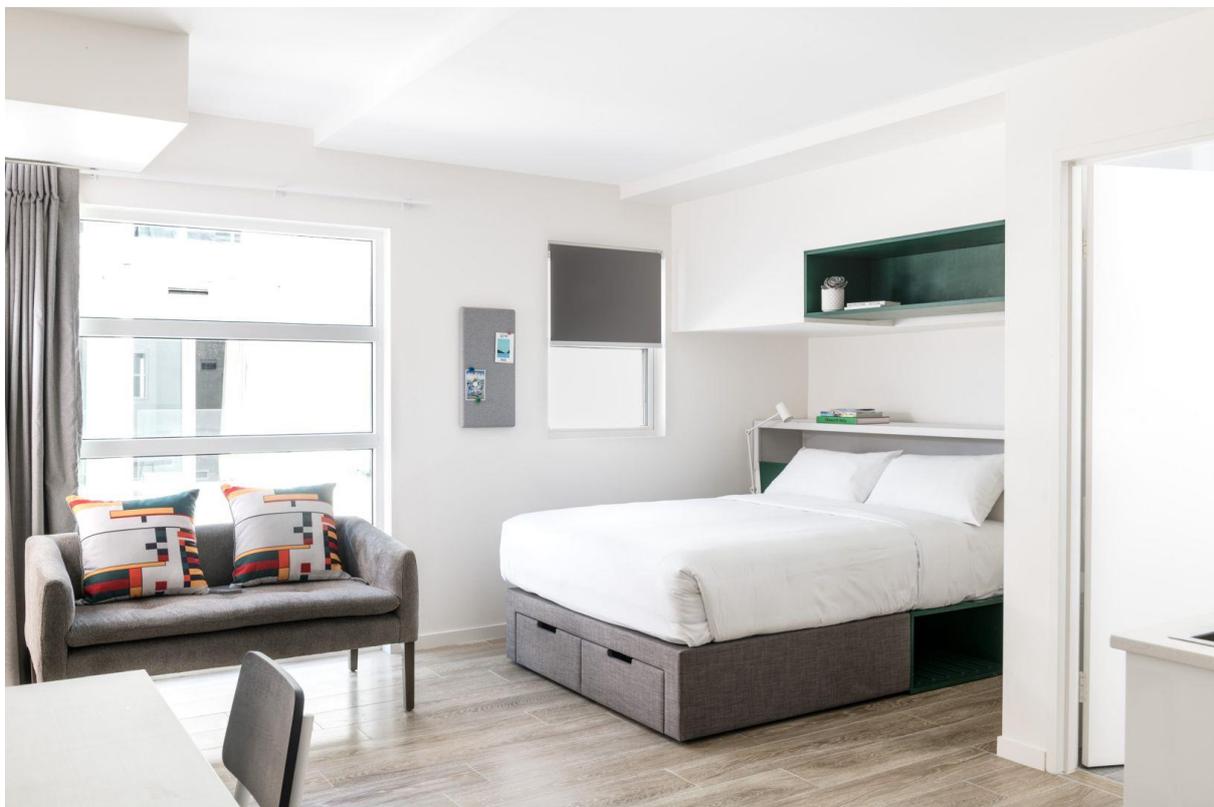


Build-to-rent growth spurt ahead

August 11, - 2020 A weight of capital is looking to enter Australia's build-to-rent market, says Savills, as fresh research suggests BTR will follow the UK's growth trajectory where 8,000 units were delivered over five years.



PROPERTY AUSTRALIA

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Three key takeaways:

- The build-to-rent pipeline has expanded by 38% in 12 months, according to Savills research
- Growth of BTR in Australia is mirroring the UK, where 8,000 units were delivered in the first five years
- BTR can deliver better long-term design outcomes, well maintained properties and secure tenures, says Woods Bagot principal Ian Lomas.

Savills analysis of the Australian development pipeline indicates that 2,326 build-to-rent, or BTR, units are now complete, and a further 611 units are operating as co-living.



An additional 895 and 389 BTR and co-living units, respectively, are under construction. This is a 38 per cent rise over 12 months.

Conal Newland, director of student accommodation at Savills, says “a significant weight of capital is currently looking to enter the Australian BTR and co-living accommodation sector, but there are limited opportunities to access the market”.

Newland’s colleague Paul Savitz, Savills’ director of student accommodation, says Australia’s BTR market is likely to follow that in the UK.

“Ten years ago, BTR was a niche topic at investment conferences and in boardrooms; now it is one of UK real estate’s most exciting asset classes. We expect Australia to follow suit,” Savitz says.

According to Savills, 8,000 units were completed in the UK in the five years after the emergence of the first BTR scheme in London.



Australia's growth "will occur at the same speed as the UK equivalent, with 8,000 units completed over the same five-year milestone".

"There are currently just over 162,000 Build-to-Rent homes planned, under construction, and operational across the UK, with 48,000 already completed," Savitz explains.

"The UK BTR sector is set to grow exponentially in value, rising from \$17.5 billion in 2019 to a potential maturity of over \$985 billion, providing homes for more than 1.7 million households."

Busting the BTR myths

BTR is gathering momentum in Australia. Earlier this month, the Berejiklian Government announced a 50 per cent land tax cut over the next 20 years to BTR developments in New South Wales.

In late July the Queensland Government called for detailed project proposals for its BTR pilot, which will see up to three affordable housing developments constructed in Brisbane.

And in Victoria, the Property Council's stimulus plan calls for changes to land tax settings to facilitate BTR.

Woods Bagot principal and design leader Ian Lomas has deep experience working on BTR projects in the United Kingdom and Germany.

He says BTR homes can satisfy people's desires for a sense of community, access to social and work networks, and consistency in their lives through stable tenure.

But it is a misconception that build-to-rent "is the solution for every housing issue – it just isn't".

What build-to-rent does do is “fundamentally change the relationship between owner and tenant to one of mutual benefit,” Lomas says.

“To retain build-to-rent investor value the focus must always remain on the resident. Thus, we should expect better long-term design outcomes, well maintained properties and secure tenures.”

Lomas says designing BTR demands a shift in thinking.



“Buildings need to age well and demonstrate enduring appeal – they are long term investments and the owners must provide homes that appeal to renters over numerous cycles in their lives.

“This provides an architecture of good daylight, well-proportioned spaces, natural ventilation, storage, and distinctive character.

“With different apartment types available in a single development, a renter has flexibility to change the size and nature of their housing as their needs change, without having to leave established connections and support networks. The building becomes a neighbourhood and a community.

“The speed of delivery is another gain – and a great lever for local authorities keen to see housing numbers increase and to have people living and active in the area quickly.”

Meanwhile, Savills' Newland says BTR will create more options for investors and builders of developments "and decisively more housing options".

"The significant development pipeline, changing living trends, and materialising government support may open up greater opportunities," Newland concludes.