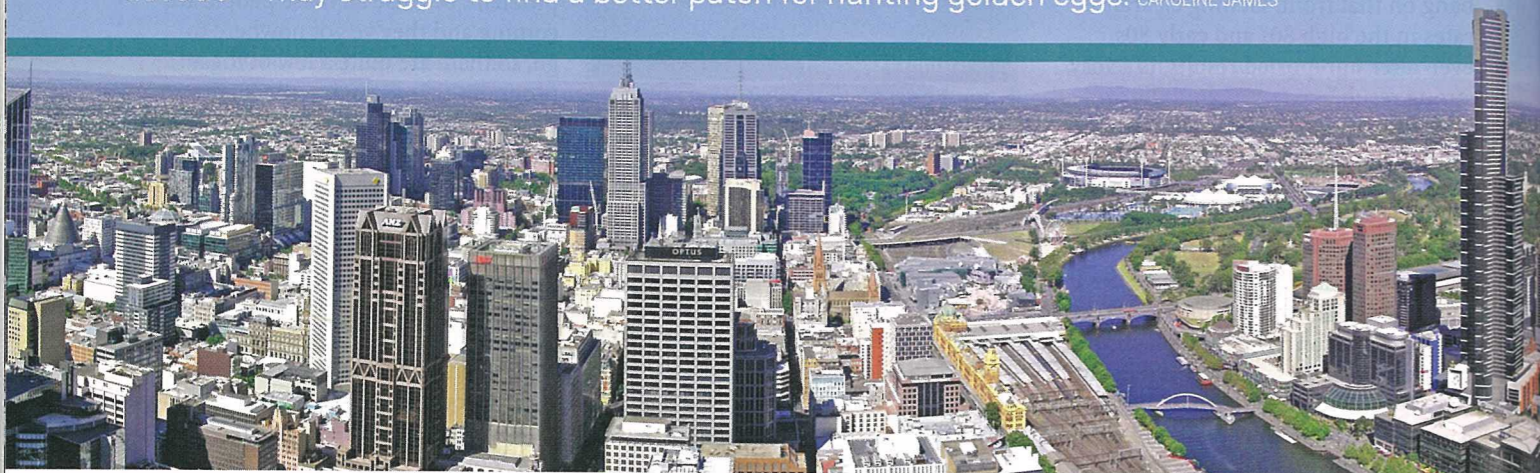


# WHAT IS ARDEN-MACAULAY?

According to senior property market observers, it's a name to commit to memory. Anyone planning to feather their long-term Melbourne-investment-property nest this year – or decade – may struggle to find a better patch for hunting golden eggs. CAROLINE JAMES



Melbourne's centre is suffering a land crisis. Its population has doubled in the past 12 years, according to the City of Melbourne, which cites Australian Bureau of Statistics and Geographia Population Forecast 2014 data that shows resident numbers rose from 66,149 in 2003 to an expected 124,143 in 2015.

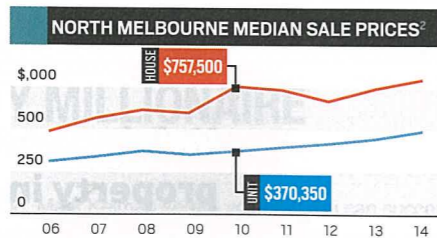
Developers have been busy building high-density residential towers on top of almost every vacant land site in the CBD, and neighbouring suburbs Southbank and Docklands, saturating the market with apartment stock vying for investor dollars. In this context (and to continue this writer's avian theme) developable land is now as rare as hens' teeth. Enter the Arden-Macaulay Urban Renewal Project (AMURP).

Adopted by council in February 2012 and one of the most talked-about property industry documents north of the Yarra River, in simple terms the AMURP is a 30-year blueprint outlining how and why Melbourne needs to extend its city centre by 176 hectares to the northwest.

The land in the spotlight is 1.5 kilometres northwest of the CBD, taking in the area bordered by Racecourse Road to the north, the Craigieburn line to the west and south, and Dryburgh Street to the east.

The intersection of three roads,

ALL ABOUT NORTH MELBOURNE <sup>1</sup>		
	House	Unit
Median price Dec 14	\$775,000	\$488,750
12-month growth	6.7%	15.0%
Median rent Dec 14	\$550	\$375
Rent growth Dec 14 (YoY)	12.8%	-1.3%
Gross rental yield Dec 14	3.5%	4.8%
Properties sold Dec 13	136	120
Properties sold Dec 14	125	147
Average vendor discount Feb 15	0%	-2.55%
Average vendor discount Feb 14	-2.08%	-4.01%



Macaulay, Arden and Gracie, roughly marks the precinct's centre.

According to the Arden-Macaulay Structure Plan of 2012, "there's strong evidence that Melbourne will continue to experience sustained growth over the next 20 years" and that it has "identified Arden-Macaulay as an urban renewal area that would accommodate a significant part of this growth".

The plan sets out five chief directions for the target area, which was home to 18 residents and 38 jobs per hectare in 2011 and forecast to have 139 residents and 153 jobs per hectare within 25 years.

Put another way, the AMURP goal is 20,500 locals by 2040 – up from 2670 four years ago.

"Since the 1800s Arden-Macaulay has been a primarily industrial area supporting the city's economy through manufacturing and production," the plan says. "From the early 20th century, [it was] developed as an industrial and warehousing hub around Melbourne's port and railway facilities, processing products from the rural hinterland [such as wool and wheat], and providing industrial and manufacturing services to the growing central city, but more recently the profile of businesses in the area has changed and this has created an area which is generally underutilised, particularly considering its proximity to the central city. Urban renewal will rejuvenate Arden-Macaulay, turning it into a thriving and liveable place that supports a new community."

### HOW WILL IT BE DONE?

The plan's timings heavily depend on the arrival of a proposed new metro railway station named 'Arden Central'.

It's one of five underground stations that will form the much talked-about Melbourne Metro rail tunnel, and

**PROJECTED JOB GROWTH**

2016:	6527	2026:	12,945
2021:	10,011	2031:	16,495

**PROJECTED RESIDENTIAL POPULATION GROWTH**

2016:	3231	2026:	9626
2021:	6365	2031:	12,816

Source: Arden Macaulay Structure Plan, City of Melbourne

is earmarked for launch by 2026. In February, the new Victorian Government announced it'll chip in \$40 million to the project, although its future now depends on federal funding.

Arden Central station is earmarked for launch post-2025 and will occupy the southeastern end of the precinct, forming the hub of a new Central Melbourne district expected to boost employment by up to 14,000 jobs, and attract 4000 residents and 12,000 students. The broader goal is to create 30,000 jobs within a 10-minute walk of the touted train station.

According to the AMURP, and subject to master planning with the Victorian State Government, Arden Central will include:

- ▶ A new major street-based activity centre.
- ▶ A mix of high-density developments.
- ▶ A tertiary education facility (or facilities), with potentially 12,000 students, staff and researchers.
- ▶ A civic square providing recreational meeting and social space.

Meanwhile, three existing precincts will transform into "mixed-use neighbourhoods". These are North Melbourne to the south; North Melbourne/Macaulay to the north; and Flemington Bridge.

Some of the area's former industrial sites will remain, but council's proposed rezoning will transform most "traditionally segregated land uses" (i.e. industrial) into "vertical land use mixes" that will blend residential, commercial, retail and offices.

Transport connectivity will also improve because of planned upgrades to the Macaulay and Flemington Bridge stations and pedestrian and bicycle networks.

### WHAT DOES KENSINGTON/NORTH MELBOURNE LOOK LIKE TODAY?

Cate Bakos of Cate Bakos Property describes the Kensington market as a mix of medium- to higher-density townhouses as well as some rather "dated apartments".

"North Melbourne has a stronger blend of office/housing/commercial properties, sometimes all in the same building. The demographic is generally young professionals and singles, although some families in the older, Victorian-era part of Kensington enjoy the liveability a three-bedroom home offers," Bakos says.

"It's unusual for four-bedroom houses to exist in the area. It's typically earmarked by singles and couples because it offers a strong percentage of one- and two-bedroom properties.

"Median price growth for houses has been very attractive and this is based on accessibility to the city, popularity of the cafes and restaurants in the area, and the growing popularity of the northwest and western side of the inner-ring."

### WHAT DOES IT MEAN FOR PROPERTY INVESTORS?

Potentially a lot, buyers' agent Paul Osborne says. The Secret Agent advocate states: "These large-scale projects have profound implications on the liveability of our city. Much is at stake for homeowners and investors seeking to take advantage of the remodelling of large inner-city precincts."

Osborne says that while the AMURP is still in its planning and early implementation stages, and the recent change of state government "will probably delay things and possibly result in some changes, it's all but certain change is afoot."

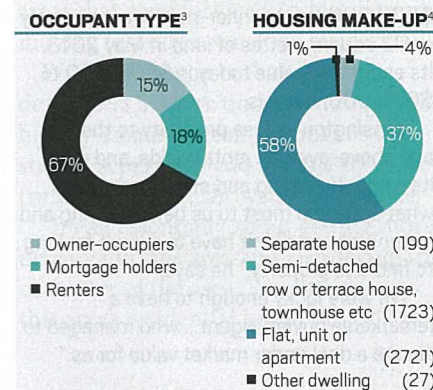
This project is "unique" because "it's not a single suburb being remodelled but rather a significant area that encompasses the two inner-city suburbs of Kensington and North Melbourne".

"They sit right on the city borders and are therefore very well located but a lot of the old zoning has remained... and that has inhibited development between North Melbourne and Kensington, so a lot of interest has died off. Fortunately the City of Melbourne and State Government has recognised there's this enormous need to renew this part of inner-city Melbourne. What it means is you won't have this dead spot

### NORTH MELBOURNE FACT SHEET

North Melbourne has a mixed supply to demand situation. There are adequate rental properties available to tenants, however there's an oversupply of for-sale listings. Discounting has been muted. Incomes in North Melbourne are growing faster than the Victoria average. The proportion of renters to owner-occupiers is above average for Victoria. Rental vacancy rates are a moderate three per cent. Stock for sale levels are up by 26.8 per cent year on year.

Source: SQM Research, www.sqmresearch.com.au (accurate to January, 2015)



**WALK SCORE: 87**

Most errands can be accomplished on foot in North Melbourne. North Melbourne is the 18th most walkable neighborhood in Melbourne with a Walk Score of 87. There are about 267 restaurants, bars and coffee shops in North Melbourne.



## INVESTOR SNAPSHOT

## Value collector

Richard Lewis knows a thing or two about how to spot and collect things of value.

The Mildura-based investor, who runs an import/wholesale business specialising in dirt and quad bikes as well as off-road buggies, has also amassed an impressive portfolio of investment properties in some of Melbourne's most desirable suburbs.

One of his best scores – which is also his latest acquisition – was a three-bedroom townhouse in Kensington, which is currently leased for \$450 each week. Richard paid \$506,000 for the inner-northwest property on 72 square metres of land in May 2013. Its estimated value today is \$600,000 to \$650,000, he says.

"Kensington's close proximity to the city and above-average rental yields, and also its evidently strong and steady growth, is what appealed most to us before buying and fortunately we didn't have to search for long to find this property," he says.

"We were lucky enough to have a remarkable buyers' agent... who managed to secure a deal under market value for us."

The two-storey property was built in the late 1990s and is in "neat and original" condition. Its bathroom was recently renovated. Richard reports "nothing at all" when asked if he's experienced any problems to date with his latest nest-egg.

"My immediate goal with this property in Kensington is to hold it for continued growth. The 10-year plan with this property is also to hold for continued growth. I can see that for Kensington and surrounding suburbs where inner-city property is highly sought after, with population growth and record low interest rates, I can only see exceptional growth in these areas looking forward."



**Name:** Richard Lewis  
**Lives:** Mildura, Vic  
**Invests:** Kensington, Carnegie, Flemington, Seddon, Yarraville, Brighton East and Mildura  
**Properties:** 8  
**Strategy:** Buy and hold.

that any additional housing availability will be mopped up by increased buyer numbers."

#### ■ SHOULD INVESTORS CONSIDER ARDEN-MACAULAY?

"Kensington already offers investors fantastic yields by Melbourne standards and it has a great mix of older, period houses blended with townhouses and medium-density developments," Bakos says. "Kensington Mews and Kensington Banks were developed during the 1980s and '90s and many are now being refurbished. A newer layer of housing yet again will add to the already eclectic mix of houses in the area, and developers will certainly benefit from the development potential in the previously industrial zoned areas."

Osborne says: "Everything can change, but if you want a property with land I'd suggest to get in quickly."

"There may even be a reduction in [house] supply in coming years as higher density development occurs but, for now, you can still buy a small terrace in North Melbourne for \$550,000, so you can still get them at reasonable price limits. Apartments will take a while to see price growth, prices will still move but slower as there's always the fact that another tower can be built, adding further stock," Osborne says.

Property Mavens founder Miriam Sandkuhler says property price growth will be affected by how quickly local council approves new development and how quickly construction begins. The rollout and development of community centres, public open space and accessibility will further affect property pricing, supply and demand.

"Consideration of micro-economic drivers such as infrastructure development and forecast increased employment will lend itself to a successful uptake by new residents," Sandkuhler says.

"Buying into the newer precincts in the earlier stages when the bulk of construction is under way will be more affordable than later stages when development is near completion, as cost of construction increases over time. So, this, too, will factor into pricing and housing affordability and I'd think initially sites that are zoned for mixed-use and high-density development that would suit low- to mid-rise apartments or townhouse sites will increase

substantially in value and be in high demand, driving up prices.

"Proximity to lifestyle amenities, public transport, education facilities and employment will be a factor and, of course, rental demand will relate to these, too. Too much supply at once will lead to lower rental rates and rental property sitting vacant until any oversupply is absorbed, while tight supply and high demand will result in the opposite.

"In short, if you're inclined to want to buy or rent in the precinct, the earlier you get it, the more affordable from both a buying and rental perspective."

Larocca says: "For some investors that could mean good opportunities to profit, but it will come with risks that flow from large-scale 'brownfield' development."

"Individual dwelling purchasers need to take care and exercise good judgment. The area has a lot of positives but that needs to be weighed against the large pipeline of development. They will

need to pay particular attention to the location of the dwelling, the quality of the development and what controls exist as part of the structure plan."


Bakos spends a lot of time in the northwest and says local market feedback in response to the AMURP has been mixed. Many locals have been distracted by the contentious \$6.8 billion East West tollway project, which was due to start construction in December but was shelved by the newly-elected State Government in November. There's also confusion over timings of the staged AMURP rollout.

"Availability and clarity of information is a problem," she says, amplified by the government change last year and how this affects plans to build the 18-kilometre project. Understandably many homeowners are unsure of whether to list their homes or not until this issue is resolved. Bakos says compulsory acquisition was distressing for a large number of residents.

Likewise, small-scale developers may be salivating at the prospect of some new vacant inner-city suburbs' dirt. But given the area's formerly industrial nature – including abattoirs, grain silos and factories – while some of these pockets are marked for future mixed-use development, David Wray, managing director of Knight Wray Valuations, advises buyers do rigorous due diligence pre-purchase and factor in all costs of developing a contaminated site.

"It's absolutely critical to conduct comprehensive due diligence of any areas that were formerly industrial and moving to design-sensitive residential."

Wray also suggests that aspiring developers acquire understanding of the history-rich area's raft of zones as two streets' separation can mean a six-storey (or more) height allowance difference.

"It's all essentially about getting more density into the area and also saving the character of the area... as intrinsic to this area's residential home values." 

(redundant former industrial area) that connects them anymore."

AMURP's prime location makes it inevitable, agrees CoreLogic RP Data Victorian property market expert Robert Larocca: "Council has targeted this area for growth for a good reason – it's on the CBD's doorstep, has a wide range of public transport services and makes efficient use of the scarce resource that's inner-city land."

#### ■ WHAT ABOUT INVESTORS ALREADY IN THIS MARKET?

If you're an established North Melbourne or Kensington homeowner, crack a bottle of something bubbly.

"It's good news as the scarcity factor of your period homes will ensure strong capital growth and rising prices, a good thing if you already own property in North Melbourne," Osborne says.

"It has historically always lagged, even though it sits right up against highly sought-after suburbs, but lots of new jobs will be coming into the area and that's great, and people will want to live close to those jobs so you'll have strengthening rental demand.

"A caveat is there will be a lot of new supply coming on, particularly in the new high-rise towers, so that may

create oversupply and that may have a softening impact."

Osborne pinpoints owners of any boutique terrace homes and period houses as sitting pretty if they plan to hold the asset long-term.

"It's really very exciting. You have South Melbourne, East Melbourne, which have always been very wealthy areas to invest, but the north and west quadrants have been outside that trend, and this is what makes it one of the best opportunities remaining.

"It's highly-connected, so I just think taking out the zonings and placing high focus on the infrastructure in this area is an extremely sound move for Melbourne's long-term cohesiveness and liveability."

Bakos thinks AMURP will affect housing stock "but not necessarily in a negative way".

"The newer, glossier properties will set benchmarks for other blocks and the 'drag-up' factor for neighbouring older properties will be a positive for perceived values. North Melbourne has a few pockets where public transport amenity isn't that readily close by and the new and improved transport options will mean that many more residents will be attracted to the area and I do believe

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