



# Build-to-Rent Listening Report

Market Sounding

May 2022

Creating great places where communities thrive



**ACT**  
Government

**Suburban Land**  
Agency

## Ngunnawal Country

**We acknowledge the Ngunnawal people as Canberra's first inhabitants and Traditional Custodians. We recognise the special relationship and connection that Ngunnawal people have with this Country.**

Prior to the displacement of Ngunnawal people from their land, they were a thriving people whose life and culture was connected unequivocally to this land in a way that only they understand and know and is core to their physical and spiritual being. The segregation of the Ngunnawal people from Culture and Country has had long-lasting, profound, and ongoing health and well-being effects on their life, cultural practices, families, and continuation of their law/lore. We acknowledge the historic interruption of the Ngunnawal people of Canberra and their surrounding regions.

We recognise the significant contribution the Ngunnawal people have played in caring for Country. For time immemorial they have maintained a tangible and intangible cultural, social, environmental, spiritual, and economic connection to these lands and waters.



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## Introduction

### What is Build-to-Rent?

The Build-to-Rent model focusses on increasing the supply of longer-term rental housing by the construction of multi-unit dwellings that are rented out rather than being sold. It has the potential to provide long lasting community benefits, with greater housing choice for tenants who would have access to high-quality dwellings in a stable rental environment. Increased rental security offers wider social and economic benefits, with tenants better able to establish themselves in a community.

### About the Suburban Land Agency

At the Suburban Land Agency<sup>1</sup> we are responsible for delivering the ACT Government’s suburban development program with people-focused neighbourhoods that support affordable living, social inclusion and housing choice.

## Market Sounding

In November-December 2021, we undertook a market sounding process<sup>2</sup> to seek feedback and interest from industry and the community housing sector in the delivery of Build-to-Rent in Canberra.

### Who did we engage?

The Build-to-Rent market sounding was promoted on our website and information was sent directly to a range of stakeholders, including peak industry and community bodies, investors, known Build-to-Rent developers/operators, Community Housing Providers (CHPs) and hundreds of organisations on our commercial mailing list.

### Purpose of market sounding

- > understand the appetite for developing and operating Build-to-Rent properties in Canberra, that meet the ACT Government’s objectives
- > identify what incentives, subsidies or other changes may be required to include an affordable rental component
- > inform future land sales processes that could unlock development, facilitate construction and support local jobs
- > identify opportunities for innovation in the design, construction, management and commercial structure of Build-to-Rent projects.

### Industry briefing

An online industry briefing was held on 25 November 2021. There were 36 participants from a range of organisations including developers, real estate agents, peak industry and community bodies, investors and CHPs. Some questions were answered on the day and others taken on notice with more detailed answers sent to participants and included in the [Frequently Asked Questions](#). A recording of the industry briefing is available [here](#).

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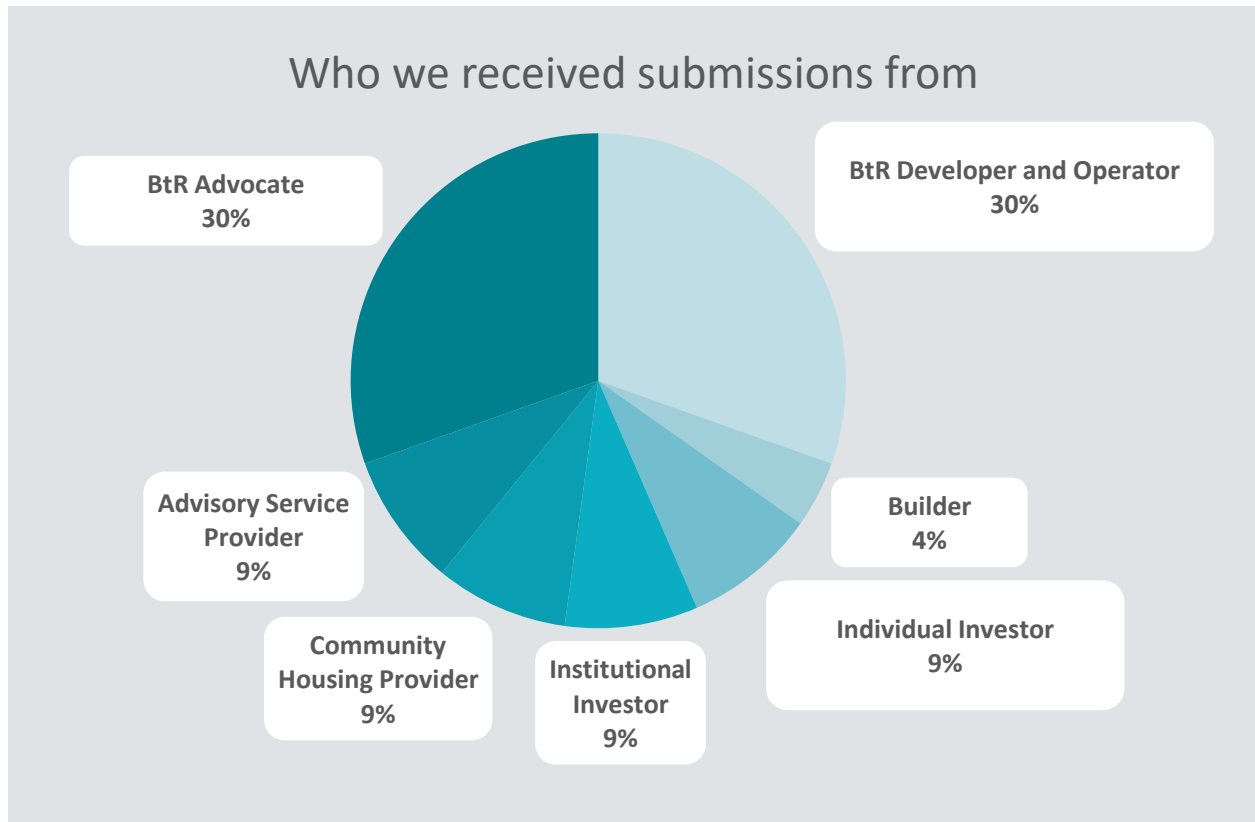
<sup>1</sup> For more information, visit the Suburban Land Agency website: <https://suburbanland.act.gov.au/>

<sup>2</sup> For more information, visit the Agency’s Build-to-Rent website: <https://suburbanland.act.gov.au/en/build-to-rent>

### Submissions

The Build-to-Rent market sounding closed on 10 December 2021 and we received 21 written submissions from developers, operators, advocates, CHPs, individual and institutional investors.

Figure 1 – Market Sounding participation



## Key insights

### Ideal features of Build-to-Rent



Market sounding participants were asked what characteristics would make future land release sites favourable for Build-to-Rent. Most participants viewed proximity to public transport, services, amenity, employment, education, health care, with size and zoning supportive of large scale residential and mixed-use commercial development, as the ideal features of Build-to-Rent.

## Site Characteristics

Market sounding feedback suggested that Build-to-Rent developments need to:

- > yield 200-450 dwellings plus communal and commercial/retail space
- > have a site area of approximately 7,000m<sup>2</sup> – 12,000m<sup>2</sup>
- > be zoned for commercial and residential uses
- > be located near town centres
- > have access to public transport



There was a strong preference for sites that would allow sufficient scale to achieve operating efficiencies:

- > a yield of 200 apartments was typically considered the minimum requirement
- > one participant suggested that operational efficiencies could be achieved by having several smaller developments in close proximity
- > generally, 450 was considered the maximum number of apartments that could be achieved in a single development while maintaining a sense of community, with only one participant preferring a higher yield to allow for more services and amenities
- > it was noted that the primary appetite from institutional investment in Build-to-Rent in Australia to date has been for developments of around 200 to 450 apartments.

These findings are consistent with earlier findings from an EPSDD commissioned Build-to-Rent Feasibility Study<sup>3</sup> conducted by Paxon Group. As part of this study, Paxon Group engaged with market participants to discuss the potential for a Build-to-Rent model in Canberra, including preferred site characteristics.

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<sup>3</sup> 2021 Build-to-Rent Feasibility Analysis, Paxon Group:

[https://www.planning.act.gov.au/\\_data/assets/pdf\\_file/0009/1928520/build-to-rent-feasibility-analysis-report-2021.pdf](https://www.planning.act.gov.au/_data/assets/pdf_file/0009/1928520/build-to-rent-feasibility-analysis-report-2021.pdf)

#### **Specific feedback from a participant**

*A Build-to-Rent development should have a common strata and property management team facilitating good communication and happy tenants. Such tenants are likely to stay on for longer periods of time.*

#### **Dwelling mix**

Market sounding feedback indicated a preference for at least 50% studio/1-bedrooms and not more than 10% 3-bedrooms for Build-to-Rent developments in the ACT.

These findings are consistent with the EPSDD commissioned Build-to-Rent feasibility study<sup>4</sup> conducted by Paxon Group, and a 2019 Landcom Report<sup>5</sup>, that found that Build-to-Rent developments tend to have a higher proportion of studio and 1-bedroom apartments than a typical Build-to-Sell development, in response to demand from the rental market.

#### **Specific feedback from a participant**

*BTR projects should be tenure blind - this provides the ability for the same dwelling with the same tenant to shoot from an affordable rental program to a market rental program as tenant circumstances change, and potentially vice-versa.*

#### **Communal space**

To appeal to tenants, Build-to-Rent developments usually have high levels of amenity and inclusion of onsite services. The type and scale of facilities depends on the target market of the development. Several participants noted that the industry 'benchmark' for indoor communal space in a Build-to-Rent development is around 3m<sup>2</sup> per dwelling:

Responses indicated that the following facilities would be appropriate for the Turner site:

- > Lobby and building concierge, including mail and parcel collection services
- > Small back of house office space
- > Gym and/or flexible space for fitness, yoga classes etc.

It was noted that it is typical for some ground floor retail to be provided in a Build-to-Rent development, to activate the lobby area and provide additional amenity for residents and the wider community.

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<sup>4</sup> 2021 Build-to-Rent Feasibility Analysis, Paxon Group:

[https://www.planning.act.gov.au/\\_data/assets/pdf\\_file/0009/1928520/build-to-rent-feasibility-analysis-report-2021.pdf](https://www.planning.act.gov.au/_data/assets/pdf_file/0009/1928520/build-to-rent-feasibility-analysis-report-2021.pdf)

<sup>5</sup> Landcom, 'Build-to-Rent in Australia: Product feasibility and potential affordable housing contribution Report' July 2019, p. 85

[https://cityfutures.be.unsw.edu.au/documents/551/LCOM\\_0000\\_Build\\_to\\_Rent\\_Report\\_WEB\\_July\\_2019.pdf](https://cityfutures.be.unsw.edu.au/documents/551/LCOM_0000_Build_to_Rent_Report_WEB_July_2019.pdf)

### Timeframe

Participants viewed 15 plus years as the preferred timeframe for operating Build-to-Rent development. However, a few participants noted the benefits of a longer (20-30 year) operational timeframe, in terms of sustaining the supply of affordable rental dwellings in the longer term.

### Rental tenancy legislation

There were mixed responses about tenancy legislation. Around 40% of respondents believed the ACT's legislative environment for tenants and landlords was not conducive to Build-to-Rent developments, with 'rent caps' cited as the main issue. This was seen as a potential barrier to investment in Build-to-Rent in the ACT, as interstate projects may not be subject to the same laws. However, it should be noted that the *Residential Tenancies Act 1997*<sup>6</sup> also establishes a pathway to increase rents above the rate of inflation in Canberra rentals<sup>7</sup>, so long as the proposed increase is not excessive.

### Accessibility

Some participants suggested an allowance for universal design provisions to support liveability, ageing in place, and people with disability.

### Financial incentives

The most prevalent incentives mentioned by participants to improve project viability included:

- > the provision of a land tax discount (consistent with NSW/VIC)
- > subsidy for affordable rental
- > delayed land payment structure
- > rates discounts
- > stamp duty exemption
- > discount on land price and
- > removal of ACT Foreign Ownership Surcharge.

#### Specific feedback from a participant

*In order to develop and operate a viable BTR development within the ACT... certain tax incentives and concession would be expected to create a level playing field when competing with apartment investors.*

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<sup>6</sup> *Residential Tenancies Act 1997* – <https://www.legislation.act.gov.au/a/1997-84/>

<sup>7</sup> *Residential Tenancies Amendment Act 2019 – Fact sheet* - <https://www.justice.act.gov.au/sites/default/files/2019-10/Fact%20Sheet%20-%20Residential%20Tenancies%20Amendment%20Act%202019%20-%20Excessive%20Rent%20Increases.pdf>






## Planning

In addition to releasing government sites for the purpose of Build-to-Rent, participants noted that Government could offer a range flexible planning controls and favourable planning conditions to help Build-to-Rent compete with other uses on the open market.

Planning concessions that allow greater yield or more efficient development than a Build-to-Sell development, were seen as favourable mechanisms. Several participants highlighted the planning concessions implemented by NSW (apartment size, balcony size, carparking) as a precedent that the ACT could follow.

## Sustainability

	<b>Build-to-Rent Developers &amp; Operators</b> 100% of Build-to-Rent Developers & Operators who participated were supportive of requirements for sustainability features and noted they ordinarily include these in their Build-to-Rent developments. Sustainability measures reduce their holding costs and reduce living expenses and ongoing utility costs for residents.
	<b>Institutional Investors</b> 100% of institutional investors who participated said that they would view the inclusion of sustainability features favorably as they can demonstrate a capital payback.
	<b>Community Housing Providers</b> 100% of CHPs who participated were supportive of requirements for sustainability features, particularly because it can save residents money through lower power and water charges.

## Proportion of affordable rental

Most participants agreed with 15% affordable rental and identified opportunities to deliver more, depending on economic viability and Government incentives being provided.

### Specific feedback from a participant

*We would highly recommend that when the site is taken to market, the government is very clear about what level of affordable housing is required and what incentives are offered to support this. Without this clarity, it is difficult to bid on a site with confidence...*

## Management of affordable rentals

Half the participants indicated the affordable rentals should be managed by a CHP, while the other half preferred the entire development being managed by a private operator.

Most participants expressed a preference for an operating model where one operator would manage all properties as this kind of ‘tenure blind’ or ‘fully integrated’ management model would be better for building a sense of community and give all residents equal access to onsite services and amenities.

It was noted that there are several Build-to-Rent operators in Australia that have experience managing market and affordable rental properties in Build-to-Rent developments. Likewise, it was noted that some CHPs in Australia already have the capability to manage market and affordable rental properties – and that other CHPs could potentially develop this capability.

### Site specific feedback

We have identified a site in Turner for the first potential Build-to-Rent project, and we are working to establish a pipeline of potential future projects.

#### Part Block 2 Section 57 Turner

- > Turner was considered a favourable site for Build-to-Rent by market sounding participants due to its size, zoning, location and proximity to Canberra’s CBD, public transport, light rail, services, amenity, employment, ANU and schools.

#### Feedback from a participant

*Turner is an ideal location for Build-to-Rent as it is located in close proximity to the light rail on Northbourne Ave as well as the Northbourne Ave bus stop and is closely located to one of Canberra's major employment hubs in the Civic Centre. Additionally, there is also an abundance of surrounding local amenity such as schools, open space and retail precincts that would well serve the BTR customer.*

#### Lawson Stage 2 Development

- > Compared to the Turner site, Lawson was seen as less suited to a high-density Build-to-Rent development due to its distance from public transport, services and shops.
- > Several participants identified Lawson as well suited for Build-to-Rent due to its proximity to University of Canberra (UC) which offers a unique opportunity to cater to the student market as well as the key worker population of the UC Hospital and Belconnen Town Centre.
- > Several variations of Build-to-Rent were suggested including key worker housing, ‘single family’ style rental accommodation and dual occupancy development.

## Next Steps and Key Milestones

Feedback from the Market Sounding will be used to inform future decisions by the ACT Government and the Suburban Land Agency about releasing a site for sale for the purposes of Build-to-Rent.



### Stay informed

You can register your interest in any future land sales, including Build-to-Rent projects by [subscribing to the Suburban Land Agency mailing list here.](#)



### Get in touch

Call the Suburban Land Agency reception on (02) 6205 0600

Email us at [SLABuildtoRent@act.gov.au](mailto:SLABuildtoRent@act.gov.au)

Reach us on Facebook or Twitter @suburbanland

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If English is not your first language and you require translation assistance, please phone the Translating Interpretive Service (TIS National) on 131 450.