# Plenty of potential for build-to-rent but support needed

**Nila Sweeney***Reporter Australian Financial Review*
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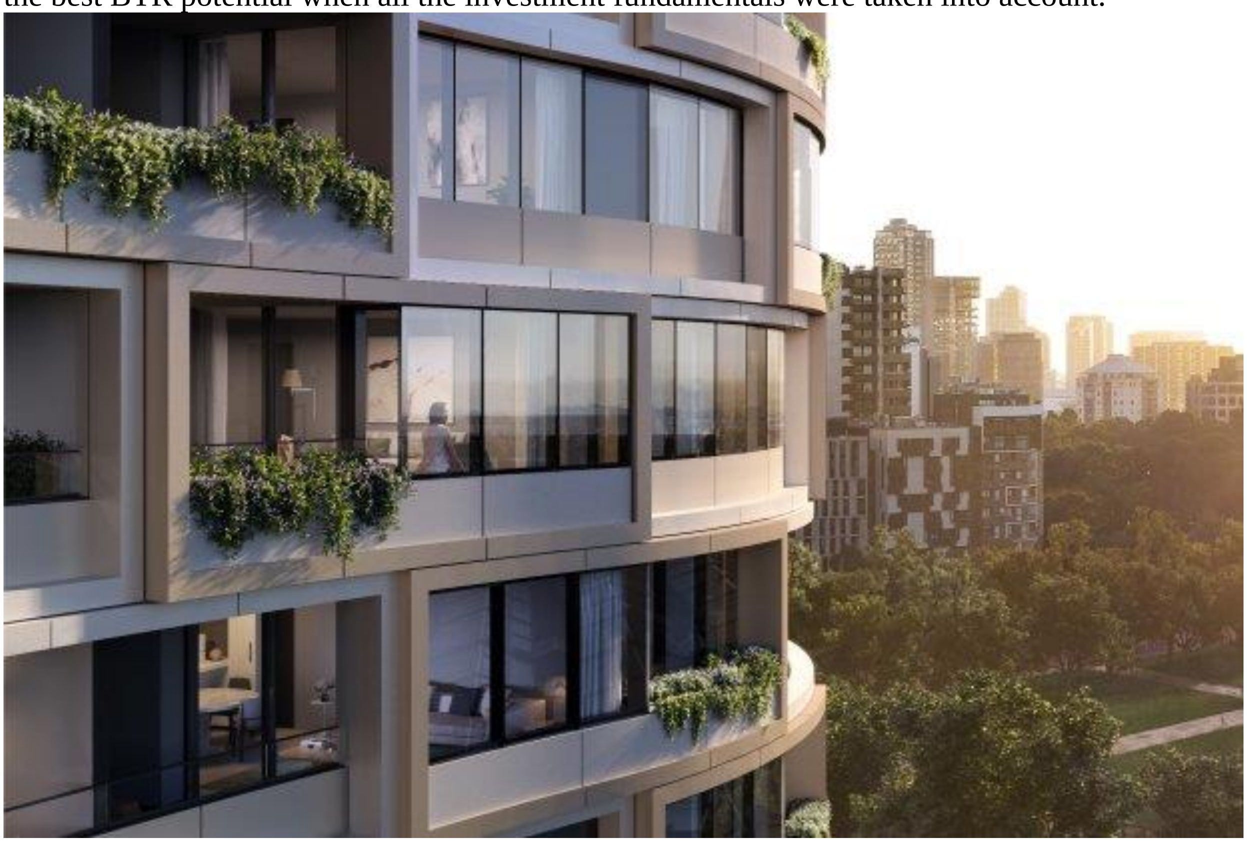
Global investors' appetite for Australia's build-to-rent (BTR) sector is surging, but the government's lack of coherent support is holding the sector back, experts say.

A CBRE analysis showed that Australia ranks among the top five markets around the world with the best BTR potential when all the investment fundamentals were taken into account.



Mirvac's Queen Victoria Market BTR development includes 490 build-to-rent apartments.

"Australia is absolutely the perfect type of place for build-to-rent or multifamily to thrive. We know this industry can work here, and it should work here," Colleen Pentland Lally, senior director at CBRE USA, said.

"Australia has the perfect demographics for it as a country. It has transparency, and has healthy good job and population growth."

CBRE estimates that there are 12,000 BTR units at varying stages of completion in Australia.

Greystar is looking to develop a $400 million Melbourne mixed-use asset including an extra 500 BTR apartments – the largest BTR complex in Australia – by 2023.

Construction of Mirvac's Melbourne BTR projects at Queen Victoria Markets and Brunswick are under way while its first BTR project in Sydney's Olympic Park is due to be completed in the next three months.

Alex Notay, build-to-rent fund director at PfP Capital UK, said Australia had the potential to leapfrog UK's BTR sector, but it needed broad support from the government for it to get off the ground.

"Australia is the market that has the most appeal for global capital at the moment," she said.

# Fundamental demand

"There's a huge appetite in the market. There's the capacity to build and the fundamental demand is absolutely there. But without the government's support, BTR will not take off. No."

The complicated tax regime was a disincentive and the high entry cost was prohibitive, she said.

"I think one of the challenges for Australia is that you have no federal housing strategy," Ms Notay said.

"Everything is different from state to state, so you don't have that baseline expectation. It's a real challenge, because just the time developers and investors have to spend getting to know all these different regimes, the tax regime, is a major disincentive when they could just be scaling it.

"I think it would be great to see some kind of united housing approach across Australia. This will give global investors more certainty and clarity. Having commonality of approach, I think that would help accelerate the delivery."

Ms Pentland Lally said a change in the mindset was just as important.

Under the current tax regime, foreign pension funds and sovereign wealth funds investing in BTR assets are taxed at 30 per cent instead of the concessional rate of 15 per cent for returns from commercial real estate.

"BTR is a commercial real estate asset, like office or retail," Ms Pentland Lally said. "And until it is seen as such in Australia, you're going to continue to have issues with taxes and perceptions and all this planning constraints. It's not  build to sell. It's a commercial asset and should be treated as such."