Softened rules throw build-to-rent a lifeline

Treasurer Scott Morrison. Picture: AAP

- The Australian
- 12:00AM July 27, 2018
- BEN WILMOT

Commercial Property Reporter

Sydney

ELIZABETH REDMAN

Property Reporter

Melbourne

@elizabethredman

Australia's nascent build-to-rent sector has been thrown a lifeline by a softening in proposed federal government rules to allow residential assets to be held in managed investment trusts, clearing the way for billions of dollars to be poured into the area.

But investors would still be forced to pay a tax rate of 30 per cent, instead of the 15 per cent rate for other real estate investments, which could prompt industry protests.

Local developers are keen to get into the area as sales of individual units slump and global institutions are keen to own whole blocks of rental apartments as they do in the US and Britain.

The sector was left reeling in September last year when the government first indicated that developers would not be able to use the schemes that are the -primary avenue for global players to invest in commercial property.

Under plans unveiled by Scott Morrison last night, investors could hold residential assets in a managed investment trust.

Property Council of Australia executive director of capital markets Belinda Ngo said this was a switch from the September plan that barred investors from having residential assets in an MIT — unless the assets were affordable housing.

However, the Treasurer has stuck to his initial plans not to allow foreign institutions to receive favourable tax treatment unless their projects include a significant element of affordable housing.

The PCA hopes the government will reconsider the proposed 30 per cent tax rate.

“It’s definitely a step in the right direction and will give the industry more certainty as to how they can proceed,” Ms Ngo told *The Australian*.

“But it’s still missing that comparable tax rate to other real estate investments and that could be a potential barrier to attract international capital.”

Ms Ngo said there was still significant momentum for the build-to-rent sector in Australia.