Accelerating Growth in Australia’s Build-to-Rent Market

26 NOVEMBER, 2019 -Coinciding with shifts in international investment markets, a developing demographic profile and residential consumer sentiment have combined to enhance the prospects for the emergence of a build-to-rent sector in Australia.

PARTNER CONTENTTUE

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Among the Australian development community it is anticipated that build-to-rent will take the form of high-density development typically exceeding 200 dwellings in inner city and well-located middle suburb capital city locations.

The nine build-to-rent projects announced across Australia since 2017 are set to offer premium rental product in prestige locations.

While some industry experts envisage diversification of product, location and market targeting as the sector expands over time, the financial feasibility remains questionable under current conditions.

Under current Australian housing market and policy settings it remains unlikely build-to-rent will take-off as rapidly as it has in the UK in recent years.

Developer	Project name and location	Size and form	Status
Grocon	'Parklands', Gold Coast, Qld	1,252 units and townhouses (Commonwealth Games athletes village)	Development complete. BtR operations from 2019
Grocon	Southbank (Melbourne), Vic	410 units	Approved. Yet to commence development
Grocon	St Leonards (Sydney) NSW	Unknown	Approved. Yet to commence development
Sentinel	'Element 27', Subiaco (Perth), WA	360 units	Under construction 2018
Mirvac	'Indigo', Sydney Olympic Park, NSW	257 units	Under construction 2018
Salta	Docklands (Melbourne), Vic	260 units (in tower with 150	Proposed project.

Developer	Project name and location	Size and form	Status
		hotel rooms)	
Salta	‘Victoria Gardens’, Richmond (Melbourne), Vic	426 units	Approved. Yet to commence, proposed BtR operation on hold
Gurner	South Melbourne, Vic	128 units	Proposed. Yet to be approved
Meriton	Various Sydney sites, including ‘Signia’, Mascot Sydney sites, including ‘Signia’, Mascot	Total approx. 6,000 units, including 237 units in Signia	In operation.

Although Australian build-to-rent project returns are impaired by both market conditions and policy settings, the industry tends to focus on land tax, GST and income tax as it affects overseas investors utilising managed investment trusts (MIT) vehicles.

Of these policy levers, the most significant impact on build-to-rent returns will emerge through re-balancing state and territory government land taxes to incentivise purpose-built professionally-managed rental facilities.

The Australian government's recent confirmation that international build-to-rent investors are subject to a higher tax rate on market rent residential investments than on investment in other asset classes could be a significant impediment to build-to-rent take-off given that global funds would likely be “first movers” in establishing a new institutional funding asset class.

Without a strategic national framework that integrates tax reform, revenue support, land and planning levers build-to-rent in Australia will continue to lag comparably to countries like the UK and the USA.

To explore the build-to-rent sector further, Criterion Conferences are delighted to present their 3rd Driving Growth & Investment in Build to Rent Conference in Sydney, 19 and 20 February 2020.

Hear from and connect with a range of key industry stakeholders, policymakers and market players shaping the build-to-rent sector in Australia.