

Build to rent a missing link in Australian property: PFA

Build to rent is a 'missing link' in Australian property with potential to provide strong investment opportunities and introduce more affordable accommodation, according to Property Funds Association (PFA), Australia's peak body representing the unlisted retail and wholesale property funds sector.

Paul Healy, CEO of PFA, says PFA welcomes recent discussion on build to rent, which is purpose-built rental accommodation that is institutionally owned and operated. "Build to rent is a missing link both in terms of providing badly needed affordable housing in our capital cities, and in providing a way for institutional investors to invest in residential property in Australia."

Mr Healy says the PFA agrees with the view that build to rent will struggle to grow without changes to the tax treatments around such projects. "Current tax structures appear to be working against the sector. Tax treatments around Managed Investment Trusts is one issue, along with other taxes including land tax, GST and stamp duty."

Mr Healy said institutional investors including superannuation funds have long expressed an interest to invest in Australian residential property but it has proved elusive in a market dominated by 'build to sell' property. "The attraction for investors in build to rent is diversification and accessing a viable long-term defensive income stream."

Build to rent is the USA's largest property investment sector, and is spreading throughout Europe. Mr Healy said the UK's experience is worth noting, as it only introduced build to rent housing in 2010 following political pressure to address accommodation shortages.

Research from Ernst & Young shows Australia faces similar pressures on rental accommodation with millennials (people aged 16-35) and Generation Z (16 and under) together comprising approximately 48% of the population.

EY says millennials comprise the largest proportion of our population, and Australia will experience a shortage of residential accommodation as more millennials enter the rental market. "The UK has added close to 100 thousand dwellings via build-to-rent since 2010, which shows how significant this asset class could eventually become."

While build to rent is barely on the radar here, Australian organisations are participating in build to rent project overseas: The REST Superannuation Fund reportedly has 3,000 build-to-rent apartments in the USA, operated by Greystar; and Lendlease is reported to be constructing hundreds of build to rent apartments in both London and the USA.

"The local property industry would greatly benefit if these same organisations were also involved in build to rent here in Australia."

About Property Funds Association

The Property Funds Association of Australia is the peak body representing the Australian unlisted wholesale and retail property funds sector, currently worth more than \$125 billion.

As the professional association for Australian Financial Services Licensed (AFSL) property fund managers, their advisors, consultants and representatives, we support and promote investment into unlisted property trusts, funds and syndicates, and assist members in developing and operating their businesses.

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