

**SECRET**

INSIDE PERSPECTIVE

**AGENT**



## THE SECRET AGENT REPORT

VOLUME SIXTEEN - FEBRUARY 2014

# 2014

↗ INTERIOR AND PROPERTY MARKET TRENDS ↙

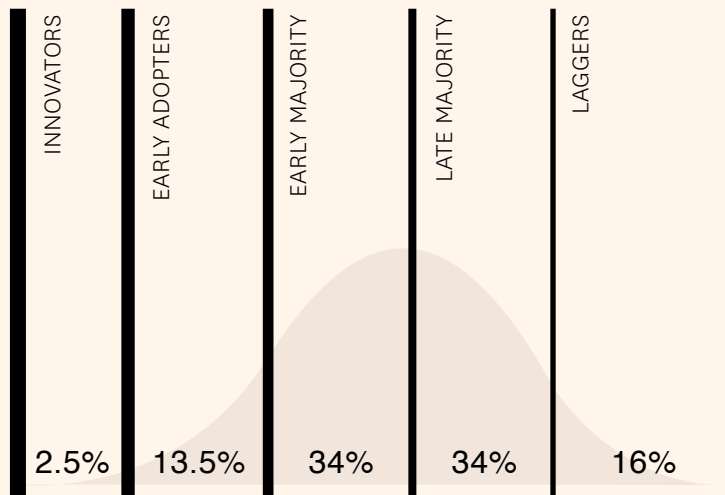
## INTERIOR TRENDS - WHAT TO EXPECT

COSMO MCINTYRE

Warehouse/industrial - on the way OUT ↘ ↗ Modern contemporary Euro/French - IN

Firstly, let's set the scene and understand how trends work. Trend setters are generally ahead of the curve, as the majority of the market sits comfortably within the fat of the bell curve represented by the early majority and late majority. It would be interesting to track the rise of popularity of the Portugese Water Dog breed after the Obama Family acquired theirs in 2008! This type of thinking takes me back to my marketing lectures. The concept can be most easily understood with the diffusion of innovation theory (below).

When talking trends, what may be in vogue for the trendy elite often means it is still a good year away for the majority of people.



Diffusion of Innovations is a theory that seeks to explain how, why, and at what rate new ideas and technology spread through cultures.



The home of John Henry in Melbourne sits in a warehouse style building. A steel frame structure, the entire space is clean white, with high ceilings and lots of light. Filled with classic furniture from Alessi, Cassina, and Herman Miller among others.

### THE WAREHOUSE

For a good while now, Melbourne has been in love with open plan warehouse living and the miss matched industrial interior fit-out that lends so easily to it. A good, unstructured warehouse can be breathtaking, and not too tricky to put together. A keen eye and the right space can often lead to a breathtaking home. The key to successful open plan living is having A LOT of space, and as people move closer to the city centre, space becomes rarer. So too does the open plan warehouse spaces that are now often being carved up and split into 2 residences. And lets face it, open plan warehouse/industrial design often doesn't work when space - especially vertical space - is limited.

The industrial open plan trend is slowly giving way to a more structured, deliberate interior design. Whether this is because people are valuing their privacy more in a world where less and less is sacred, or space is now a rare commodity in inner cities and people are tired and craving something new. The reasons remain up for debate.

## A NEW APPROACH

Tucked away spaces over different levels, while still lending to open, shared spaces like the kitchen/dining room scenario are becoming more appreciated.

Deliberately placed furniture and a structured interior are all the rage. So too are interiors with clean lines, deliberate bold pieces, thoughtful colour choices and a modern chic Parisian feel.

The art is in capturing a level of warmth, while still remaining clean and chic. Paris does this very well. And if you still aren't convinced about colour being important, Pantone doesn't agree, naming **Radiant Orchid 18-3224** the shade that will dominate packaging, product, interior design and the catwalk for the next 12 months.

This 'modern chic Euro/Parisian' style (for want of a better phrase) has been well and truly adopted by our innovators and early trendsetters, and will be warmly embraced by the fat of the bell curve.

Pops of colour throughout clean interiors and deliberately placed furniture and artwork that complements the space. No longer will clutter of the past or oddly put together mismatched-arrays-of-craft-things fly. With this comes a push for quality and longevity, and a school of thought that I love. Can a product get better the more you use it? YES is the short answer. Take a hard wood timber floor, or a solid classical arm chair. Buy once and buy right and the patina of age will lend kindly to it. European cities tend to do this well, and we will embrace this.

## A NEW RELATIONSHIP BETWEEN MEN AND INTERIOR DESIGN

Move over the 'metrosexual' and make room for the rise of the male interior designer. As more and more men spend time at home and take interest in the home, the male preference will shine through. This may be represented by bolder, more practical design and perhaps the resurgence of the sacred study. We will see an increased focus on technology around the house and home automation, as well as the "internet of things".

We recently attended Le Web in Paris, a conference for startups and web entrepreneurs, where we saw the founders of Nest talk. Nest create smart devices for the home which include thermostats and smoke detectors. Google recently



Interior designed by Jean-Christophe Aumas.  
A very colourful, playful, yet clean Parisian interior.

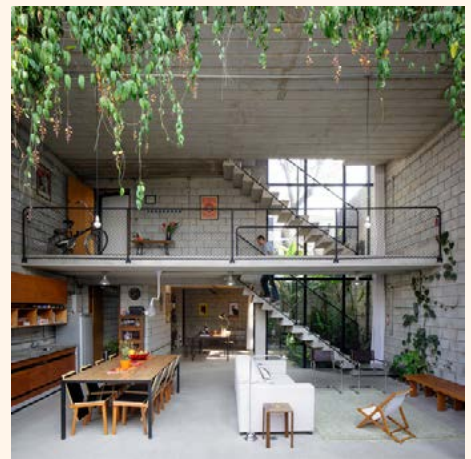


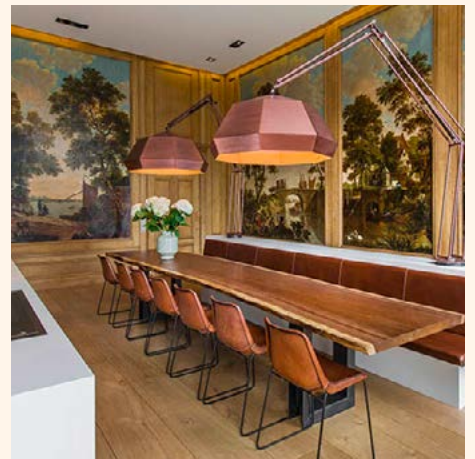
Built circa 1801, a Georgian home in Somerset, designed by Ilse Crawford.  
Herman Miller chairs and a Cassina Utrecht armchair.

validated the push towards home automation and the internet of things by purchasing Nest for \$3.2 billion. If this isn't a testament of things to come I don't know what is.

One last piece of advice.... What is well and truly in, is something that works for you, a space that you feel comfortable in, love and can call your own.

On a side note, keep an eye out for indoor plants, cacti, pineapples, and vintage Australiana if you haven't already noticed them popping up in shop fronts around town. White-washed brick and 60's European glass will also be HOT! The following pages are our 'mood board' for 2014...





## KEY THEMES FOR 2014 AND BEYOND

PAUL OSBORNE

We've witnessed, and participated in a sequence of bipolar years since the credit collapse in 2008 took hold.

Australia has generally fared well since the crisis and manages to defy critics. Here, we will explore themes that are emerging for the remainder of the decade.

In an interconnected, globalized world we are all at the mercy of international events. Australia's success has largely been our geographical position as a mineral rich country selling to what is perhaps the greatest rise of a country in modern civilization. Our future lies not in the emergence of America and Europe, but the success of the Asia Pacific region, especially China.

Hot money from Asia seeping into our assets, especially into our capital cities, is likely to increase over the coming years. This will have profound implications on real estate prices for the remainder of the decade.

Foreign investment is having a changing impact on previous fundamentals. We expect 2014 to see a further surge in Asian investment looking for yield and capital protection. The CBD commercial market in particular, of both Melbourne and Sydney will most likely see further price records tumble, as local buyers are outmatched by foreign interests.

An underlying theme is the continuing changing shape of urbanisation, an irreversible trend. Urbanising happens because of the scaling benefits, or pooled resource effect, that clustered infrastructure and people produce. 89% of Australia's population is urbanised and that figure is increasing.

The next stage is the increasing density of the population, rather than just the migration to cities. We have witnessed the decline of suburbia over the past decade. The Australian dream of a freestanding home, with lawn to mow, is leaving the consciousness of many Australians. Lack of infrastructure, transport, and culture, have made many resist the move to outer suburbia. Instead opting to live in smaller residences and even rent.

This push to being close to CBD living, is being driven by all demographics, with only generation x least convinced. We note the increasing trend of downsizing baby boomers, selling from the suburbs, and choosing the convenience and low maintenance attractions of city living. At the least, down

sizers are choosing to move to proximity rich locations, within their own suburb.

This push to city living, from houses to apartments, is a worldwide trend. The district of the City of Melbourne which comprises of Melbourne CBD, Carlton, Docklands, East Melbourne, Kensington, Flemington, North Melbourne, Parkville, Port Melbourne, Southbank, South Yarra and West Melbourne; only have a combined population of just over 100,000 people, within these most convenient locations. This geographical area is two thirds the size of Manhattan with just a fraction of the people.

Most of us would be aware of the surge of city towers, however the apartments being built today, are mostly not suited to local demographics. New apartment buildings will have their best days in front of them, providing the floor-plans are right for the owner occupier market. This will mean a greater emphasis on aesthetics, position, quality and larger floor plates.

We expect an increase in demand within CBD's fringe suburbs as well as the CBD itself. Houses will be most desired, yet out of reach for many, and therefore apartments will become the default option.

Household formation is changing with these trends. The rise of solo living, less children per couple, higher rates of divorce and separation are meaning less people per household. Noted is the demand for less bedrooms per dwelling, while higher demand for larger rooms, such as living spaces and bedrooms.

Local preferences for housing stock will still gravitate around the existing group of period stock. Yet, awareness of the heavy upkeep and renovation costs are becoming more widely known, and this is increasing demand for contemporary property. We also note increased interest in the post war brick veneer within city fringe positions due to their solid structures and more accommodating floor plans.

Warehouse living has been a big improver over the past few years, as they often reside in edgy lifestyle orientated positions, and have a much bigger volume of space. Making the best of vertical space is seeing many storage and mezzanine levels being installed into these homes.

In 2014 and beyond, the availability and cost of credit, will be important. While inexpensive credit is fuelling credit growth within a certain section of the nation, other sections show signs of deleveraging, by paying down existing debts. Australia's headwinds include deleveraging and reduced foreign investment if Asian economies start to falter. If this were to happen simultaneously it would lead to falling prices.

The market appears splintered. With inner city locations having low debt inhabitants, and out suburbs often having higher levels of household debt, as well more vulnerable occupations. This means we could continue to see the splintering from the have's (inner) and the have not's (outer). Credit is the amplifier within the system and will be a crucial determinant to the market over the coming years.

Localised investment looks to continue, especially from self managed super funds and investors pursuing yield. Leased assets within the residential and commercial property market have been hotly contested as bank interest continues to disappoint. Over the long term, this type of investment should slow down as potential interest rate increases, and political pressure to restrict super funds into buying property eventuate.

The commercial property market is going through a number of changes in regards to the type of space sought from tenants and owner occupiers. Many office buildings have grown tired and need to be completely refit to meet today's working environment. The office space has become a key retention tool for companies. We note the effort to relocate premises to vibrant locations with plenty of action at the front door, such as cafe's, bars and lifestyle options, rather than the old model of campus style buildings locking in workers.

Also, thanks to technology, workers are more mobile than ever which is why fixed desk work arrangements have moved to hot desks. Natural light, break out areas and spaces that allow for greater collaborations have become vital for the modern corporation.

World cities such as San Francisco have noticed amplified effects with large companies such as Google and Facebook establishing cool vibrant spaces within the bay area of San Francisco, rather than just silicon valley. It's not enough to be a world class company, these organisations need to be where their workers want to be. Expect funky well located office space, such as converted warehouses to continue to be in hot demand for the modern corporate.

Employment and income growth will be another interesting area. It would seem that income growth has slowed and unemployment could increase. Small increases shouldn't be too much of a lag, however if rising steadily, then this could put the market, residential or commercial, into reverse.

The theme over the coming years is expected to be a fracturing within the market. Overall the market might actually not show much growth. Looking deeper, this could be offset by strong inner city demand, while a lagging suburbia market shows price loss when factoring in inflation.

We look forward to seeing 2014 develop!



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**THE SECRET AGENT REPORT**  
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