

## INNER MELBOURNE RESIDENTIAL RENTAL MARKET

**Jennelle Marden, Knight Frank's Head of Residential Property Management, discusses rental market trends, tenant profiles and opportunities in the Inner Melbourne market.**

### Key Facts

**Inner Melbourne residential rents averaged growth of 0.8%** over the second quarter of 2014

**Rental growth was 2.9% for one-bedroom apartments** while two-bedroom apartments achieved 1.6%

The average **household size is 1.8 persons** and **63% prefer to rent** in the Inner Melbourne market

**Over 80%** of properties in Inner Melbourne **are occupied by one or two persons**

**Families without children comprise 62%** of the household structure mix

### How has your market performed this year?

The rental market has generally been positive this year. We have yet to reach the peak of the market with demand likely to continue in the coming months. Overall rents are currently stable with projected rental prices being achieved.

### Where do your Tenants come from?

A large percentage of our clients are corporate professionals, but we also get a lot of mature aged international students with many universities within close proximity and easily accessed by public transport. Knight Frank has an exceptional market presence and our online enquires are growing.

### What type of Tenants are attracted to the area?

The area is generally populated by professionals working in the city. The majority of our clients are aged between 25-40 years old and we know that according to the last Census, the average household size is 1.8 persons and 63% of our market prefer to rent.

### Why are they attracted to the area?

The area is well-served by public transport with good access to the City, Universities and Schools. There are many lovely parks and the beach is within close proximity too. The area is well serviced with amenities like shops with local and international designers, cafes, restaurants and bars. Perfect for the busy professional.

### What type of properties are typical of this area?

There is a mix of new and existing apartments surrounding the local area. Majority are one, two or three-bedroom apartments. Most of the complexes have onsite amenities and are generally known as lifestyle developments.

### What type of rental returns would you expect from the Queens Domain project, recently launched by Knight Frank?

The Queens Domain apartments should be able to achieve good rental returns with the one-bedrooms close to 5%, the two-bedrooms averaging 4.5% and the three-bedrooms should achieve a 4% return.



### Which apartment configuration has the best opportunity for rental returns in this project?

The one-bedroom apartments represent the best rental return for investors. They are also easy to lease given their price point and the fact that singles and couples alike can occupy them. We have many of these clients in our database waiting for quality apartments to be made available.



**JENNELLE MARDEN**  
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# RESIDENTIAL LOCAL VIEW



## Residential Rental Market

Knight Frank Residential Research have reported that Inner Melbourne residential rents have witnessed average growth of 0.8% over the second quarter of 2014. The best performers were one-bedroom configured apartments with growth of 2.9%, while two-bedroom apartments achieved closer to 1.6%; according to Department of Human Services of lease agreements lodged.

One-bedroom apartments in desirable locations are becoming a popular inclusion for long-term investors' property portfolios in recent years.

Over the past decade, one-bedroom apartment rents have experienced an upward trajectory of 5.4% per year in Inner Melbourne.

The Australian Bureau of Statistics have projected that by 2031, Australia will increase the number of single person households by 85,000 per annum, as well, couples without children are set to overtake couples with children. This will further compress the household configuration going forward.

Those wanting to live closer to where they work, are compromising with more compact, affordable accommodation.

Capital growth remains strong as the trend towards inner city apartment living continues. For an investor, the lower entry price paid for a one-bedroom apartment is appealing, given this increasing tenant demand.

The price of a one and two-bedroom apartment can differ significantly, although the rate of return in many instances is comparable.

### Consider this scenario:

A one-bedroom apartment is purchased for \$485,000 renting for \$425 per week.

A two-bedroom apartment is purchased in the same complex for \$575,000 renting annually for \$485 per week; except for the number of bedrooms, most other features are similar.

The yield derived from the one-bedroom apartment is 4.6% while the yield from the two-bedroom apartment is 4.4%.

This result is overall comparable, except for the additional \$90,000 investment to purchase the two-bedroom apartment with only an extra \$60 per week equivalent to 3.5%.



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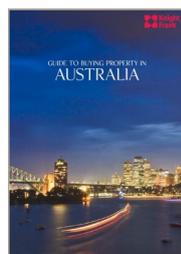
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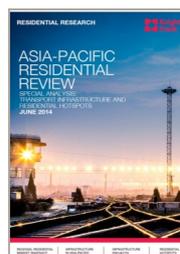
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