



REAL ESTATE

MELBOURNE INVEST

YOUR INVESTMENT PROPERTY EXPERTS

A modern, minimalist micro-apartment interior. The left side of the image is overlaid with a semi-transparent green filter. It shows a kitchen area with a sink and a dining area with a round white table and teal chairs. A large window on the right side offers a view of lush greenery outside. The overall aesthetic is clean and contemporary.

7 REASONS TO INVEST IN A MICRO-APARTMENT COMPLEX

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In Australia, single-person households will make up 24% to 27% of all Australian households by 2041.

One in four people will live alone - a big difference from the turn of the century. A new way of living, either by choice or necessity, is being embraced. Millennials are getting married later, putting careers first with a fierce focus on independence. And with time a rare commodity, people don't want to waste it on a long commute or to maintain large gardens.

Enter the growing lifestyle trend of micro-living. Expansive, cluttered apartments are a thing of the past. Minimalism is the future of city living. Otherwise known as the future of making limited space work in flourishing cities.

What is a Micro-Apartment Complex?

It is a new building of up to nine self-contained micro-apartments on one title, built on a suburban block in any Melbourne suburb.

They can be built on land as small as 600 m²; with the look of a modern large home, they blend in with the area's streetscape. The maximum number of people who can live in one complex is 12, and the floor area cannot exceed 300m².

Each micro-apartment is built and intended for a single resident or a couple. While there's no standard definition for micro-apartments, they're smaller than average apartments with sizes ranging from 24 to 30 m².

A qualified property manager manages the complex, and standard leasing rules apply, such as a month's rent in advance and a bond lodged with the Residential Tenancies Bond Authority (RTBA).

An existing regulatory framework is in place to ensure every micro-apartment complex complies with Class 1B building regulations. These include building with accessibility requirements such as wheelchair access and fire protection. These are the same regulations that cover boarding houses, however they are very different from micro-apartments, as residents in a boarding house usually share bathrooms and other common areas.

Real estate investors should not confuse a micro-apartment with a studio apartment or student accommodation. While they have many things in common, there are also many differences.

Studio apartments are usually in inner-city high-rise buildings or near large universities. While some students will rent a micro-apartment, they are not typically the target market for micro-apartments as the best practice is to appeal to a much broader range of potential renters.

Size is also a significant difference; while the most micro-apartments in a complex are nine, a typical studio apartment block can range from 50 to 100's of apartments.

The 7 Top Reasons People are Investing in Micro-Living:

1 Exceptional Rent

A micro-apartment complex can provide you with at least double the rent for the same value property.

Think of the rent from three \$600,000 properties, you could expect \$60,000 to \$70,000 a year.. A fully let micro-apartment complex can return between \$125,000 an \$150,000 pa.

The occupancy rate is over 90% which means you can have predictably regarding the expected rent and future income.

2 Prime Locations

Micro-apartment complexes can be built on a standard residential block in the Melbourne suburb of your choice (with some input and guidance from our expert team). We recommend a location near key employment nodes with excellent shopping and transport options.

As an investor, you will have the final say in the location; we can also build on your land. You can source a block yourself or use our recommended buyer's agent.



They Appeal to a Significant Group of Potential Renters

Potential tenants from all walks of life are attracted to this type of rental property, which is reflected in the high occupancy rate.

With the world becoming so globally accessible, commuting and frequent business trips are a way of life for many working professionals.

With the increasing number of millennials entering the workforce, living in a shared house was and is a popular option. However, for many, there is a time limit to that style of living, and a micro-apartment provides a viable alternative.

These apartments also offer a less expensive option than Airbnb and hotel accommodation. Micro-apartments can be furnished relatively cheaply from Ikea and Target, and \$300 a week is much more appealing than \$300 a night.

According to academics Debbie Faulkner and Laurence Lester, one of the largest groups needing this type of rental is women over 50. They say about 240,000 women nationwide aged 55 or older are at risk of finding themselves without a place to call home—a further 165,000 between the ages of 45 and 64 fall into the same category.

Micro-apartments are an essential, desirable, and much-needed rental property option. They are an affordable option and are located close to all the amenities people want and need. The demand for these types of properties is overwhelming and not being met.



04 Value for Money

The economy of scale means you receive great value, even when you include the value of the land the average cost for each micro-apartment is between \$150 - \$200K. Each one has a reverse cycle air conditioner, a bathroom, a private outdoor area, and much more.

This investment is also one of the more secure income generators of all the asset classes as it is not as heavily benchmarked to the economy. If trouble looms for the stock market, people still need homes to live in, and with populations growing exponentially, the demand is growing yearly.

05 Cash Flow

The income from a micro-apartment complex will depend on your circumstances—the bigger the deposit, the better the cash flow.

With a deposit of \$500,000, you can expect an income of about \$45,000 a year. If you can pay for the complex outright, your income will be circa \$100,000 a year after all costs—a million dollars of revenue in 10 years, the equivalent of a full-time income for many professionals.



06 Downsizing

A downsizing strategy can give you a home to live in and an ongoing source of income at the same time.

Downsizing is when someone close to retirement sells their family home, buys somewhere less expensive to live and invests the leftover funds. A downsizer can add to their super, invest in shares or start generating income from a traditional investment property.

A micro-apartment complex provides another viable option.

A downsizer can choose to live in one of the micro-apartments and generate a consistent income from the others. Since you select the location of the land, you can build the complex in the suburb of your choice.

We can design the complex to include a larger micro-apartment as your home. It can be designed to your requirements with whatever amenities you require, for instance, an ample outdoor space.

You can live in the larger micro-apartment and rent out the rest.

For example, you live in a 75m² micro-apartment, there will still be six micro-apartments to lease. If there was no debt on the complex, the income would be circa \$70,000 pa, with 75% of that guaranteed.

The Need is Great

There is a drastic shortfall in the supply of quality rental accommodation for single-person households.

More single-occupant quality rental housing is needed right now and into the future to ensure Australia is meeting its housing demand, according to a social and affordable housing peak body.

PowerHousing Australia Chief Executive Nicholas Proud said "77,429 new single-bedroom homes were added to the market over the past five years, while over the same period, there was an increase of 347,205 single-person households. Demand is outstripping supply by more than four times.

The Census highlights the need to create affordable housing supply, particularly rental housing that is rightsized to Australia's changing demographics," he said.



"THERE IS CLEARLY A MISMATCH BETWEEN THE CURRENT HOUSING SYSTEM AND THE COMMUNITY'S EXPECTATIONS AND NEEDS."

Next Steps



STEP 1

Get finance ready

If you need a loan, speak to your preferred lender or talk to us. We can refer you to a mortgage broker experienced with lending for projects like these. There is no point spending much of your time considering this investment until you know you can access the funds.



STEP 2

Meet with us for a free no-obligation consultation. At this meeting, we will provide you with a cash flow report based on your financial situation.



STEP 3

Together we will work with the developer to discuss your options and answer any questions you may have. We will also provide you with a feasibility report you can share with your accountant.



STEP 4

A well-located block is vital to the project's success.

You may already own one or wish to source your own. If so, we will conduct a due diligence assessment to determine if it is suitable for this purpose. If need be, we can refer you to a qualified buyer's agent who can assist you. They will help you identify and buy an ideal block for your project.



STEP 5

Design and build the best property for your selected block.

Once the block of land is selected, we design the best complex that works on that specific block. It is important to maximise your returns for the selected location. And, of course, this will also maximise your cash flow. During construction, you control the payment of all accounts and are kept fully informed and consulted at all times.



STEP 6

Completion

Now our property manager gets to work by advertising and promoting each individual micro-apartment in the complex. It's their role to find you the best tenants. The rental guarantee means they have a vested interest in doing so. They will arrange the contracts, collect the rent, and manage the complex for you. They will provide you with a detailed monthly report before the rent is in your bank account.

If required, we can refer you to the services of an accountant who is a property investment specialist. We can help recommend a qualified Quantity Surveyor to prepare your Depreciation Schedule. We will then prepare a detailed Cash Flow report using the most up-to-date figures at no cost.



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A grayscale photograph of a modern, two-story house with large windows and a balcony. A dark SUV is parked in the driveway to the right. The scene is set against a cloudy sky with palm trees in the background.

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