

Australian Build-to-Rent Potential On Par With \$18bn UK Boom

New residential development sectors are gaining traction in Australia, with completed co-living units up by 46 per cent and build-to-rent up 38 per cent during the past 12 months.

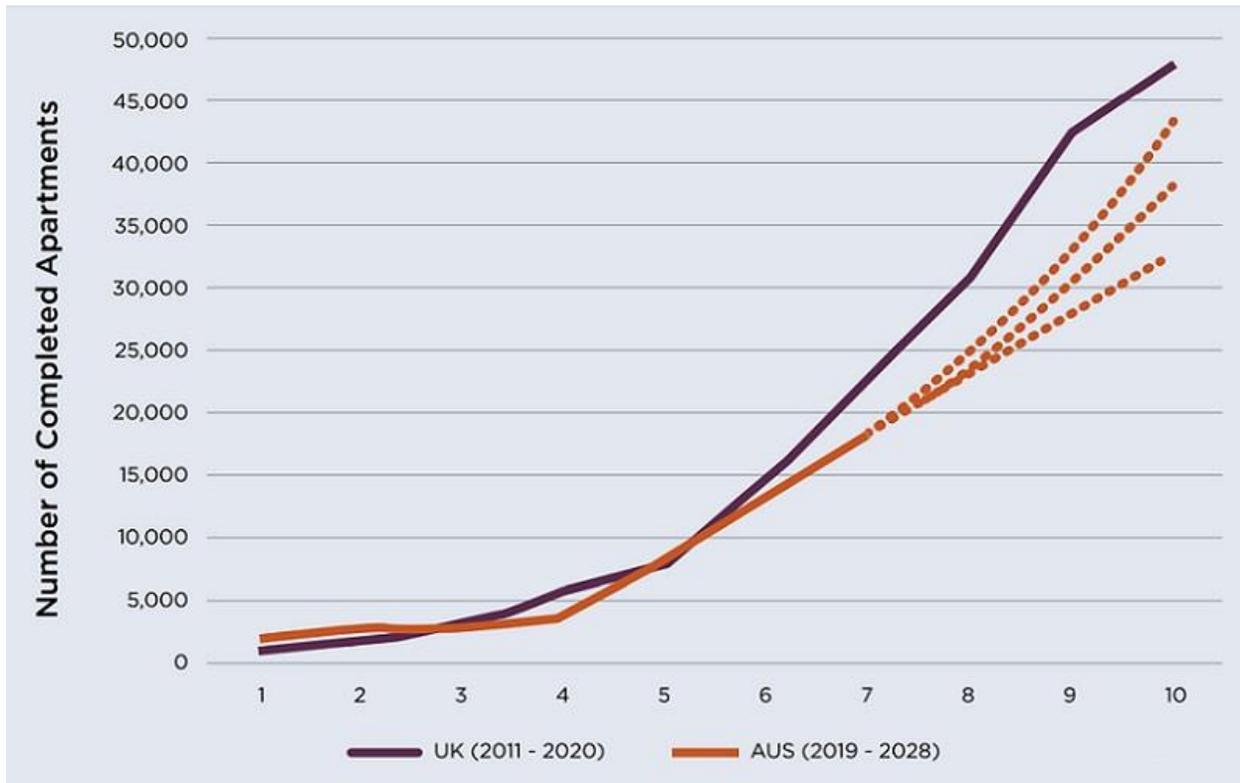


Savills' analysis of the development pipeline shows the growth of the relatively new industry is expected to mirror the United Kingdom where more than £10 billion (\$18.4 billion) was invested in the past five years.

In Australia, 2,326 build-to-rent apartments and 611 co-living units were completed by the end of June 2020.

Although Covid-19 has impacted residential unit approvals and continues to threaten house prices, the build-to-rent and co-living sectors are expected to increase as housing affordability problems continue.

Decade of build-to-rent growth: Australia vs United Kingdom



^ Source: Savills Development Spotlight on Build-to-Rent and Co-Living report

Savills student accommodation director Paul Savitz, the report's author, said Australia is hot on the heels of the UK's decade-long build-to-rent growth spurt—something that Australian and global investors and developers are keeping a close eye on.

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

With 8,000 units completed within five years of the emergence of the first build-to-rent scheme in London, Savills' analysis of the Australian build-to-rent pipeline suggests the emergence of the sector will occur at the same speed as the UK equivalent, with 8,000 units completed during the same five-year time frame.

“The UK build-to-rent sector is set to grow exponentially in value, rising from £9.6 billion in 2019 to a potential maturity of over £540 billion, providing homes for more than 1.7 million households,” Savitz said.

“The current valuation is less than 1 per cent of the total value of privately-rented housing in the UK, which is dominated by individual buy-to-let landlords”.

The alternate real estate asset was recently boosted by the NSW government, which halved land tax payments for developers in the fledgling sector.

Savills student accommodation director Conal Newland said the announcement would drive construction in the state.

“The proposed NSW planning changes are designed to simplify planning controls to support investment in diverse and affordable housing types including build-to-rent, co-living, social and student housing,” Newland said.

“Investors remain confident on the long-term core investment themes of residential rental accommodation”.