

Australia to deliver 7,000 Build to Rent units by 2024

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COVID-19 has provided a catalyst that has accelerated BTR supply, with 3,000 units added to the pipeline in 2020.

JLL figures show 258 units have been completed in 2020, with a further 2,570 under construction with expected completion dates spanning over the next three years. There are an additional 2,000 units with plans approved having expected completion dates through to 2024.

“In 2023, the supply of institutional-grade BTR units ramps up significantly and going out to 2024, already there are nearly 2,000 units with plans approved. So momentum is certainly building for Build to Rent,” said Paul Winstanley – JLL’s Head of Build to Rent – Australia and New Zealand.

“The challenges of 2020 have, if anything, fuelled international appetite for the sector across Australasia, largely driven by the resilience of the sector in the more mature global markets and the investment performance of operational assets.

“COVID-19 has become a catalyst for government to remove some of the barriers that were previously inhibiting the emergence of the BTR residential sector in Australia. This financial year, both the New South Wales and Victorian Governments have introduced discounts of at least 50% on land tax for BTR in a move to stimulate the sector,” said Mr Winstanley.

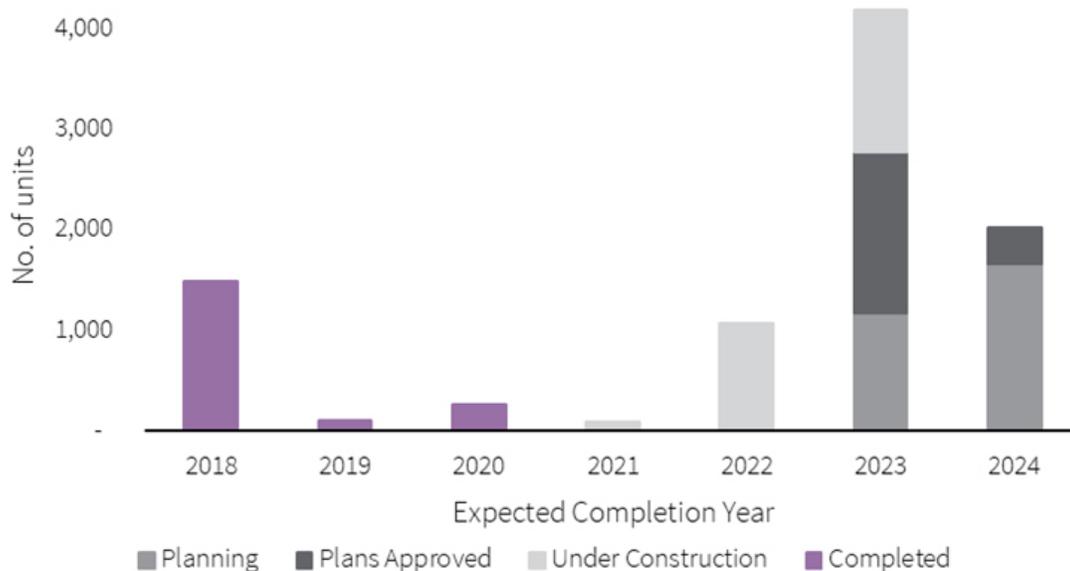
JLL’s Head of Residential Research – Australia, Leigh Warner said, “We are already seeing a marked pick up in the number of BTR projects creep into our monitored supply pipeline and we fully expect that more Federal and State Government concessions to encourage the sector will see this trend build quickly over the next 12-18 months.

“Governments now realise that build-to-sell construction is going to be very limited for some time and are much more open to incentivising the emergence of BTR to fill a little of this construction gap and help sustain activity and employment.

“We believe that this will not only be a good thing to keep construction ticking over, but it will be a great outcome for renters and provide some good quality rental options in a few years’ time when options would otherwise be very limited. It will also give investors relatively stable investment opportunities outside the already crowded traditional commercial property markets,” said Mr Warner.

In Australia there are now over 7,000 institutional BTR units in the pipeline for delivery by 2024:

Fig 9 Australian institutional BTR Pipeline



Source: JLL

Supply pipeline by City:

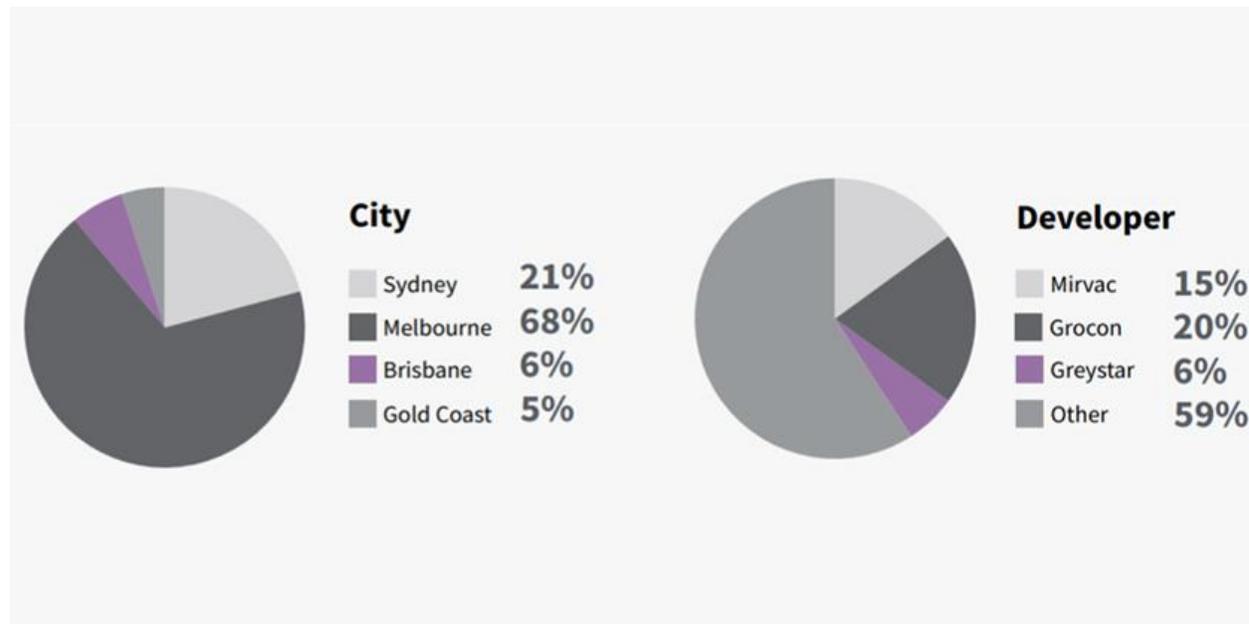
JLL's latest report, '*Build to Rent Investment Review and Outlook*' examines the four-fold proposition of BTR. BTR is valuable because it is practical and predictable, experiential, and societally desirable as well as financially beneficial and resilient in challenging times.

The Report show that at a city level, Melbourne has had the strongest growth of BTR units, currently accounting for 68% of the supply pipeline. Sydney is at 21%.

JLL's Director of Alternative Investments, David Hill said, "The availability of scalable sites in Melbourne has contributed to the weight of the development pipeline. Sydney remains highly competitive for sites however we expect pipeline to build in response to the tax measures announced by the NSW government which will make BTR development and investment within the state more viable. The VIC government has also announced similar measures in the recent budget to attract additional investment in the sector.

"At a time when global investors are increasing their weighting and exposure to alternative asset classes, Living Sector investments are continuing to form a significant component of their strategy. This is owed to their diversified income profile, counter-cyclical nature of returns and most importantly, providing a needs-based residential offering on flexible contract terms," Mr Hill said.

Fig 10 Australian institutional BTR Pipeline breakdown



Source: JLL

Fig 11 Major Australian BTR announced in 2020

Announced	Developer	Project	Address	State	Operator	Apartments	Status
4Q20	Frasers	Fortitude Valley ¹	210 Brunswick Street Fortitude Valley	QLD	Frasers	354	Planning
4Q20	Mirvac	Liv Newstead ²	60 Skying Terrace Newstead	QLD	Liv by Mirvac	390	Planning
3Q20	Suleman Group	Union Quarter ³	31-69 McLister Street Spotswood	VLC	-	300	Construction
3Q20	Mirvac & Milleu	Albert Fields	395-403 Albert Street	VLC	Liv by Mirvac	527	Planning

			Brunswick				
3Q20	Homecorp	Capital Court ⁴	2-6 Capital Court Varsity Lakes	QLD	-	443	Planning
3Q20	Grocon/Home	Docklands	685 La Trobe Street Docklands	VIC	Home/Grocon	600+	Planning
1Q20	Mirvac	Finders West	7-23 Spencer Street Melbourne	VIC	Liv by Mirvac	430	Design

Source: JLL

1. 40% affordable housing offered at 25% discount to market
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3. Private family investment.
4. Permit approved for 386 apartments, BTR plans submitted to add additional 57