

MEDIA RELEASE

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BUILD TO RENT CAN ALLEVIATE HOUSING AFFORDABILITY ONCE IT IS SUPPORTED BY GOVERNMENT POLICY

Build to Rent can play a crucial role in alleviating Australia's housing affordability crisis but requires more active support from federal and state governments, according to The Urban Development Institute of Australia (UDIA).

During a presentation to the National Housing Conference in Darwin this week, UDIA's National Executive Director Connie Kirk outlined the steps needed to make Build to Rent a more substantial component of the Australian housing mix.

Build to Rent projects are institutionally funded, purpose designed and built, and take advantage of scale to benefit customers via efficiencies, professional management and excellent service.

"The Build to Rent model has proven to be a successful housing option for renters in the USA and the UK and it can have significant benefits in Australia," Ms Kirk said.

"Build to Rent homes now account for 16% of the rental market in the USA, with the model delivering 6.3 million apartments since 1992. The strength of the sector in the largest global real estate market is proof that Built to Rent works.

"In the UK, the model has grown steadily over the past ten years and is now the second largest form of tenure. It is attractive to investors for its stable and long-term returns.

"An essential feature of its growth in overseas markets has been the active commitment by governments to deploy policy levers that helped seed the new market.

"For Build to Rent to succeed in Australia the playing field has to be levelled by relaxing the taxation regime for Managed Investment Trusts (MITs). That way international capital, which can fund projects, is then taxed at the same rate as investment in office or retail projects.

"Additionally, at the Federal level it requires changes to enable a re-claim on the GST component of construction, and at the State level resolving issues around land tax aggregation.

"There are some tentative first steps being taken by pioneering companies to trial Build to Rent in Australia, and in some cases, match it with affordable housing solutions.

"However, the pace of the market's evolution will depend on our ability to attract a deeper pool of institutional investors to the table that take comfort in the liquidity of the market.

"Build to Rent has the potential to deliver on several important public policy objectives, including providing more housing diversity, enhanced building standards and a better managed, more secure form of private rental housing for tenants," Ms Kirk said.

UDIA National says that Australia can take some valuable lessons from both the UK and north American experiences including

- Delivering housing policies which support the development of the entire Build to Rent sector
- Providing appropriate planning concessions which consider the unique features of the Build to Rent model
- Ensuring tax regimes enable and support institutional investment in the sector including the treatment for inward investment, goods and services tax provisioning and aggregated land tax considerations.

“It is only with these changes that the Build to Rent model can reach its full potential in Australia to deliver a mix of across the housing spectrum,” said Ms Kirk.

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