Build-to-rent investors step up as apartment supply dwindles

A pause in apartment development is providing a kick-start to Australia's emerging asset class

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Investors in build-to-rent residential are looking to take advantage of a subdued apartment market and slower commercial development to snap up high density development sites, driving momentum into a sector that has until now has struggled to gain traction.
As private apartment development slows, Australian fund manager Investa is among a host of local and international groups seeking to boost their build-to-rent development pipeline.

Approximately 18,500 for-sale units are expected to be built in the inner cities of Australia's major capitals in 2021, JLL data suggests. The volume has been falling since a 2017 peak of just under 29,000 units.

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For investors, record low interest rates and falling returns in other real estate asset classes is highlighting the sector's viability and stability.

"Investors need more investment in alternative asset classes because the core sectors of office, industrial and retail just aren't going to offer the opportunities to allocate the kind of money that they need to," says Leigh Warner, head of residential research, JLL. "No other alternative sector offers the size and scale that build-to-rent can."

If Australia followed a similar growth path to the UK, the sector could be worth A$84 billion by the end of the decade - not far behind industrial, Warner says.

James Greener, fund manager at Investa, says the build-to-rent experience trumps that of renting from mum-and-dad landlords due to "security of tenure, responsiveness to maintenance issues, and the ability to personalise the living space." Investa has a pipeline of 1,000 units for its Indi product, in conjunction with Canada's Oxford Properties Group.