Build-to-Rent Could Address Affordable Housing Demand

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Build-to-Rent could play a key role in Australia's economic recovery and address the nation’s undersupply of housing, a report into the build-to-rent sector has found.

By increasing its delivery to an initial scale of 10,000 apartments, the "Build-to-Rent: Stimulating Recovery, Ensuring Resilience" report by Urbis and law firm Allens estimates this could support an average of 3,500 jobs per year relating to the construction phase alone.

Report authors, Urbis Director Mark Dawson and Allens partner Tim Chislett, estimate that further increasing the number of build-to-rent apartments to 50,000—a third of the inner-city apartment pipeline on Australia’s eastern seaboard—could support 19,000 jobs per year in the construction phase.

Dawson said the emerging asset class is the “quickest solution to increase housing choice and capacity at scale”.

“Despite current reduced migration rates, Australia still has a considerable housing demand gap that needs to be plugged.

“Build-to-rent provides an opportunity to increase supply, improve housing options and ensure Australia remains a liveable and resilient country,” Dawson said.

Despite its success in international markets, the reality of build-to-rent operating in Australia has long been seen as murky, with the availability of land, financial viability due to taxation issues impacting the sector’s progress.

Residential construction contributes 750,000 jobs and 7.5 per cent of total growth in the nation’s economy. While 414,000 rental dwellings would be needed by 2030, the report notes.

Unlike commercial, industrial or traditional build-to-sell developments, Chislett said build-to-rent developments don't require pre-sales or pre-leasing for project viability, reducing construction time frames.

“If policy settings allow, build-to-rent development will get cranes in the sky more quickly than any other asset class, promoting economic recovery from Covid-19 while addressing Australia's ongoing housing crisis.”

In August, the New South Wales government announced a 50 per cent land tax discount on the construction of purpose-built rental apartments, to be managed under single ownership with a requirement of more than 50 units.

Around the grounds, Frasers Property Australia and Mirvac last month secured an agreement to develop the first two affordable housing projects in Brisbane under the Queensland government's Build-To-Rent program.

Construction is tipped to start next year following the finalisation of designs for the two projects at 210 Brunswick Street Fortitude Valley and Mirvac at 60 Skyring Terrace in Newstead (lead image).

The ASX-listed Mirvac also has three build-to-rent projects across Sydney and Melbourne.

More recently, the Australian arm of US property firm Sentinel Real Estate last week announced it received development approval for the final stage of its flagship build-to rent project in Subiaco, Perth.

Known as Element 27, the $124 million project will comprise a total of 264 rental apartments, leased and managed by Sentinel.

Sentinel began reviewing build-to-rent opportunities in Australia as early as 2012, establishing its local subsidiary Sentinel Fund Manager Australia, and has a build-to-rent project at 164-168 Roden Street in Melbourne.

By end of June 2020, a Savills report found that 2,326 build-to-rent apartments had been completed in Australia.