



# FITZROY NORTH

APARTMENT MARKET INSIGHT  
WINTER 2016

## HIGHLIGHTS

Fitzroy North is an inner-city suburb of Melbourne, located 4 km north-east of the city's central business district. Rich in heritage, the suburb is home to a plethora of entertainment and shopping hubs.

Residents of Fitzroy North are primarily young professionals aged 20 to 34 and renting apartments. The suburb is home to the highest income earners when compared against neighbouring suburbs.

Apartment values in Fitzroy North currently hold a 23% premium over Greater Melbourne. Rents in the suburb also hold an average 17.2% premium (\$69 per week) against neighbouring suburbs.



# FITZROY NORTH

## Inner-City Living

Melbourne is Australia's second largest city, with approximately 4.5 million residents living in the metropolitan Melbourne region—closely behind the Sydney region at 4.9 million residents (2015 data). Melbourne has also received the title of 'World's Most Liveable City' for the fifth year in a row – defeating 139 other global cities to top The Economist Intelligence Unit's Global Liveability Index. Melbourne's attractive environment and culture, together with strong healthcare, education and infrastructure services contribute to this accolade.

Fitzroy North, defined as postal code 3068, is an inner-city suburb of Melbourne located four kilometres north-east of the city's central business district, and adjoins Fitzroy to the south, Clifton Hill to the east, Princes Hill to the west and Northcote to the north. It contains over 20 tram stops within the suburb, as well as Rushall Railway Station—all providing services directly into the CBD and surrounding suburbs.

The suburb holds a rich history, evident in the rows of heritage Victorian and Edwardian terraces lined along the streets. Fitzroy North also consists of a mixture of semi-detached and

freestanding homes — many of which are more than 100 years old which sit on relatively compact blocks of land, typical of inner-city urban suburbs. The suburb is home to five schools — Fitzroy High School, Merri Creek Primary School, Fitzroy Community School, North Fitzroy Primary School and an English-German bilingual school, Deutsche Schule Melbourne. The acclaimed University of Melbourne lies just one kilometre from the suburb.

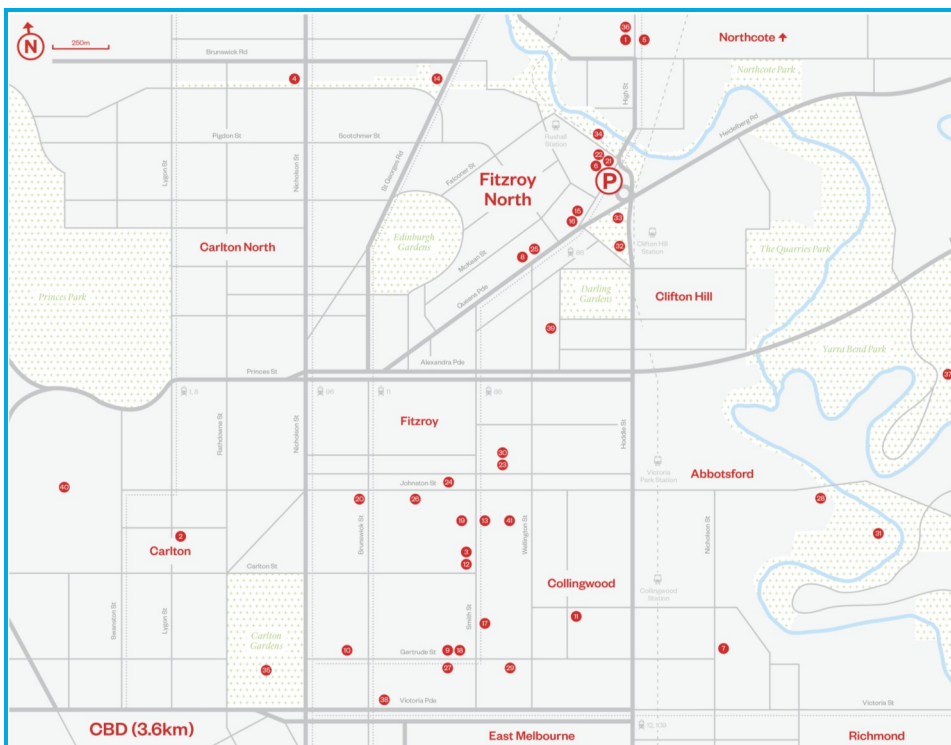
Fitzroy North is bordered by an arterial road, Queens Parade, which provides residents with a plethora of local shops, cafes and supermarkets as well as multiple tram and rail stops—while the centre of the suburb houses the enormous 24 hectare Edinburgh Gardens.

Gertrude Street in neighbouring Fitzroy is filled with bars, restaurants, galleries,

boutiques, vintage wears, costume hire and old-school pubs — while Lygon Street in Carlton, home to famous Little Italy, is within walking distance.

Residential apartment development in the suburb has been steadily on the rise in recent years, with projects completing including the 'Roi Apartments' development and a 46 unit project on Queens Parade — both being completed within the past five years. Additionally, future developments in the suburb include a \$10 million mixed use development comprising of 17 apartments, due to commence in the second half of 2016.

While much of the area has undergone urban renewal over the past century, large regeneration sites still exist, such as the Fitzroy Gasworks site, which is being considered for development.



Cafe	
1. Barry	
2. D.O.C. Espresso	
3. Gelato Messina	
4. Green Park Cafe	
5. Il Melograno	
6. Mixed Business	
7. Three Bags Full	
8. TwoBob	
Restaurant	
9. Builders Arms Hotel	
10. Cutler & Co	
11. Le Bon Ton	
12. Panama Dining	
13. Saint Crispin	
14. Supermaxi	
15. Tutti i Sapori	
Bar	
16. Chianti	
17. The Grace Darling Hotel	
18. Gertrude St Enoteca	
19. Hall of the North	
20. Naked For Satan	
21. Terminus Hotel	
Lifestyle	
22. Fowlers Flowers	
23. Loose Leaf	
24. Mark Tuckey	
25. McCoppins	
26. Talk	
27. Tarlo & Graham	
Recreation	
28. Abbotsford Convent	
29. Australian Galleries	
30. Backwoods Gallery	
31. Collingwood Childrens Farm	
32. Collingwood Leisure Centre	
33. Mayors Park	
34. Merri Creek	
35. Royal Exhibition Building	
36. Westgarth Cinema	
37. Yarra Bend Golf Course	
Education	
38. Australian Catholic University	
39. Clifton Hill Primary	
40. Melbourne University	
41. St Josephs Primary	

## Location:

Fitzroy North is home to, and surrounded by, a vibrant mix of shops, cafes, restaurants, bars, parks, bike trails, schools, train stations and tram stops — making the location ideal for young professionals, downsizers and growing families alike.

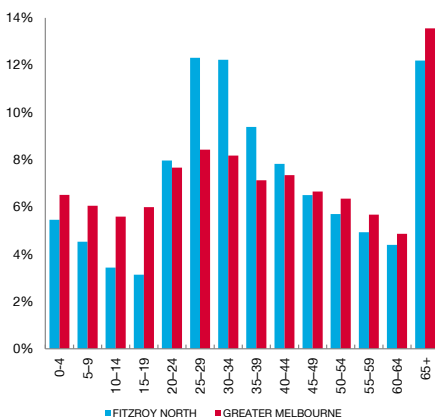
# DEMOGRAPHICS AND EMPLOYMENT

## Population & Age

Residents of Fitzroy North are primarily of a young demographic — with 24.5% of the suburb’s population between 25 and 34 years of age, compared to Greater Melbourne’s 16.6% average for this age group (Figure 1). Many of these residents are young professionals, primarily renters, wanting to live in an inner-city suburb, rich in heritage, culture and adjacent to entertainment precincts. Fitzroy North also holds a smaller proportion of 45+ aged residents when compared against Greater Melbourne (33.7% vs 37.1%) — reinforcing the ‘young culture’ of the suburb.

The overall population of Fitzroy North has grown by 13.2% over the past 10 years, from 11,845 residents to 13,000 — at an average rate of 1.2% per annum. Both 2014 and 2015 recorded stronger population growth within the suburb, achieving growth rates of 2.1% and 2.3% respectively (Figure 2). Knight Frank, using assumptions from the Victorian Department of Environment, Land, Water and Planning (DELWP), project an average of 1.5% population growth across the North Fitzroy suburb over the next five years — significantly greater than the previous 10 year average.

FIGURE 1  
**Age Distribution**  
Fitzroy North vs Greater Melbourne, 2014



Source: Knight Frank Research, ABS

## Personal Income

Fitzroy North is a highly sought-after locality, with both price and rental premiums attached to the suburb — in part due to its close proximity to the CBD as well as a plethora of entertainment, cultural and shopping hubs within and neighbouring the area. The suburb’s average total personal income was recorded as \$73,480 as at 2013 (latest available data) — more than 24% higher than the Greater Melbourne average (Figure 3). Residents of Fitzroy North experienced their largest total personal income growth between 2010 and 2011 — at 8.5% over the year.

Fitzroy North is also home to the highest average income earners compared to surrounding suburbs, ranking first amongst Princes Hill (\$72,503), Fitzroy (\$69,902), Northcote (\$65,646), Collingwood (\$64,445) and Carlton (\$57,869).

## Employment

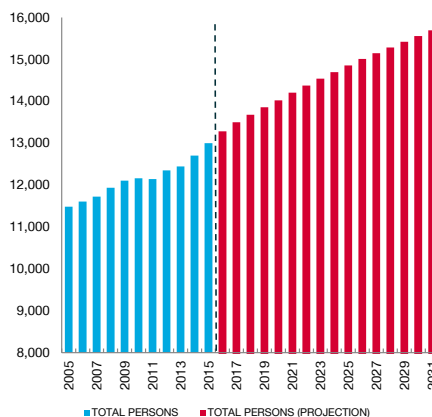
Fitzroy North’s labour force as at the 2011 Census totalled 6,897 persons — substantial growth of 7.5% since the 2006 Census. The majority of Fitzroy North’s residents work in the Melbourne CBD, Fitzroy North and Fitzroy, at 1,453

*“The suburban feel of Fitzroy North attracts and appeals to a younger, higher earning demographic, with accessibility to public transport, entertainment, parklands and the CBD being key influencers”*

(21%), 643 (9%) and 308 (4%) respectively. Melbourne CBD jobs growth is projected at 2.6% over the next year — with the five-year average increasing to 2.7% per annum.

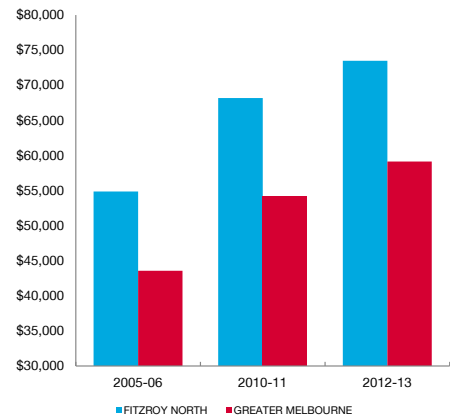
The majority of Fitzroy North residents are employed in high-paying and senior occupations. As at the 2011 Census, 46.0% of residents were employed as ‘Professionals’, much larger than the broader Greater Melbourne average of 24.1%. ‘Managerial’ occupation was recorded as the second most common employment in Fitzroy North at 14.6%, once again larger than the wider Greater Melbourne average of 12.5%.

FIGURE 2  
**Population Forecast & Growth Rate**  
Fitzroy North



Source: Knight Frank Research, DELWP Victoria

FIGURE 3  
**Average Personal Income**  
Fitzroy North vs Greater Melbourne



Source: Knight Frank Research, ABS



# ACCESSIBILITY AND LOCATION

**AAMI Park**

**MCG**

**Rod Laver  
Arena**

**Darling  
Gardens**

**Tram**

**Clifton Hill  
Station**

**P**

**Tram**







**CBD**

**Carlton Gardens**

**Queen Victoria Market**

**Docklands**

**Queens Parade**

**Edinburgh Gardens**

Lygon Street, Carlton	2 minutes	
University of Melbourne	4 minutes	
The Royal Melbourne Hospital	6 minutes	
Melbourne Zoo	6 minutes	
Queen Victoria Market	8 minutes	
CBD – Bourke Street Mall	9 minutes	
AAMI Park	10 minutes	
Docklands	12 minutes	
Royal Botanic Gardens	12 minutes	
Crown Casino	14 minutes	
St Kilda – Luna Park	22 minutes	

**Rushall Station**



# RESIDENTIAL APARTMENT SALES MARKET

## Price Growth

Australia's historically low interest rate environment (cash rate of 1.75% as at June 2016) has reinforced strong demand in the residential property market across Australia. The Reserve Bank of Australia (RBA) is expected to maintain a low cash rate in the short to medium term, in an attempt to counter low inflation, reduce the value of the Australian dollar as well as continue low-interest rates for Australian mortgage holders. This heightened demand for real estate has translated into price growth across both Greater Melbourne and Fitzroy North.

*“Apartment capital values have steadily risen over the past five years in both Fitzroy North and Greater Melbourne.”*

Rolling 12 month average apartment prices across the Greater Melbourne region have risen 29.8% since September 2009, and 8.2% since March 2011. However, annual capital value growth has slowed closer to its long-term average of 4.2%, achieving 5.1% annual growth in the 12 months to March 2016 (Figure 6).

Fitzroy North's annual median price growth has also slowed since the peak of December 2010, when a substantial 15.1% annual growth was recorded. March 2016 recorded annual capital value growth of 4.3%, more in-line with that of the suburb's long-term average of 3.3%.

Greater Melbourne currently records a rolling 12 month average apartment value of \$488,000 as at March 2016. Despite a 5.0% fall in capital values between the previous peak of June 2011 and trough of March 2013, apartment values have recovered substantially since then, rising 13.5%.

## Fitzroy North

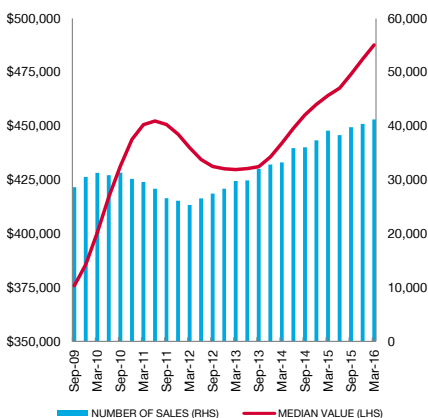
Annual apartment sale figures across Fitzroy North have, as a trend, steadily increased since September 2009 (Figure 5). This trend has been supported by the completion of the Roi Apartment project (c175 units) in mid 2012 and a development of 46 units on Queens Parade in late 2014. Over the past 12 months to March 2016, Fitzroy North recorded 123 apartment sales. However, annual figures for the three previous quarters recorded an average of 164 sales, far exceeding the 5 year average of 117 sales.

Fitzroy North currently records a rolling 12 month average apartment value of \$600,000 as at March 2016—a 23% price premium compared to Greater Melbourne. Similarly, the suburb records a 36% premium to the broader CBD & Inner combined region.

## Greater Melbourne

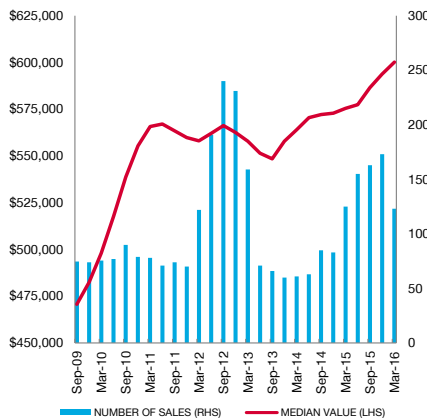
Greater Melbourne consistently sells the second largest volume of apartments across Australia—closely behind Greater Sydney. Apartment sales in the year to March 2016 saw Melbourne transact 41,228 apartments, only 13.9% less than Sydney sold over the same period (at 47,907 apartments). Rolling 12 month sales volume throughout Greater Melbourne has risen 44% since September 2009, to 41,228 sales recorded as at March 2016.

FIGURE 4  
**Sales Volumes & Pricing**  
Greater Melbourne, Rolling 12 Month Average, Apartments



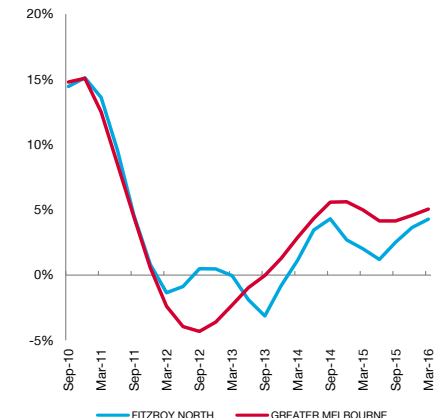
Source: Knight Frank Research, Residex

FIGURE 5  
**Sales Volumes & Pricing**  
Fitzroy North, Rolling 12 Month Average, Apartments



Source: Knight Frank Research, Residex

FIGURE 6  
**Annual Median Price Growth**  
Fitzroy North vs Greater Melbourne, Rolling 12 Month Average, Apartments



Source: Knight Frank Research, Residex

# RESIDENTIAL APARTMENT RENTAL MARKET

## Tenure

Fitzroy North holds a high proportion of residents living in rented accommodation, with 48.8% of occupants choosing this option as at the 2011 Australian Census (Figure 7). This figure is significantly greater than both the Greater Melbourne and Australian average, at 27.2% and 29.6% respectively. Fitzroy North is an inner-city suburb with a high percentage of renters, driven by the demand from higher earning younger residents wanting to live within a thriving suburb, close to restaurants, bars, shopping precincts and convenient transport links to the CBD.

## Weekly Rents & Rental Growth

Fitzroy North is a market which has experienced somewhat limited new apartment supply over the past five years. However, coupled with a high proportion of young professionals, demand for rented accommodation, as well as its close proximity to the CBD and public transport, the suburb has experienced strong rental growth in recent years.

Over the past five years, average weekly apartment rents in Fitzroy North have risen a substantial 31.1%, or 5.6% per

annum (to \$485 per week). Over the same period, Greater Melbourne's apartment values have risen 15.7%, to an average of \$405 per week. Relative stability has been recorded over the past two years as the wider Melbourne market digests a higher level of new investment stock.

Apartment bedroom breakdown in Fitzroy North also indicates strong median rental growth, particularly within the 3-bedroom apartment sector, with median rents growing by 7.8% over the past three years, compared to Inner Melbourne's average of 5.9%.

Inner Melbourne (0–10km) also records lower vacancy rates than that of Melbourne's total, at 2.6% compared to 3.0% respectively, as at April 2016 (source REIV).

## Rental Premium & Yields

Apartments in Fitzroy North achieve a median weekly rental premium when compared against similar neighbouring suburbs—including Carlton to the south-west, Northcote to the north, Princes Hill to the west and Clifton Hill to the east. As at March 2016, Fitzroy North's rental

*“Although apartment values across Fitzroy North are currently 23% above the Greater Melbourne average, the high demand rental market keeps investment yields on par with the wider Melbourne region.”*

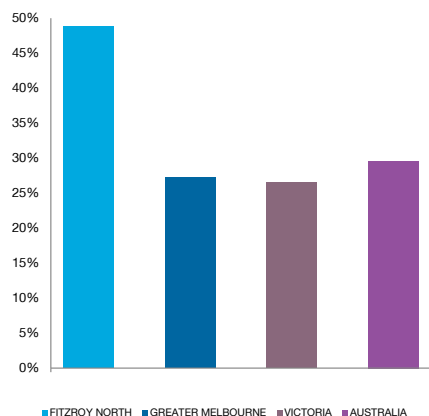
premium across the apartment sector is 27.2%, 20.1%, 15.5% and 6.0% respectively - achieving an average premium to surrounding suburbs of 17.2% (\$69 per week).

Fitzroy North's high demand rental market, alongside a softening in apartment values during 2012 and 2013, has meant apartment rental yields have risen over the past five years. Apartment yields in Fitzroy North have risen 42 bps since September 2009, and 80 bps over the past five years (Figure 9). In comparison, Greater Melbourne apartments experienced a tightening of 38 bps since September 2009, but a rise of 28 bps over the past five years since the 2011 market trough.

FIGURE 7

### Tenure

Fitzroy North vs Greater Melbourne, Rented Private Dwellings

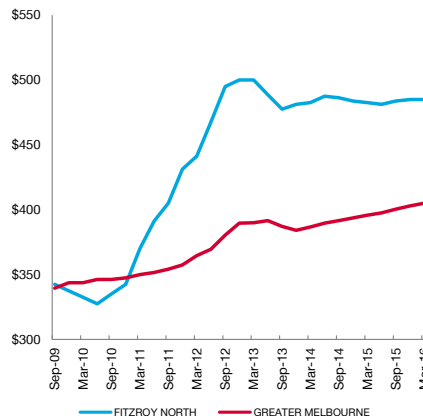


Source: Knight Frank Research, ABS

FIGURE 8

### Weekly Rents

Fitzroy North vs Greater Melbourne, Rolling 12 Month Average, Apartments

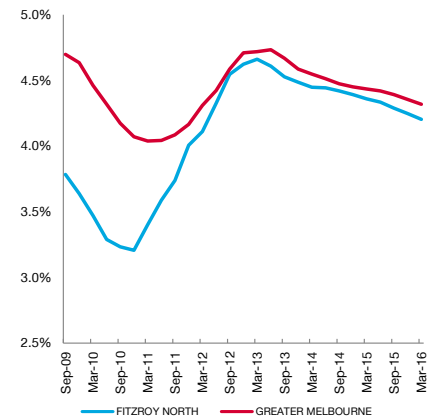


Source: Knight Frank Research, Residex

FIGURE 9

### Rental Yields

Fitzroy North vs Greater Melbourne, Rolling 12 Month Average, Apartments



Source: Knight Frank Research, Residex



## GLOBAL BRIEFING

For the latest news, views and analysis on the world of prime property, visit [KnightFrankblog.com/global-briefing](http://KnightFrankblog.com/global-briefing)

## DID YOU KNOW?

### Taxes & fees for residential property for foreign investors:

- ◆ The Victorian State Government have revised taxes slated in 2015 applicable to foreign purchasers, including those purchasing in the capital city of Melbourne. These state-based taxes are in addition to the recently introduced application fee payable to FIRB, as well as, standard local taxes payable to purchase and hold a property in Australia.
- ◆ Stamp duty - As of 1 July 2016, foreign investors buying residential property in Victoria will be taxed 7% of the purchase price (in addition to stamp duty tax), whether acquired directly or indirectly, that is, through a company or trust that purchases the residential property. This tax was first applicable on 1 July 2015 at a rate of 3%. For off-the-plan sales, the additional 7% duty will be calculated on the whole of the consideration paid. Current off-the-plan concessions will still be available to foreign purchasers when calculating the normal stamp duty rate payable.
- ◆ Land Tax (Absentee Tax) - An absentee person, considered to be a foreign purchaser not residing in the property (purchased by the foreign investor in Victoria) will be charged an extra 1.5% land tax in addition to the general land tax rates and the surcharge rates for trusts.

## RESEARCH & CONSULTING

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