Stockland’s Whitson: Build-to-rent housing ‘a game changer’

Australia’s largest residential developer Stockland is backing the concept of build-to-rent housing and says the area could draw significant capital if governments provide incentives in the area.

While Stockland is moving cautiously in apartments, as the residential property cycle turns, and is focused on opportunities in its land bank, it sees opportunity for the area to take off if governments get policy settings right.

“The whole build-to-rent model could be a real game changer in this space and we see globally examples overseas in the US and Europe where build to rent is a whole new asset class,” Stockland chief executive, residential, Andrew Whitson said.

He said investors were prepared to accept a lot lower returns on local property, which is making the assets relatively attractive.

“As the 10-year bond has declined dramatically and interest rates have come down you’re seeing other real estate asset classes transacting at a lower
yields,” Mr Whitson said, but he was cautious about whether the local market was ready for products.

“I think the whole of the industry is prepared to accept a lot lower returns within the build-to-rent space. Are we there yet? We’re close,” he said.

Mr Whitson said when investors looked at returns on cost “there is still a gap to attract a large volume of capital into this space because capital does go where it can get the best risk adjusted returns”.

“There is still a need for an economic gap to be topped up,” he added, citing measures including the relaxation of taxation and potential incentives in the area.

“You would then see significant fund flow into this space and we can get some higher quality rental outcomes for the Australian population into the market place,” he said.

PwC partner, infrastructure and urban renewal, Amy Brown, said the quality of life in build to rent communities in the US was “phenomenal”.

“There really is a different culture around it,” Ms Brown said.

She agreed local schemes could be a game changer. “We’re nearly there — I feel like it just needs to one or two small things and then it will be viable and get going,” she said. “The only thing I would look at is what about wealth creation for retirement purposes for life-long renters.”

Stockland last month flagged the company’s interest in building a portfolio of multifamily housing, with a focus on affordable rentals in town houses.

Mirvac Group has tapped UBS to launch a major build-to-rent apartment vehicle. The company will build and hold units in capital cities and will operate the dedicated blocks. Mirvac is seeking about $164 million of equity for its “Liv by Mirvac” platform, which will start with a complex in Sydney Olympic Park and then expand into select areas in the eastern states as it seeks to build up a $750m portfolio.

Lendlease chief executive Steve McCann last month flagged his interest in the build-to-rent model, but the company is mainly focused on the US and Britain where the markets are advanced, while it is also pushing for changes to make the local sector viable.