

AUSTRALIAN BTR SET FOR CONTINUED GROWTH AFTER COVID ERA SURGE – MTD TV

2022/03/29 BY BEATRICE LAFORGA

MINGTIANDI - ASIA REAL ESTATE INTIGENCE

While the coronavirus pandemic amplified growth in Australia's multi-family sector, industry leaders believe the market is poised to grow further as new projects reach completion and policy frameworks firm up.

Speaking at Mingtiandi's Multi-Family Investment in Australia Panel on Tuesday, Hines director and head of living for Australia Sam Bisla said a chronically undersupplied housing market and related home affordability issues, alongside residents' willingness to pay for quality space with amenities will continue to drive demand for multi-family accommodation over the long term.

"Growth, it was always coming, but COVID sort of turbocharged it," Bisla said. "Investors saw the defensive nature of the asset class throughout COVID – the high occupancy with consistent cash-on-cash during the period – and so we all see the ability to become dominant players in a very nascent asset class."

Rental apartments have long been popular in key cities across the country and demand will likely grow further as more build-to-suit development projects are completed, added David Scalzo, managing director of Melbourne-based investment and development group Perri Projects.

Hines to Add More Aussie BTR

"This is a new capital market, maybe a new asset class, but it is not a new customer market or segment," Scalzo said at the event, which was sponsored by Yardi. "The development of urban infill sites and apartment living has really been well underway in Melbourne and Sydney for more than 20 years and it has accelerated in Brisbane and Perth in the last 10, I think we're seeing the evolution of that."



Sam Bisla
Director and Head of
Living
Australia, Hines



Laurent Fischler
of Ivanhoé Cambridge



Stephen Gaitanos
Managing Director &
Group CEO, Scape



David Scalzo
Managing Director
Perri Projects

<Watch the full 40 minute Forum (plus Q and A) [here](#) >

Bisla’s faith in the market is backed by his firm’s latest commitments, with the veteran executive announcing on the program that Hines expects to acquire its third and fourth build-to-rent projects in Australia during the coming weeks. Those new milestones would follow the US developer and fund manager’s A\$30 million (\$21.6 million) purchase last month of a Melbourne BTR project that could yield up to 220 new rental homes.

“It’s probably early to give any details but hopefully we’re going to get another one in Melbourne and another one in Sydney, but we’re also looking in Brisbane and Canberra as well,” Bisla said. Within these markets, the Houston-based firm is evaluating locations based on housing affordability, the existing pool of renters, and the volume of white collar workers, as well as proximity to amenities such as parks and access to transit.

He said Australia’s multi-family asset class has already been supported for some time by high demand, tight vacancy rates and improving state policy.

“It (growth) was really happening anyway, COVID was just the final switch that really put everyone over the edge, Hines included, to go in. I don’t see that the manner changing when COVID ends,” Bisla added.

Speaking at the same forum, Laurent Fischler, investment head for Asia Pacific at Ivanhoé Cambridge, said institutional investors are taking a long-term approach to the market by ramping up development of purpose-built projects as existing stock remains scarce.

Fischler said the Aussie multi-family market may be following a trajectory similar to what was experienced in the US and the UK before those markets became among the largest globally.

You have a market that is still dominated by small, non-institutional players and there’s a lot of room for institutionalization and developing purpose-built projects with higher

specs, higher levels of amenities, much more professional management to provide a better service to the tenants,” he said.

“So for us, it was the opportunity to be an early mover and get into this sector when it is maturing. We also see a lot of government support with some tax abatements and other incentives to try and bring in long term professional investors including foreign investors to create capital for the market,” he added.

Back to School

While the multi-family sector is set to grow for the long term, the student accommodation segment is set to receive a jolt this year after the country reopened its borders to travellers just over one month ago.

Stephen Gaitanos, managing director and group chief executive at Scape, Gaitanos said he saw demand for accommodation around the country’s university campuses pick up significantly starting late last month – a trend that the Scape executive is expecting to continue as more international students return.

“The reality is in Australia, our international education sector is the third largest in the world, there’s a whole lot of reasons for people to want to be here, to live, to learn, to study, to make friends and to have a good time,” he said. “We expect 2023 to really get to business as usual where there is 95 to 98 percent occupancy in all our markets.”