Greystar's $1.3bn Build-to-Rent Bet

US build-to-rent specialist Greystar has secured its largest capital raising to date to support new projects being rolled out within Australia's emerging build-to-rent sector.

The new $1.3 billion fund, Australia's largest build-to-rent venture to-date, will aim to take advantage of shifting market trends, which has provided a catalyst in accelerating build-to-rent supply.

Build-to-rent has recently been subject to increasing institutional investment interest, government support and tax concessions.

Institutional investors houses, Canadian investment house Ivanhoé Cambridge and APG Asset Management will back the Greystar Australia Multifamily Venture I fund which could eventually deliver upwards of 5,000 or more dwellings.

The fund currently has two seed projects, both in inner-Melbourne, both of which will commence later this year with the projects having the potential to deliver over 1,300 new rental homes and create approximately 2,000 jobs over their construction phase.

Greystar picked up its South Melbourne site from Singaporean developer Chip Eng Seng for $65 million late last year, while its second site, comprising two buildings in South Yarra, was purchased from Larry Kestelman and is currently earmarked for a $400 million mixed-use precinct.

▲ Greystar's build-to-rent project at Gladstone Street in South Melbourne. Image: Supplied

Greystar, currently the largest operator of apartments in the United States, manages upwards of 700,000 dwellings, and holds $48 billion in assets as well as $21 billion in assets under development.

The firm sees the Australian rental housing market as notable for its lack of purpose-built, professionally-managed products, as renter demand has primarily been met by private owners of build-to-sell units.

"The quality of rental experience that build-to-rent offers residents in major urban centres around the world is not on offer here in Australia today," Greystar Australia managing director Chris Key said.

"As we face a major downturn in high density construction in the coming years this partnership provides us with the opportunity to make our own contribution to Australian job creation and the economic recovery post Covid-19."

Greystar will aim to deliver mid-market offerings targeting young professionals with premium services, events and amenities, such as pools and a business centres.

Greystar is also known for providing its completed developments with high numbers of on site staff—sometimes averaging eight times higher than traditional apartment complexes.

Greystar and rival North American groups including private equity firm Blackstone, specialist Sentinel Real Estate Corporation and diversified Oxford Properties Group, which announced a $450 million build-to-rent project in Melbourne late last year, have already moved into the nascent Australian market.

Local property players Mirvac are already heavily involved in the sector with a slew of projects built or in development.

Mirvac chief executive Susan Lloyd-Hurwitz is currently aiming for 5,000 build-to-rent apartments under management within five years.

Lendlease is considering whether to convert some of its proposed developments to build-to-rent while Melbourne-based developer Tim Gurner has laid out plans for an upscale version of the model, partnering with finance house Qualitas for a $1 billion vehicle seeded by three initial projects.