

SOUTH MELBOURNE 3205

THE INVESTMENT CASE FOR STUDIO/ONE BEDROOM APARTMENTS

South Melbourne is an inner suburb of Melbourne, located 3 km south of Melbourne's Central Business District (CBD).

It boasts a wealth of premium lifestyle, employment and entertainment options paired with strong transport connectivity.



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SOUTH MELBOURNE VIC 3205



An average home in South Melbourne is rented by couples without children. The average age in South Melbourne is 36. Units and Apartments are common in South Melbourne and the area is mostly Neighbourhood Residential Zone (38.41%), Capital City Zone (16.37%) and Commercial 1 Zone (13.76%).



CONNECTIVITY AND ACCESSIBILITY

Residents of South Melbourne have access to enviable premium lifestyle options include the Albert Park Lake, Port Melbourne beach, the Royal Botanic Gardens, South Melbourne market, South Wharf, Port Philip Bay and the Clarendon Road retail and dining precinct which offers a mix of speciality retailers, restaurants, cafes and bars.



South Melbourne is also within a short distance to one of Australia's key entertainment and cultural precincts - Crown, Southbank and the Arts Centre.

Transport connectivity in South Melbourne is exceptional with trams, light rail, and bus transport to all of Melbourne's attractions.



Premium lifestyle amenity, proximity to the CBD, an affluent population, a large percentage of singles, shortage of new construction and low rental vacancy rates makes South Melbourne a preferred single bedroom rental investment proposition, compared to other similar locations in Melbourne.

DEMOGRAPHICS

Just under 90% of all residents in South Melbourne are white collar compared to 65% in Victoria.

Gen Y or Millennial residents account for 42% of residents compared to 29% for Victoria. Singles and those never married account for a large 65% of the adult population in South Melbourne.

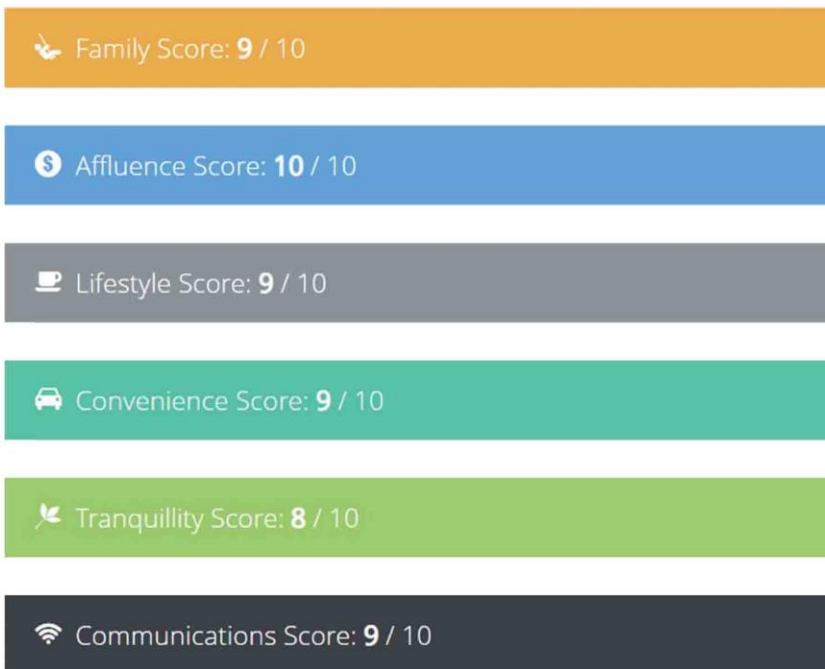
And there are 45% more tertiary and University educated people in South Melbourne than in Victoria overall.

This indicates a large young professional demographic, with the majority being single or not married, which is expected to drive both rental demand and sales in the South Melbourne suburb as they look to optimise work-life balance through proximity to employment and premium lifestyle amenity.

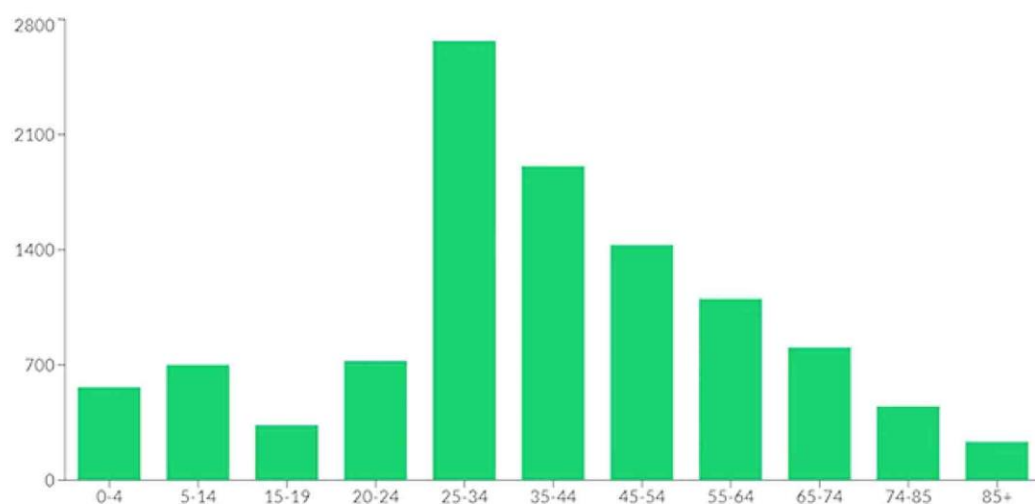
EMPLOYMENT

Over 90% of people over 15 years old are reported to be in full time or part time work, with 61% being professionals and managers, compared to 37% and 35% for Victoria and Australia respectively.

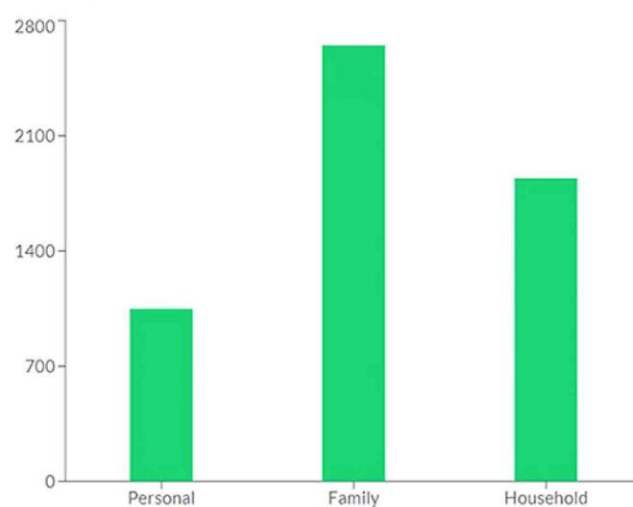
Median personal income in South Melbourne is 62% higher than the Victorian average income.



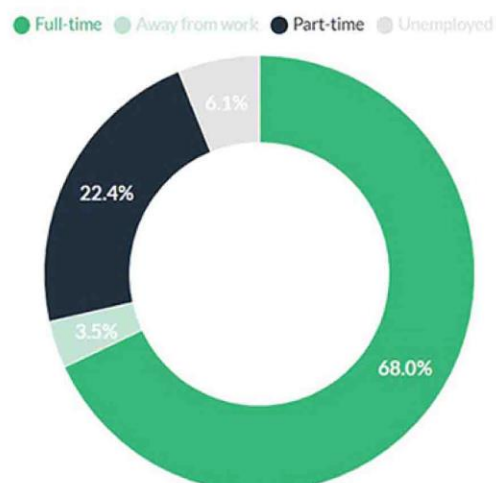
Age Distribution



Median Weekly Income



Employment Type



RESIDENTIAL ANALYSIS (RENTAL)

South Melbourne has consistently recorded under 3% rental vacancy rates for the past two decades.

The average asking price for all units is \$626K, and for 2 bedroom units is \$664K.

The average rental for apartments is \$482 pw (early 2022)

The average gross rental yield on purchase price is 4%.

Rent increases in the 12 months to 22 February 2022 for all units was 11.4%.

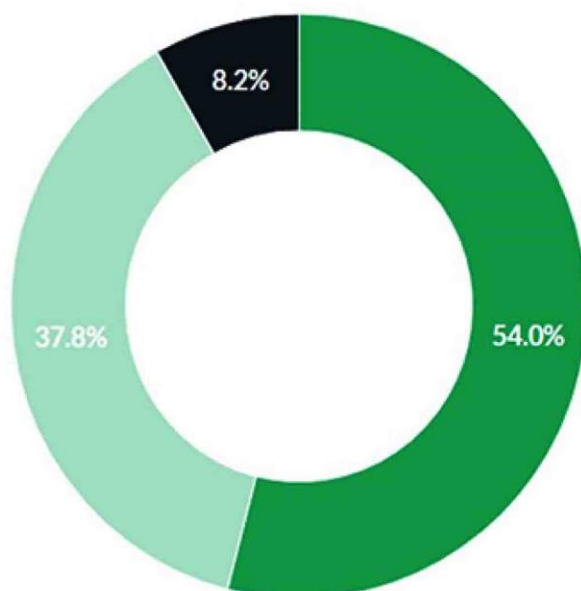
At the last census there were just 3,534 units in South Melbourne, compared to 11,319 and 12,454 in Southbank and South Yarra respectively. This scarcity factor helps ensure demand and full rental occupancy.

New and near new apartment product are achieving substantial premiums over established product within South Melbourne.

One bedroom apartments are recording median weekly rental premiums of up to \$40 per week.

Household Composition

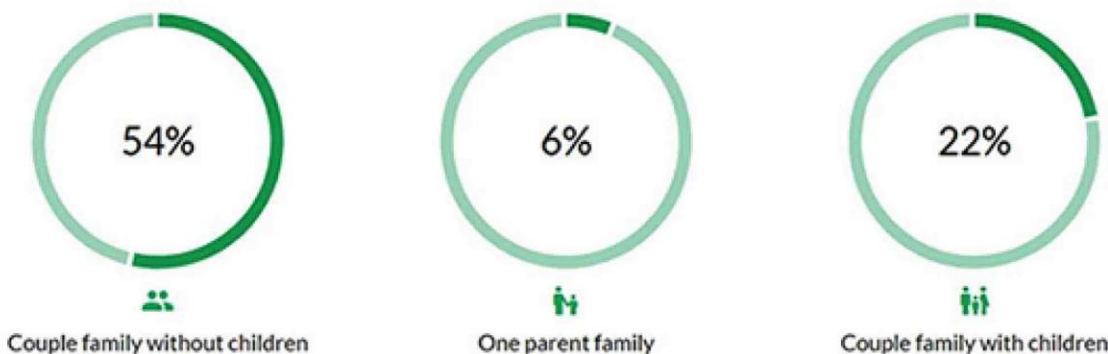
● Family households ● Single person households ● Group households



CONCLUSION

South Melbourne comprises mostly young, single, affluent professionals in full time employment who are the perfect demographic for single bedroom apartments.

Family Composition

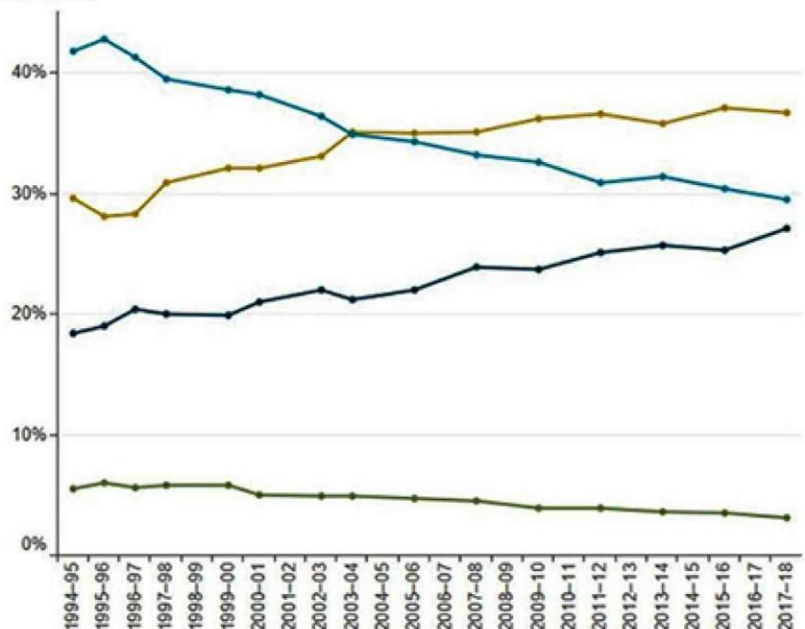


The pandemic fundamentally changed the way Gen Y consumers think about the Australian dream of home ownership, what they value and how they choose to live. And for a growing number that means choosing to rent rather than own.

The number of renters over the past 20 years has increased, while the home ownership rate has declined, while at the same time disposable income has increased.

Home ownership: Household tenure

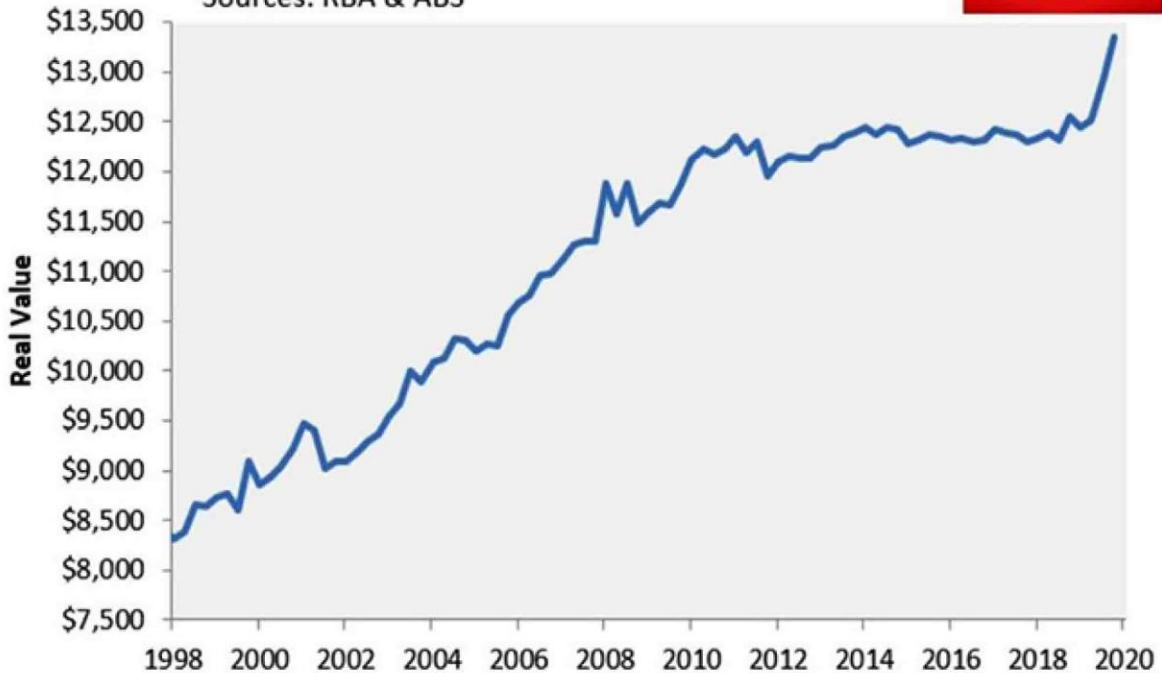
Households by tenure type (%), 1994–95 to 2017–18
Australia



Real Household Disposable Income per Capita

MACRO
BUSINESS

Sources: RBA & ABS



There are many people who want single-family living rental property, and not be in a house-share with virtual strangers.

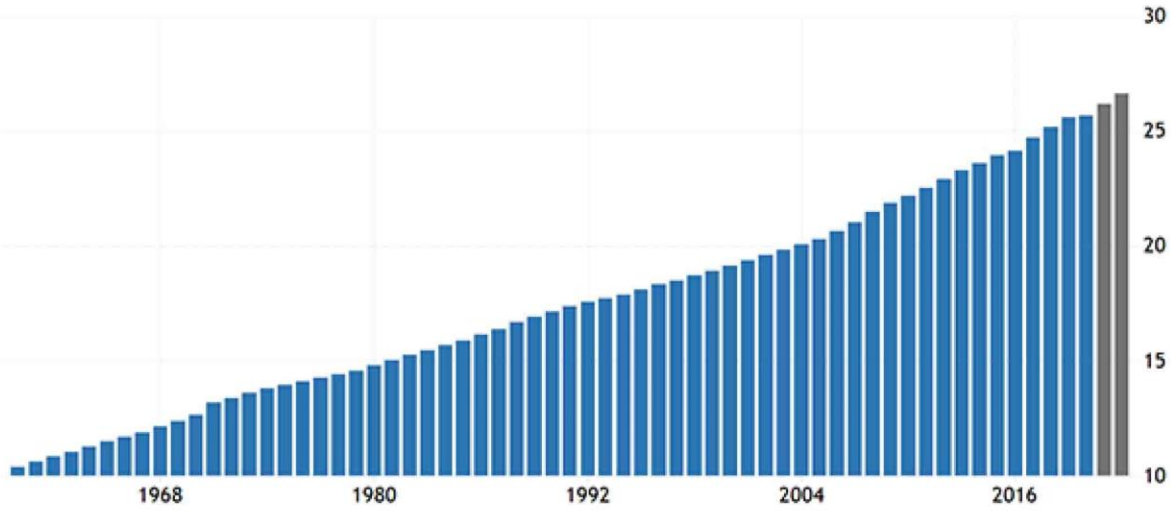
Perhaps they are relocating for a new job and want to test-drive a location but don't want to lock themselves in by buying a home.

Many Gen Y's want a unique option that blends both resort style living and carefree maintenance without a mortgage.

Many do not want to live in the CBD, but want an easy access to retail, employment and more along major transportation corridors,

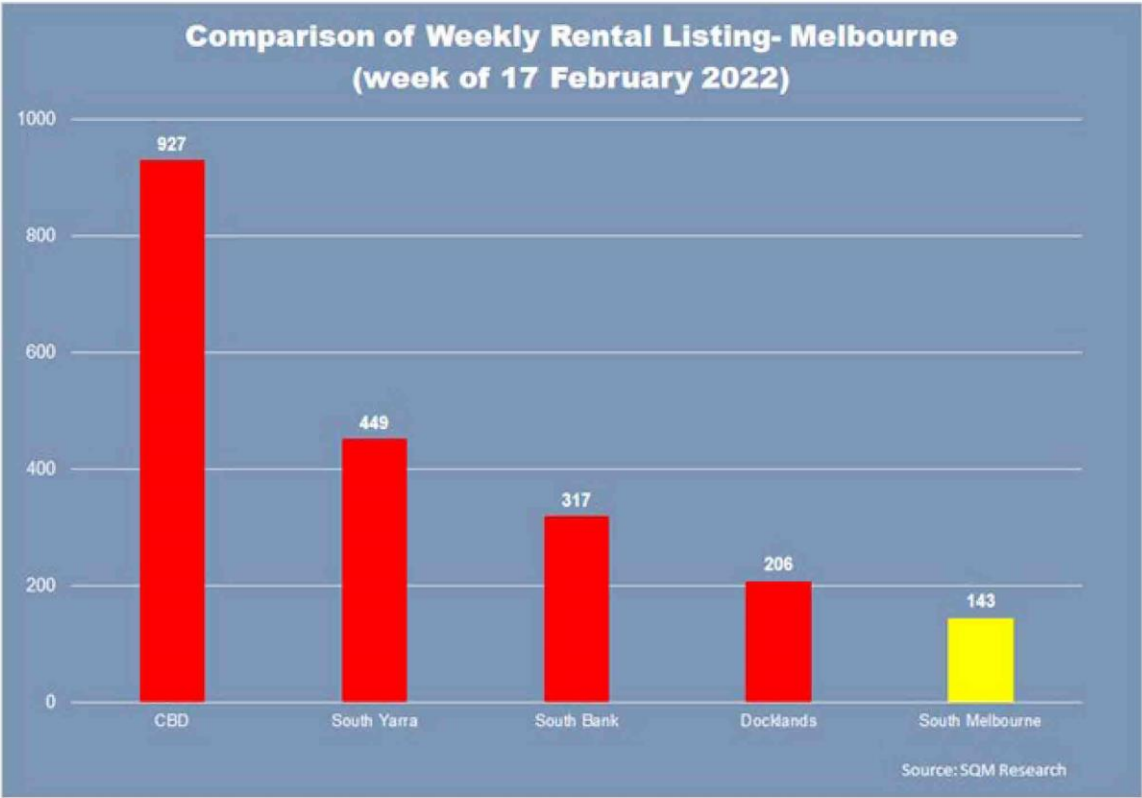
These residents have the wherewithal to buy but are choosing to rent. They range from professional Millennials to people in a life transition like a divorcee, to Baby Boomers.

Many people do not realise that the people living in these apartments are renters by choice. They will pay a premium to live in a good apartment, in a prime location, because it works for them to rent a home rather than own it.



Australian population 1960-2022





In the first quarter of 2022, South Melbourne had significantly less available apartments to rent compared to competing areas, further indicating the scarcity and demand in this location

With an ever increasing population, falling apartment construction rates, height limits in many areas, and an affluent population, mostly single or couples without children, well designed, reasonable price studio and one bedroom apartments in South Melbourne are likely to remain in strong demand for years to come.

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