

## Could you fit your life into a 33 square metre apartment?



Developer Sixth Lieutenant's proposed Fitzroy apartments will be as small as 33 square metres. AFR

by Larry Schlesinger

It's the size of a modest hotel room, with a fold-away bed and barely enough room to swing a cat, but this is the home of the future in a city street near you.

Driven by the desire for higher profits, growing investor appetite and lax local planning rules, developers are seeking approval to build inner-city projects featuring apartments of less than 35 square metres. Five years ago the average size of a one-bedroom apartment in Sydney or Melbourne was almost double that.

Developer Sixth Lieutenant, owned by HostPlus deputy chairman Mark Robertson and his wife, Anne, gained approval last year for a \$5.5 million project at 237 Smith Street, Fitzroy, with plans for 28 one-bedroom apartments on six levels rising above an existing 1870s retail and commercial building on a site of just 142 square metres.

The smallest apartment is just 33 square metres – including a four-square metre balcony – leaving a living space that could just squeeze in four full-size snooker tables or eight king size beds. The biggest apartment will be 48 square metres.

At \$8000 to \$10,000 a square metre, the smallest apartment in the mooted project could be priced about 300,000. This would give an investor a return of between 5 and 6 per cent, better than the average Melbourne unit yield of about 4.2 per cent, as calculated by RP Data.

Terry Nash from Robertson Projects, which acts on behalf of Sixth Lieutenant, said the project was on the back burner but demand for smaller apartments was growing, given rising prices and investor interest.

### Stronger yield

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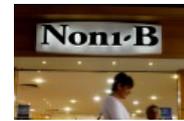
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"You generally get a stronger yield and there's less competition because first-home buyers will struggle to get financing. Banks don't look favourably on these small apartments," said Paul Osborne, who heads Melbourne buyers agency The Secret Agent.

"We're pretty careful on this style of investment. The financing issue can make them difficult to re-sell," he said.

But a well-designed smaller apartment making clever use of space, with good natural lighting and a nice aspect was preferable to a larger, darker apartment, he said.

"The growth of short-term letting through sites like airbnb is also making these smaller apartments appealing to investors," Mr Osborne said.

Michael Buxton, professor of environment and planning at RMIT University, said apartments were shrinking in size with profit the primary motive.

"The cost of construction is driving down the size with developers trying to keep the purchase price at a level that will sell," he said.

Lax planning controls and changing demographics were also contributing to their appeal, he said.

"Five year ago the average size of an apartment was 60 square metres.

"Now its between 42 and 45 square metres and falling." he said.

Owen Harris, who has bought an apartment in a Neometro development adjoining the proposed 237 Smith Street development, said local infrastructure was already stretched. and the area could not cope with such high-density projects.

"You can't get on a tram on Smith Street as it is," he said.

*The Australian Financial Review*



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