
2015	331	1.51%



Annual growth

↑ **6.42%**

127 Gipps Street, East Melbourne

Sold \$2,750,000 on 19/01/2015
Sold \$2,695,000 on 25/09/2014



Annual growth

↓ **-3.18%**

20 Howitt Street, South Yarra

Sold \$3,050,000 on 10/04/2015
Sold \$3,500,000 on 28/03/2011



Annual growth

↑ **10.60%**

20 McGregor Street, Middle Park

Sold \$4,400,000 on 24/10/2015
Sold \$3,600,000 on 19/09/2013

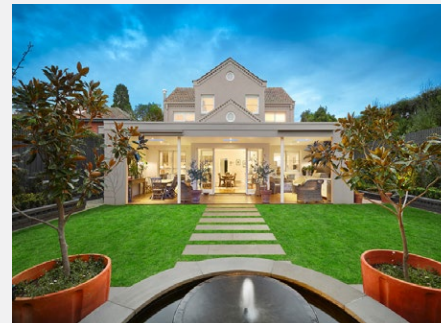


Annual growth

↑ **0.82%**

24 Cromwell Road, South Yarra

Sold \$2,200,000 on 27/06/2015
Sold \$2,150,000 on 01/09/2012



Annual growth

↑ **28.73%**

2 Crossakiel Court, Hawthorn

Sold \$4,010,000 on 12/09/2015
Sold \$2,125,000 on 11/08/2012



Annual growth

↑ **1.43%**

34 Airlie Avenue, Prahran

Sold \$2,650,000 on 21/03/2015
Sold \$2,505,000 on 05/03/2011

\$2million+ Houses and Townhouses

2015

The annual growth shows the gain or loss in price since the last time the property was sold (within the past 5 years). The annual turnover results indicate how many houses and townhouses priced above \$2,000,000 were sold in comparison with the previous year.

Average annual growth:

↑ 11.69%

Annual turnover:

Year	No. of properties sold	% Change from year before
2012	181	-1.10%
2013	263	31.18%
2014	326	19.33%
2015	331	1.51%



Annual growth

↑ 0.32%

3 Danks Street, Albert Park

Sold \$2,650,000 on 25/05/2015
Sold \$2,618,650 on 01/09/2011

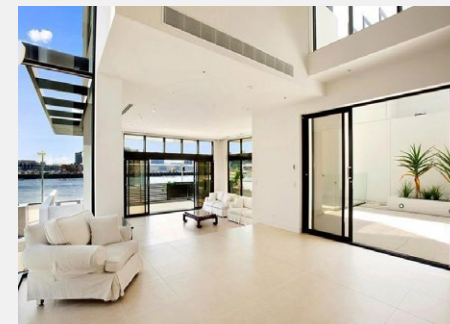


Annual growth

↑ 7.99%

3 Shipley Street, South Yarra

Sold \$3,000,000 on 31/08/2015
Sold \$2,250,000 on 30/06/2011



Annual growth

↓ -1.82%

70 South Wharf Drive, Docklands

Sold \$6,150,000 on 05/08/2015
Sold \$6,650,000 on 20/06/2011



Annual growth

↑ 3.13%

42 Tivoli Road, South Yarra

Sold \$2,360,000 on 26/09/2015
Sold \$2,200,000 on 30/05/2013



Annual growth

↑ 7.59%

84 Kinkora Road, Hawthorn

Sold \$3,160,000 on 28/03/2015
Sold \$2,560,000 on 25/02/2012



Annual growth

↑ 8.01%

41 Alfred Crescent, Fitzroy North

Sold \$4,250,000 on 12/02/2015
Sold \$3,530,000 on 28/07/2012



Houses Growth by Suburb

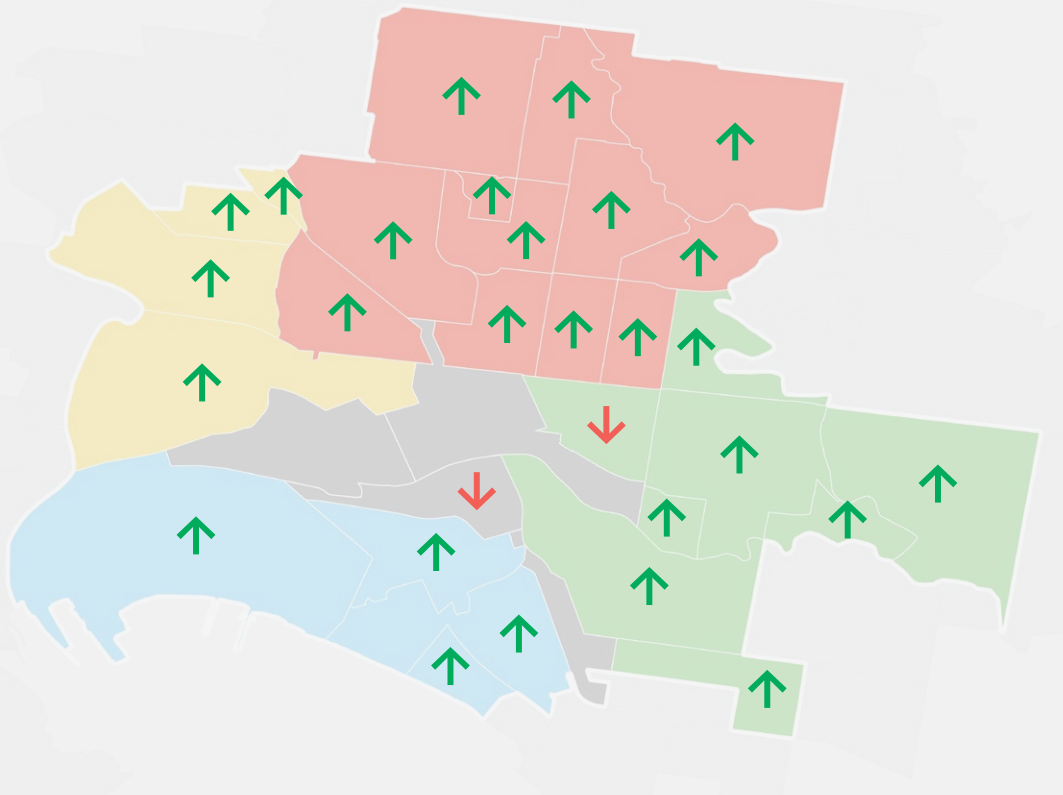
2014-2015

Overall growth:

↑ 14.12%

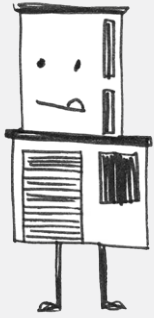
Average price in 2015:

\$1,363,665



Suburb	Average Price 2014	Average Price 2015	Price Change	Turnover Change
Docklands	N/A	*\$3,515,000	0.00%	0.00%
Melbourne	*\$1,410,000	N/A	0.00%	-50.00%
Southbank	*\$1,200,000	*\$750,000	-37.50%	0.00%
Brunswick	\$815,822	\$868,155	6.41%	-13.93%
Brunswick East	\$823,441	\$913,101	10.89%	-29.10%
Carlton	\$943,153	\$1,249,855	32.52%	-17.65%
Carlton North	\$1,210,074	\$1,236,490	2.18%	-18.02%
Clifton Hill	\$1,059,003	\$1,249,117	17.95%	-26.17%
Collingwood	\$797,326	\$875,574	9.81%	-18.18%
Fitzroy	\$1,199,115	\$1,240,499	3.45%	2.02%
Fitzroy North	\$1,192,503	\$1,301,282	9.12%	-20.59%
North Melbourne	\$899,632	\$1,048,044	16.50%	-21.15%
Northcote	\$1,033,821	\$1,099,372	6.34%	-10.73%
Parkville	\$1,351,723	\$1,580,275	16.91%	-54.55%
Princes Hill	\$1,357,048	\$1,359,592	0.19%	-53.57%
Abbotsford	\$847,006	\$964,487	13.87%	-44.44%
Burnley	\$1,004,615	\$1,086,400	8.14%	-23.08%
Cremerne	\$947,267	\$1,045,556	10.38%	-29.41%
East Melbourne	\$2,512,163	\$2,300,159	-8.44%	-41.18%
Hawthorn	\$1,833,944	\$2,250,109	22.69%	-0.43%
Prahran	\$1,261,716	\$1,422,219	12.72%	-15.45%
Richmond	\$1,056,523	\$1,223,883	15.84%	-8.15%
South Yarra	\$1,787,776	\$1,976,384	10.55%	-7.62%
Albert Park	\$1,697,965	\$1,925,519	13.40%	-13.42%
Middle Park	\$2,129,180	\$3,087,902	45.03%	-39.33%
Port Melbourne	\$1,164,158	\$1,373,243	17.96%	-17.10%
South Melbourne	\$1,278,673	\$1,400,304	9.51%	-33.59%
Flemington	\$802,738	\$912,727	13.70%	-16.25%
Kensington	\$794,133	\$929,548	17.05%	-26.56%
Travancore	\$873,273	\$991,250	13.51%	18.18%
West Melbourne	\$915,757	\$972,096	6.15%	-26.83%
Average	\$1,194,922	\$1,363,665	14.12%	-17.48%

The 2014 period is defined by 1 December 2013 to 30 November 2014. The 2015 period is defined by 1 December 2014 to 30 November 2015. Directional arrows indicate price change in comparison to the previous year. *indicates an average price calculated using less than 10 sales. Price change results for Docklands and Melbourne are unavailable due to insufficient data.



Townhouses Growth by Suburb

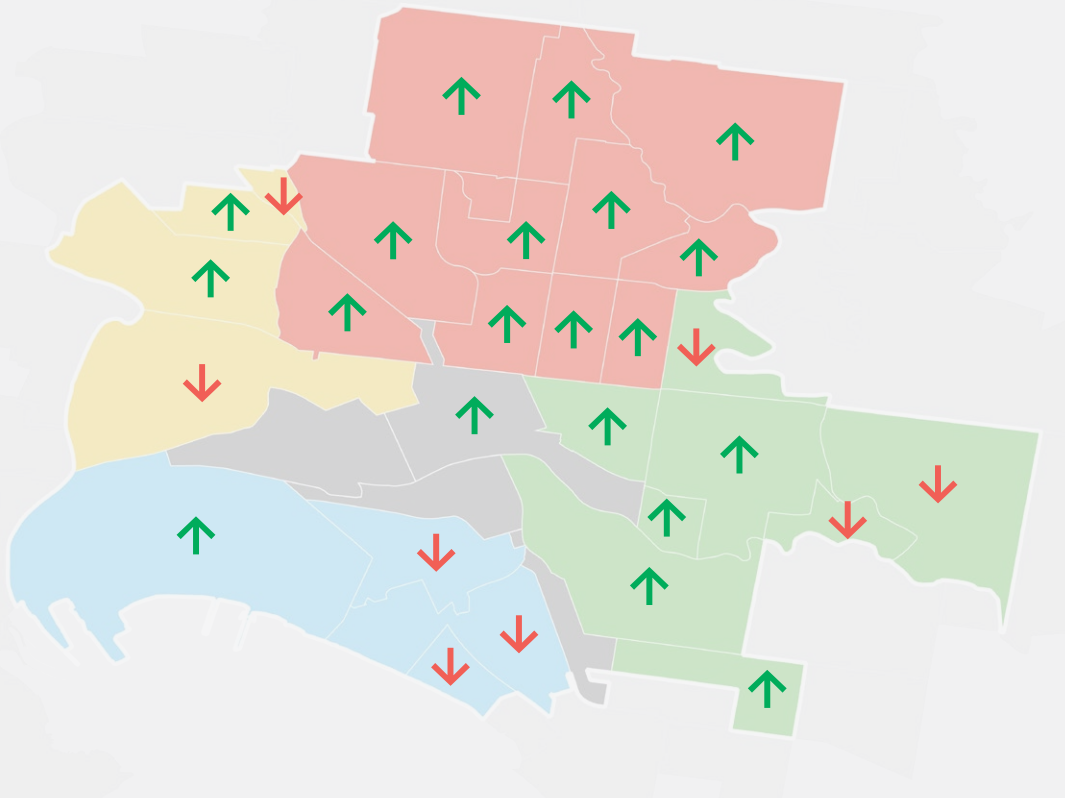
2014-2015

Overall growth:

↑ 14.23%

Average price in 2015:

\$1,011,314

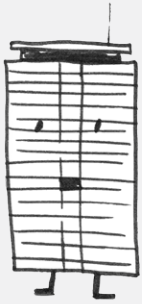


Suburb	Average Price 2014	Average Price 2015	Price Change	Turnover Change
Docklands	N/A	*\$2,299,500	0.00%	600.00%
Melbourne	*\$605,250	*\$670,000	10.70%	-50.00%
Southbank	N/A	*\$1,172,500	0.00%	0.00%
Brunswick	\$651,830	\$722,984	10.92%	-5.71%
Brunswick East	\$691,318	\$746,563	7.99%	2.56%
Carlton	*\$821,432	*\$961,100	17.00%	-11.11%
Carlton North	*\$865,429	*\$901,667	4.19%	-57.14%
Clifton Hill	\$824,124	\$899,750	9.18%	-33.33%
Collingwood	*\$772,423	*\$874,100	13.16%	-61.54%
Fitzroy	\$779,850	\$1,034,950	32.71%	-47.62%
Fitzroy North	\$873,703	\$887,845	1.62%	-9.38%
North Melbourne	\$710,328	\$868,000	22.20%	-50.00%
Northcote	\$717,114	\$756,666	5.52%	-2.17%
Parkville	*\$854,643	*\$940,000	9.99%	-87.50%
Princes Hill	N/A	*\$1,452,500	0.00%	0.00%
Abbotsford	\$902,011	\$832,745	-7.68%	-25.00%
Burnley	*\$1,239,000	*\$1,030,000	-16.87%	-80.00%
Cremorne	*\$719,167	*\$1,126,031	56.57%	66.67%
East Melbourne	\$1,065,417	\$2,110,833	98.12%	-75.00%
Hawthorn	\$1,104,843	\$1,004,172	-9.11%	-5.56%
Prahran	\$1,016,652	\$1,316,133	29.46%	-41.38%
Richmond	\$945,022	\$1,008,436	6.71%	-38.64%
South Yarra	\$1,018,921	\$1,630,207	59.99%	8.16%
Albert Park	*\$1,750,000	*\$1,466,750	-16.19%	55.56%
Middle Park	*\$1,416,250	*\$963,000	-32.00%	-83.33%
Port Melbourne	\$1,260,015	\$1,316,327	4.47%	38.89%
South Melbourne	\$1,262,000	\$1,198,435	-5.04%	108.33%
Flemington	*\$557,300	*\$693,625	24.46%	50.00%
Kensington	\$663,957	\$705,279	6.22%	1.92%
Travancore	*\$756,667	*\$368,000	-51.37%	-66.67%
West Melbourne	*\$873,417	*\$857,545	-1.82%	166.67%
Average	\$885,347	\$1,011,314	14.23%	-12.43%

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Apartments Growth by Suburb

2014-2015

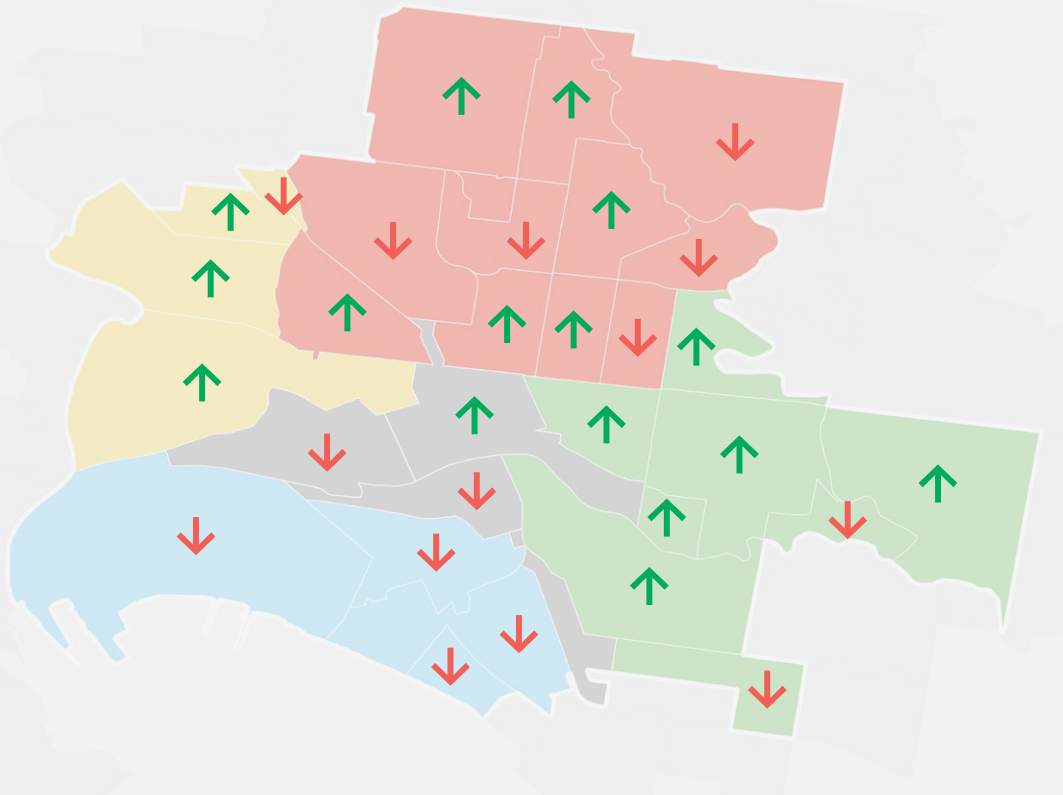


Overall growth:

↑ 2.21%

Average price in 2015:

\$596,682



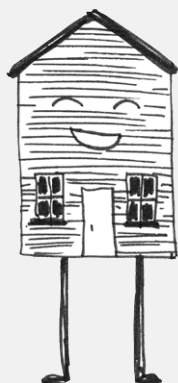
Suburb	Average Price 2014	Average Price 2015	Price Change	Turnover Change
Docklands	\$710,475	\$687,373	-3.25%	19.75%
Melbourne	\$539,464	\$550,825	2.11%	-3.56%
Southbank	\$671,298	\$632,334	-5.80%	4.02%
Brunswick	\$445,271	\$483,219	8.52%	-2.46%
Brunswick East	\$466,506	\$499,026	6.97%	-23.39%
Carlton	\$369,503	\$425,851	15.25%	1.72%
Carlton North	\$568,920	\$556,470	-2.19%	22.22%
Clifton Hill	\$561,380	\$557,500	-0.69%	-28.13%
Collingwood	\$608,295	\$561,648	-7.67%	40.96%
Fitzroy	\$630,934	\$677,969	7.45%	1.79%
Fitzroy North	\$549,884	\$581,430	5.74%	58.14%
North Melbourne	\$467,619	\$525,828	12.45%	-4.27%
Northcote	\$493,915	\$466,131	-5.63%	0.00%
Parkville	\$626,145	\$524,750	-16.19%	-14.29%
Princes Hill	N/A	*\$552,667	0.00%	0.00%
Abbotsford	\$527,697	\$694,724	31.65%	-22.78%
Burnley	*\$516,400	*\$377,000	-26.99%	20.00%
Cremorne	\$491,625	\$735,400	49.59%	-61.54%
East Melbourne	\$820,256	\$944,971	15.20%	-11.63%
Hawthorn	\$537,845	\$603,572	12.22%	-8.00%
Prahran	\$551,975	\$528,374	-4.28%	-10.60%
Richmond	\$526,915	\$540,497	2.58%	5.05%
South Yarra	\$658,263	\$738,993	12.26%	-1.28%
Albert Park	\$1,316,600	\$709,155	-46.14%	11.76%
Middle Park	\$694,440	\$672,694	-3.13%	-26.92%
Port Melbourne	\$858,023	\$806,186	-6.04%	-4.71%
South Melbourne	\$693,277	\$655,457	-5.46%	-9.45%
Flemington	\$374,563	\$410,370	9.56%	45.83%
Kensington	\$412,340	\$480,676	16.57%	25.00%
Travancore	\$378,063	\$376,100	-0.52%	57.58%
West Melbourne	\$519,779	\$589,640	13.44%	-5.80%
Average	\$583,807	\$596,682	2.21%	0.29%

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Highest and Lowest Growth Suburbs

2014-2015

The following rankings are based on each suburb's annual price change from 2014-2015, which are shown in detail on pages 11 to 13.

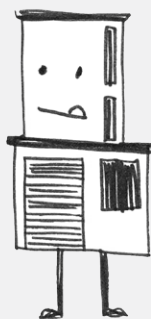


Houses

Top suburb:

Middle Park

Suburb	Price per m ²	Av. Price 2014	Av. Price 2015	Price Change
Middle Park	\$10,412	\$2,129,180	\$3,087,902	45.03%
Carlton	\$8,506	\$943,153	\$1,249,855	32.52%
Hawthorn	\$4,543	\$1,833,944	\$2,250,109	22.69%
Carlton North	\$7,000	\$1,210,074	\$1,236,490	2.18%
Princes Hill	\$5,806	\$1,357,048	\$1,359,592	0.19%
East Melbourne	\$11,479	\$2,512,163	\$2,300,159	-8.44%
Average	\$5,929	\$1,194,922	\$1,363,665	14.12%



Townhouses

Top suburb:

South Yarra

Suburb	Price per m ²	Av. Price 2014	Av. Price 2015	Price Change
South Yarra	\$9,572	\$1,018,921	\$1,630,207	59.99%
Fitzroy	N/A	\$779,850	\$1,034,950	32.71%
Prahran	\$8,219	\$1,016,652	\$1,316,133	29.46%
South Melbourne	\$10,398	\$1,262,000	\$1,198,435	-5.04%
Abbotsford	\$6,216	\$902,011	\$832,745	-7.68%
Hawthorn	\$6,688	\$1,104,843	\$1,004,172	-9.11%
Average	\$8,469	\$885,347	\$1,011,314	14.23%

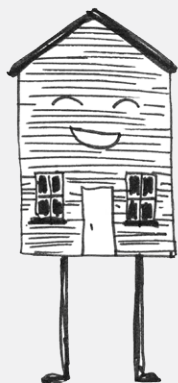


Apartments

Top suburb:

Abbotsford

Suburb	Av. Price 2014	Av. Price 2015	Price Change
Abbotsford	\$527,697	\$694,724	31.65%
Kensington	\$412,340	\$480,676	16.57%
Carlton	\$369,503	\$425,851	15.25%
Collingwood	\$608,295	\$561,648	-7.67%
Parkville	\$626,145	\$524,750	-16.19%
Albert Park	\$1,316,600	\$709,155	-46.14%
Average	\$583,807	\$596,682	2.21%



Houses Affordability by Suburb

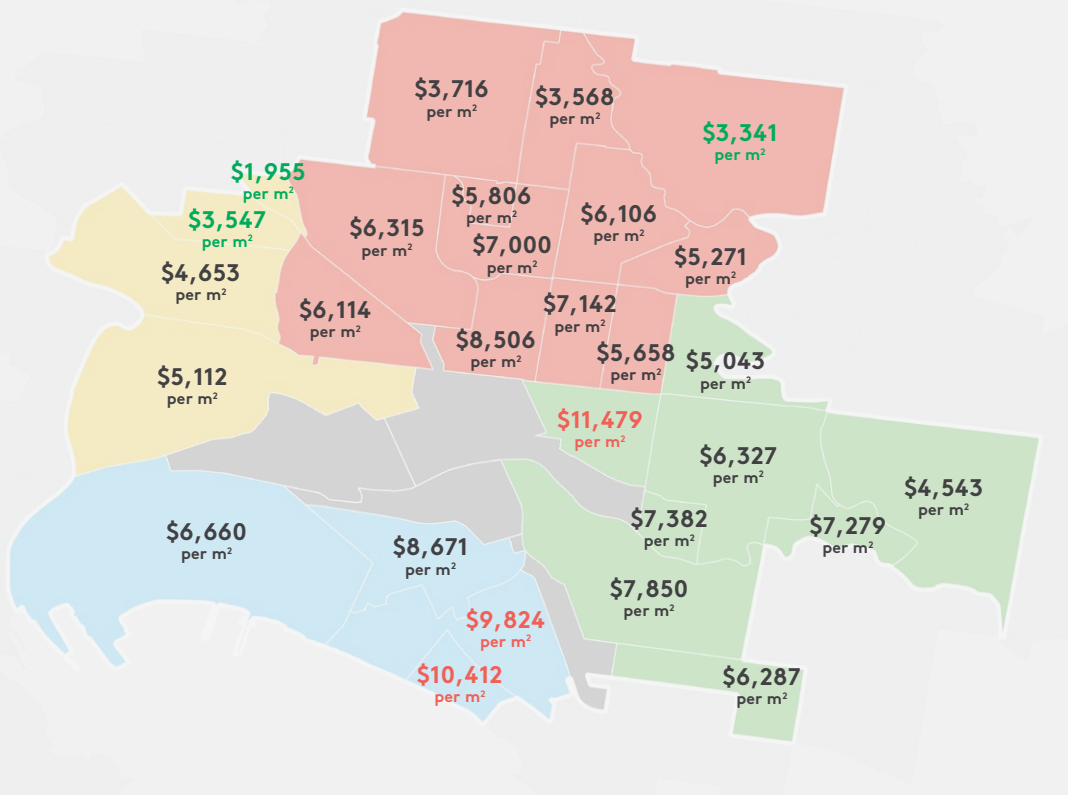
2015

Most affordable:

Travancore

Most expensive:

East Melbourne



Suburb	Price per m ²
Travancore	\$1,955
Northcote	\$3,341
Flemington	\$3,547
Brunswick East	\$3,568
Brunswick	\$3,716
Hawthorn	\$4,543
Kensington	\$4,653
Abbotsford	\$5,043
West Melbourne	\$5,112
Clifton Hill	\$5,271
Collingwood	\$5,658
Princes Hill	\$5,806
Fitzroy North	\$6,106
North Melbourne	\$6,114
Prahran	\$6,287
Parkville	\$6,315
Richmond	\$6,327
Port Melbourne	\$6,660
Carlton North	\$7,000
Fitzroy	\$7,142
Burnley	\$7,279
Cremorne	\$7,382
South Yarra	\$7,850
Carlton	\$8,506
South Melbourne	\$8,671
Albert Park	\$9,824
Middle Park	\$10,412
East Melbourne	\$11,479

Average

\$5,929 per m²

The price per m² values are based on data collected from 2015. Docklands, Melbourne and Southbank were omitted due to insufficient data.

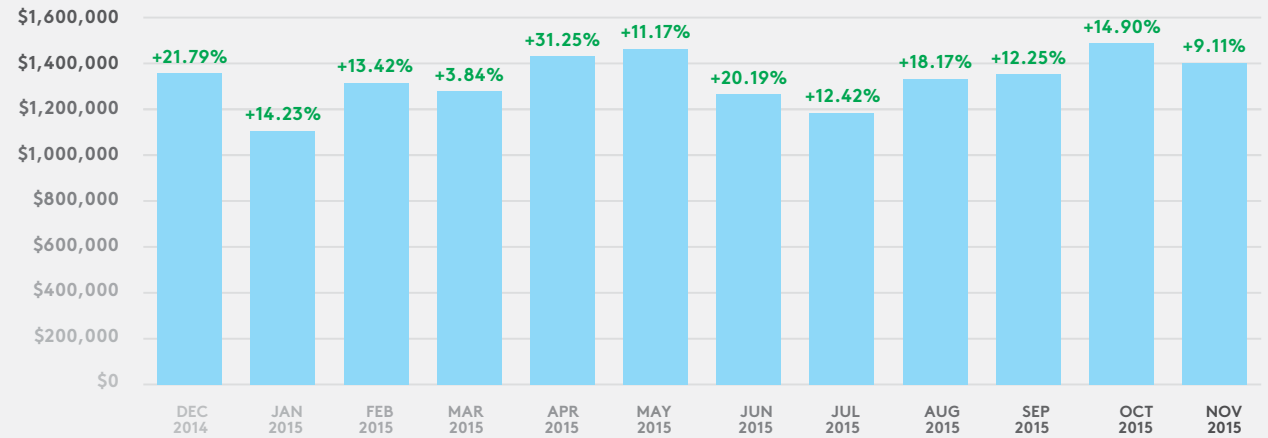
Year on Year Comparison

DEC 2013 - NOV 2014 vs DEC 2014 - NOV 2015

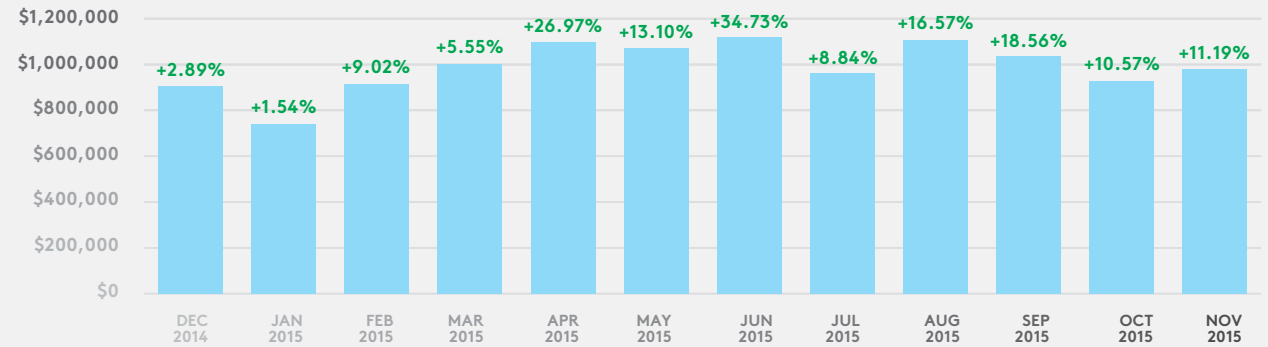
These charts show the average monthly prices in 2015 across the inner Melbourne suburbs as listed on pages 11 to 13. The percentages reflect the growth or decline in average monthly prices from the year before.



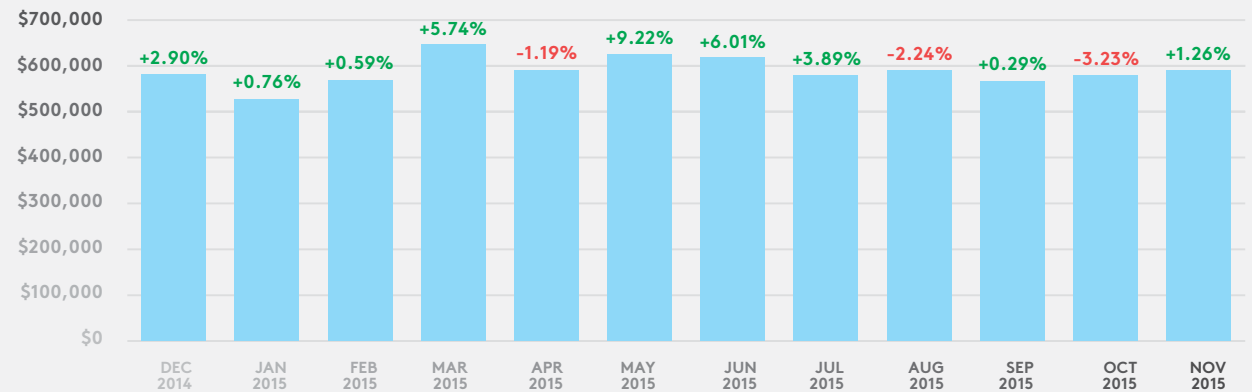
Houses



Townhouses



Apartments

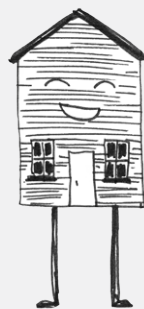


Pricing Trends

SEP 2014 - DEC 2015

Houses

The market for houses in Melbourne's inner suburbs has remained close to expectations, with only the inner East, which was predicted to be the most expensive region, dropping below trend. This shows that much of the growth in house prices has come from the lower end of the market. With sales from December 2015 yet to be added to our data, houses in the inner West, North and South should all be priced very close to the predictions made by Secret Agent this time last year. Next year, the reduction in the number of loans being granted due to higher regulations on banks, as well as stable interest rates will create downward pressure on housing prices. A lower supply of houses due to residential developments is likely to result in continued price increases for houses at a similar rate to this year's growth in 2016.



Houses



Townhouses

Townhouses

Real term average prices of townhouses in the inner suburbs has remained almost exactly in line with our predictions. The popularity of this type of property by both developers and homeowners will likely lead to the townhouse being one of the fastest growing sectors in Melbourne's property market.

While offering good returns on investment for property developers and investors, owner-occupiers are still paying a large premium in terms of price per square metre in many regions when compared to standalone houses.

Apartments

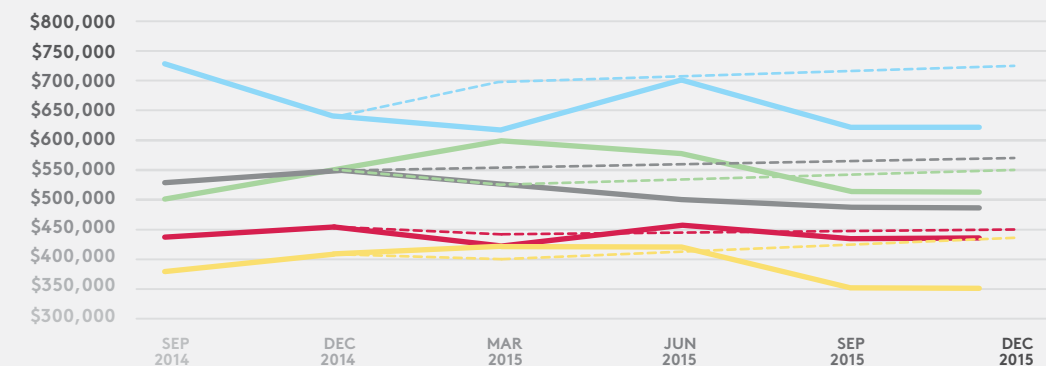
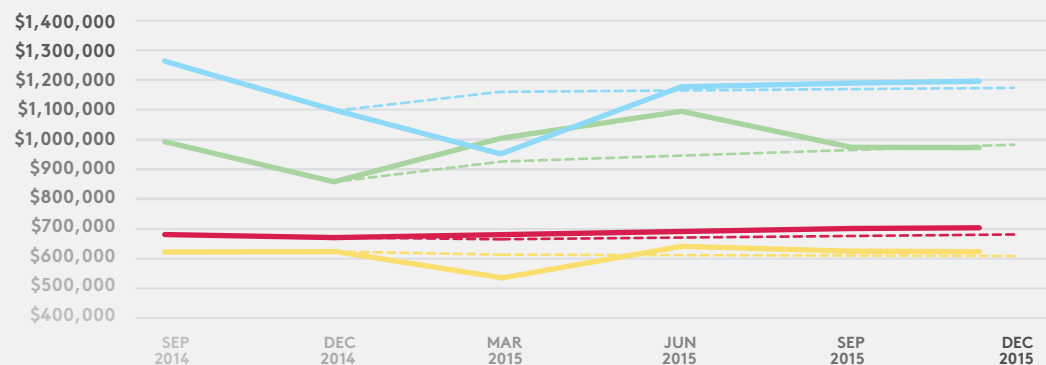
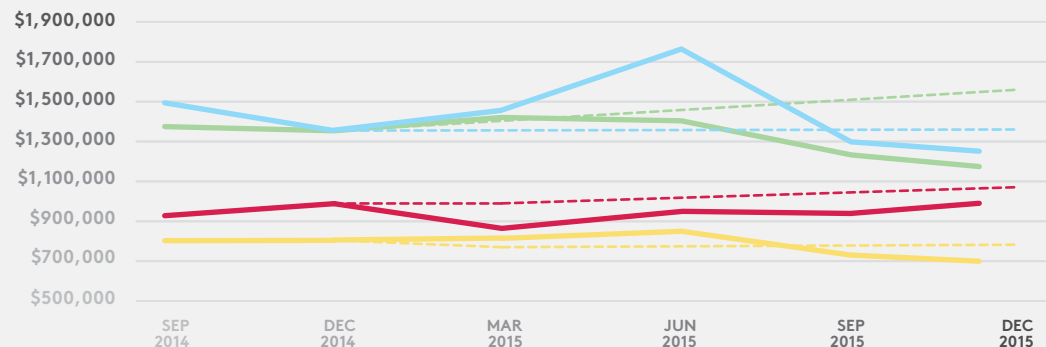
Out of all property types, apartments have dropped the furthest away from trend since this time last year. It was also the only segment that saw an increase in supply from last year. This is expected to continue in the following years due to many new apartment developments planned for the inner city. In terms of area, the inner North has performed the best, while CBD apartments are now priced lower in real terms than apartments in the inner East.



Apartments

Predictions vs Observations in real term average prices

Inner North Inner West Inner East Inner South CBD
Observation Prediction



Chinese Inbound Investment

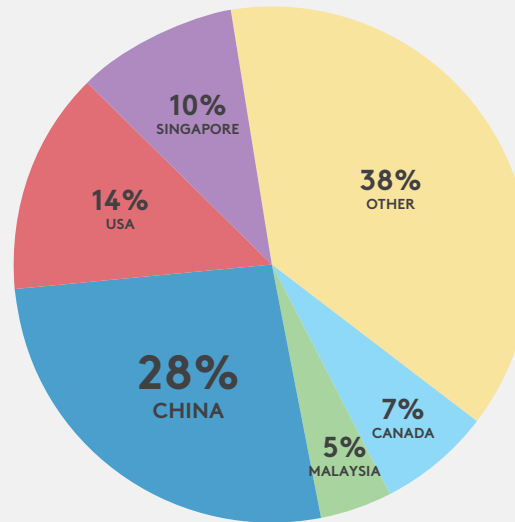
by Bin Rong and Jodie Walker

One of the most profound effects on the Australian property market over the past few years has been the changing composition of Chinese direct investment into Australia.

Whilst the Chinese had previously invested more heavily in resources and mining, 2013 saw a turning point whereby the distribution of investment money moved to real estate, infrastructure and private sectors. This trend has continued through 2014 and well into 2015.

According to the Foreign Investment Review Board's (FIRB) Annual Report for 2013-14, a total of \$167.4 billion worth of proposed investments was approved across all industry sectors in this period.

Approvals for Chinese nationals to purchase Australian residential and commercial property tallied \$12.4 billion, up 110% from \$5.9 billion in 2012-13. In 2013, China overtook the United States to become the number one investing country in the Australian property market while Singapore, Canada and Malaysia also played important roles as shown in Figure 1.



Total Value of Property Approvals by Country of Investor

Figure 1. Data sourced from Knight Frank, 2015.

A more recent report published by Knight Frank in conjunction with the University of Sydney (2015) provided an in-depth analysis of Chinese investment into Australia for the 2014 calendar year. In summary:

- 46% of Chinese investment was concentrated in commercial real estate transactions (increasing from just 14% in 2013).
- There was a significant increase in private sector investment with 51 private deals in 2014, up from 25 in 2013.
- New South Wales attracted 72% of total Chinese investment in Australia.
- Total Chinese real estate investment volume was greater in Sydney and Melbourne than in London or New York.

Portfolio diversification, relatively low funding costs and a transparent regulatory environment make the Australian commercial market attractive to Chinese buyers.

Institutions and developers also see it as a way to "build their brand internationally". (Frank, 2015) Residential property in Australia has the drawback of being relatively cheap compared to property in China's major city centres. Chinese buyers may pay a premium for freehold title, clean air, free education (primary and secondary public schools) and free healthcare.

According to the ABS, the number of Australian residents born in China more than doubled over the ten years from 2004 to 2014, going from 205,200 persons to 447,400 persons. These 200,000 strong additional migrants plus all the Chinese migrants in the future will continually bring steady investment into our property market as they choose to settle their life here.

Australian state governments have encouraged higher density living by rezoning key sites around infrastructure hubs, and opportunities

Chinese Inbound Investment

for developers have become ample over recent years. With the lowered Australian dollar, more foreign developers are now taking this opportunity to enter the Australian market. The increased presence of international developers will not only support the growth of the Australian construction industry but also increase the number of new dwellings supplied into the market. Apartment buildings and smaller size townhouses will be offered to the market by these developers to fit the price range for their overseas clients. Locals may also have to get used to living in these types of properties if they want to stay close to the city and transport hubs.

It can be expected that the stimulatory effect of the falling Australian dollar for foreign investors is likely to wane once the currency stabilises. In addition, tighter controls on Chinese capital outflows will weigh on the market if they persist.

From the 1st of July 2015, foreign persons and foreign government investors holding interests in agricultural land must register those interests with the Australian Taxation Office (regardless of the value of that land). Furthermore, from the 1st December 2015, the government has introduced fees to be levied on all foreign investment applications. For residential properties valued at AUD 1 million or less, foreign investors will need to pay a fee of AUD 5,000. Higher fees will apply to more expensive residential properties, as well as business, agriculture and commercial property applications.

The Victorian State Government has also announced two new taxes applicable to foreign buyers. From the 1st of July 2015, foreign property investors will be taxed 3 percent of the purchase price.

Additionally, foreign owners of property which remain vacant will be charged an extra land tax of 0.5 percent. These state-based taxes will be in addition to the above mentioned federal taxes. These new taxes will not play an important role in Chinese buyers' considerations and the exchange rate may well favour the Chinese in the future, thereby diminishing the financial effects of such taxes.

These structural changes and the slowdown in the Chinese economy will only dampen the level of Chinese investment in the short term, while long term the Chinese investor will maintain a strong interest in Australia. 

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2015 Research Summary

by Jodie Walker

Secret Agent's research in 2015 launched a well rounded enquiry into the external factors that influence how, when and why we buy. Our reports dug deep into the subjects of health and wellness, beauty, weather and schooling, to name a few.

The external environment can impact not only our decision to buy but also the price we pay for a particular property. This is a recurring theme in Secret Agent's daily work as well as in our research for 2015. Secret Agent aims to educate people about these influences so that they can make more informed choices when transacting in the property market.

Our Healthy Environments and Motherhood reports explored some of the potential hazards of a property and its surrounds that are often invisible to the naked eye. Based on these findings, the reports presented checklists of hidden dangers to look out for as a precautionary measure before purchasing a home, especially for buyers who are planning on starting a family. These concerns included types of heating, soil contamination, noise and air pollution, water quality, building materials used and proximity to wifi hot spots.

The façade of a property may seem like an obvious external feature that adds value to a property. This was confirmed in Secret Agent's Symmetry report where a strong positive correlation was found between façade beauty and property sale price. This was the case in most streets studied, however exceptions existed whereby properties with low beauty scores still achieved high sale prices. While it's never good to judge a book by its cover, you can be sure that a pretty façade does not come cheap.

Temperature has a low impact on auction results in inner Melbourne. A weak positive correlation was found when monthly average temperatures and property sale prices were compared. What this means is that, seasonality aside, a cold day does not implicate a discount on a property's price tag.

School zones are an important consideration for families looking to purchase a home. The exact premium they can add to a property varies depending on the actual school's results as uncovered in our School Zones report on public schools. For each 1% increase in VCE study score above 40, the price of a house in a particular school zone increases by \$19,000. Secret Agent's Private Schools report confirmed that there is not only a premium if you live within a reputable public school zone, but also if you live within 1km of a private school. This ranged from \$73,000 to \$168,000 for private schools.

Infrastructure projects can impact the price of a property by increasing accessibility, causing changes in land use and improving the desirability to live within an area. The Melbourne Metro Rail Project was one such project investigated by Secret Agent this year. Houses located nearby the proposed Metro stations at Parkville, Domain and Arden could experience strong growth if the project is implemented. The project could also ease congestion in the inner city fringe suburbs and assist in the success of a congestion levy imposed on the inner CBD grid. Secret Agent proposed this levy in our Congestion Charge report after studying a successful example in London.

Deviating from the common topic of external environments, the Rent report investigated the state of the rental market in inner Melbourne. The annual growth of median weekly rents from 2012 to 2014 across the inner city suburbs was investigated. It was found that for 1 bedroom apartments, there was very little growth in median weekly rents, and in real terms it was actually cheaper to rent in 2014 than 2013. This was not good news for investors. Larger apartments fared slightly better with a small increase of 1.5% growth in rent. Decreasing yields were mostly offset by higher median prices and improved capital gains.

The Offices report offered an insight into how work culture can shape the internal environment. Through interviews with several practices in Melbourne, Secret Agent gained an understanding of the way businesses are designing their office spaces to suit company dynamics, ambitions and needs. Community and collaboration was found to be a driving force in these modern workspaces, reflected not only in the choice of office furniture but also in group activities. By taking care of the employees' wellbeing, the work would look after itself.

We look forward to bringing you more of the Secret Agent Reports in 2016 with the first release of the year due early February. [◆](#)

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

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