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In the heart of the action

The face of inner-city living is set to change this decade as a new breed of buyers moves into higher-density dwellings close to transport.

And while the size of apartments is tipped to shrink, developers will be expected to incorporate a wider range of amenities and sustainable design traits into their buildings as a trade-off.

Australian Institute of Architects president-elect Karl Fender - himself an inner-city apartment dweller - sees two markets for apartments: young professionals and empty nesters.

He says smaller, two-bedroom apartments of about 50 square metres will become the norm.

"If your living quarters are quite small, developments now provide more in the way of communal facilities like a laundry, theatre, conferencing facilities or a bar," he says. "This creates a community within the building. "This creates a community within the building."

The community concept is one that Leighton Properties has seized upon for its Mosaic development in Brisbane's Fortitude Valley.

Leighton Properties state manager for Queensland, Andrew Borger, says Mosaic drew inspiration from a fact-finding trip to North America and Europe.

"We viewed a place next to Stanford University with 99 apartments, the average home was (about 35 square metres) and while we don't build our apartments anywhere near as small as that, the give back was significantly enhanced community spaces, rooftop terraces, games rooms, libraries, community gardens," he says. "In Mosaic we have a rooftop garden of 600 square metres that provides community garden beds, worm farms, compost heaps and a recreation area."

Borger says Australia's "quarter acre block syndrome" is slowly being overcome by the younger generation, who are more intent on smaller homes closer to the CBD and its transport infrastructure.

Like commercial office tenants, Borger says home buyers are now demanding that their buildings are sustainable. Vivas Lend Lease managing director Hugh Martin sees a future where the majority of the inner-city's inhabitants will be conscious of their environmental footprint and this will be reflected in their choice of home.

"We as a company believe that sustainability is going to be a differentiating factor, and that's why we're putting so much effort into it," he says.

Martin says Vivas is looking to achieve this with its Conveso 8 building in Melbourne's Docklands. Each apartment will include an ecoMetre: a visual display panel that provides residents with real time information about water and electricity consumption as well as carbon output.

Martin concedes buyers were initially resistant to paying more for sustainable apartments, but this is changing as acceptance of global warming grows.

He is confident the model will prove successful in Vivas' Jacksons Landing development in Sydney's Pyrmont and later work in Brisbane and Melbourne. But while the bigger developers are "future proofing" their apartment projects with environmentally sustainable design, smaller players are shunning the practice.

Charter Keck Cramer director Robert Papaleo says Melbourne's inner city apartment market was dominated by cost-conscious investors, many of whom were not interested in buying into sustainable projects.

Papaleo says the concept of smaller Melbourne apartments was tested by international students who were accustomed to high-rise living. Their willingness to rent the product is now driving supply.

The City of Melbourne is responding to developers keen to service this market by considering a dispensation that allows apartment towers to be built without car parking. "Smaller apartments are definitely trend and, with the recent proposals put through the planning process, that trend is bound to continue," Papaleo says.

"You can now get a 50 square metre, two-bedroom apartment, which would have been unheard of just three years ago." Papaleo says studio apartments are selling from \$350,000 off the plan. But for all of the investor activity, owner-occupiers are still buying apartments in Melbourne. Many want new apartments in historic buildings, such as 99 A'Beckett Street on the city's edge.

Owner-occupiers are also driving the Perth market says Finbar Group executive director Darren Pateman. He says Finbar's X2 and Fairlanes developments are performing well despite the global financial crisis, something he credits to their extra facilities.

"Apartment buyers can justify moving from a typical single resident home into an apartment when they get to share in the use and operating cost of resort style facilities such as pools and gyms," he says. "As most of the apartments we develop are inner city, the majority of the occupants are working professionals whose main motivation for living in the city is to be close to work."

Adelaide real estate agent Andrew Kleanthi says the city is one of the few capitals where you can buy a townhouse on the CBD fringe. "The townhouses have more longevity for people, you can have child there and its OK so long as you're close to parks," he says.

He says Urban Construct is dominant in Adelaide's apartment sector and they are focusing on the youth market with buildings that have gyms, mediation decks and access to the entertainment precinct.